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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in **Capital Estate Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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CAPITAL ESTATE LIMITED

冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

**Independent financial adviser to
the independent board committee and the shareholders of
Capital Estate Limited**



AMS Corporate Finance Limited

A notice of convening the Extraordinary General Meeting of the Shareholders of the Company to be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong Hotel, No. 238 Jaffe Road, Wan Chai, Hong Kong on 16 June 2006 at 10:15 a.m. (or any time as soon as practicable after the conclusion or adjournment of an earlier extraordinary general meeting of the Company to be held at 10:00 a.m. on the same day and at the same place) is set out on pages 16 to 18 of this circular. A form of proxy for use by the Shareholders at the Extraordinary General Meeting is enclosed. Whether or not you intend to attend the meeting, you are requested to complete and return the enclosed form in accordance with the instructions printed thereon to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be).

Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting thereof should you so wish.

29 May 2006

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“AGM”	the last annual general meeting of the Company held on 20 December 2005
“associate”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Capital Estate Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Current Share Issue Mandate”	the mandate to allot and issue Shares granted to the Directors pursuant to a resolution of the Shareholders adopted at the AGM
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong Hotel, No. 238 Jaffe Road, Wan Chai, Hong Kong on 16 June 2006 at 10:15 a.m. (or any time as soon as practicable after the conclusion or adjournment of an earlier extraordinary general meeting of the Company to be held at 10:00 a.m. on the same day and at the same place)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai, each being an independent non-executive director
“Independent Financial Adviser” or “AMS”	AMS Corporate Finance Limited, a corporation licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
“Latest Practicable Date”	24 May 2006 being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chu”	Mr. Chu Nin Yiu, Stephen, an executive Director

DEFINITIONS

“New Share Issue Mandate”	the new mandate proposed to be granted to the Directors to allot and issue Shares representing 20 per cent. of the issued share capital of the Company at the date of the EGM, pursuant to a resolution to be adopted at the EGM
“Notice of EGM”	the notice convening the EGM as set out on pages 16 to 18 of this circular
“Registrar”	the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervalue”	Supervalue Holdings Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Chu, the principal business of which is the holding of the shares in the Company
“Warrants”	warrants issued by the Company in amounts of subscription rights of HK\$0.20 for each Warrant entitling the holders thereof to subscribe up to an aggregate amount of HK\$52,986,000 for new Shares at an initial subscription price of HK\$0.20 per Share subject to adjustment, at any time from the date of issue 19 May 2006 thereof up to 18 May 2007
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

LETTER FROM THE BOARD



CAPITAL ESTATE LIMITED

冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

Executive Directors:

Chu Nin Yiu, Stephen (*Executive Chariman*)

Chu Nin Wai, David (*Deputy Chairman*)

Lau Chi Kan, Michael

Registered office:

Unit 1901, 19th Floor

Asia Orient Tower, Town Place

33 Lockhart Road

Wan Chai

Hong Kong

Independent non-executive Directors:

Li Sze Kuen, Billy

Wong Kwong Fat

Leung Kam Fai

29 May 2006

To the Shareholders

Dear Sirs or Madams,

REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

INTRODUCTION

The Company proposes to refresh the Current Share Issue Mandate, which has been substantially utilized.

The purpose of this circular is (a) to provide you with further information on the refreshment of the Current Share Issue Mandate; (b) to set out the recommendation of the Independent Board Committee and the advice of the Independent Financial Adviser in relation to the refreshment of the Current Share Issue Mandate; and (c) to give you the Notice of EGM at which resolution will be proposed to consider and, if thought fit, approve the refreshment of the Current Share Issue Mandate by the grant of the New Share Issue Mandate.

REFRESHMENT OF THE CURRENT SHARE ISSUE MANDATE

Usage of the Current Share Issue Mandate since the AGM

The Current Issue Mandate was granted to the Directors at the AGM to allot, issue and deal with a maximum of 264,931,465 Shares being 20 per cent. of the total amount of issued share capital of the Company at 20 December 2005.

LETTER FROM THE BOARD

On 8 May 2006, the Company entered into a placing agreement with Get Nice Investment Limited, the placing agent, pursuant to which the placing agent would on a best effort basis procure subscribers to subscribe for not more than 264,930,000 Warrants. The Warrants carry the subscription rights to subscribe up to 264,930,000 new Shares representing approximately 20 per cent. of the existing issued share capital of the Company, which are to issued and allotted under the Current Share Issue Mandate upon the exercise of the subscription rights attached to the Warrants.

On 19 May 2006, the aforesaid placing of Warrants was completed with 264,930,000 Warrants successfully placed to 7 independent placees. The Current Share Issue Mandate was thus substantially utilized to the extent of over 99%. The net proceeds from the placing of Warrants amounting to approximately HK\$12.8 million are to be employed as additional general working capital.

Refreshment of the Current Share Issue Mandate since the AGM

The Company has not refreshed the Current Share Issue Mandate since the date of the AGM and up to the Latest Practicable Date.

The proposed New Share Issue Mandate

It is proposed to grant the New Share Issue Mandate to the Directors to allot, issue and dispose of shares of the Company not exceeding 20 per cent. of the issued share capital of the Company in issue as at the date of the relevant resolution. As at the Latest Practicable Date, the Company had 1,324,657,340 issued Shares. On the basis that no Shares would be issued and/or repurchased by the Company from the Latest Practicable Date up to the EGM, the Company would be allowed to allot, issue and deal with up to 264,931,468 Shares under the New Share Issue Mandate.

The Directors believe that it is in the interests of the Company and its Shareholders as a whole if the Current Share Issue Mandate is refreshed at the EGM, as it can provide the Directors with the flexibility and powers to issue new securities speedily under the limit granted as and when necessary, and without seeking further Shareholders' approval. The Directors have no present intention or plan to use the New Share Issue Mandate. In the event there is any such issue, the Company will comply with the relevant requirements of the Listing Rules.

Approval of the New Share Issue Mandate

Pursuant to Rule 13.36(4)(a) of the Listing Rules, any refreshment of the Current Share Issue Mandate before the next annual general meeting requires the controlling Shareholders (as defined in the Listing Rules) and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates to abstain from voting in favour. The Company did not have any controlling Shareholders as at the Latest Practicable Date and save for Mr. Chu, none of the Directors and chief executive of the Company and their respective associates hold any Shares. Accordingly, Mr. Chu, being an executive Director, Supervalve and their respective associates, will abstain from voting in favour of the resolution to be proposed at the EGM for approval of the grant of the New Share Issue Mandate. Further, pursuant to the Listing Rules, any vote of the Shareholders will be taken by poll.

LETTER FROM THE BOARD

EGM

A notice convening the EGM to be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong Hotel, No. 238 Jaffe Road, Wan Chai, Hong Kong on 16 June 2006 at 10:15 a.m. (or any time as soon as practicable after the conclusion or adjournment of an earlier extraordinary general meeting of the Company to be held at 10:00 a.m. on the same day and at the same place) is set out on pages 16 to 18 of this circular at which a resolution will be proposed to consider and, if thought fit, to approve the New Share Issue Mandate, voting of which will be taken on poll.

A form of proxy is enclosed for use at the EGM. Whether or not Shareholders intend to attend the EGM in person, they are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Registrar as soon as possible and in any event not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting at the EGM or any adjourned meeting if they so wish.

RECOMMENDATION

The Directors consider that the granting of the New Share Issue Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders vote in favour of the relevant ordinary resolution to be proposed at the EGM.

QUALIFICATION OF THE EXPERT

The following is the qualification of the expert who has been named in this circular or has given an opinion or advice which is contained in the circular:

Name	Qualification
AMS	A corporation licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

AMS had given and has not withdrawn its written consent to the issue of the circular with the inclusion herein of its letter or references to its name in the form and context in which they respectively appear. As at the Latest Practicable Date, AMS had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from AMS set out on pages 8 to 15 of this circular setting out its advice to the Independent Board Committee and the Shareholders in relation to the grant of the New Share Issue Mandate and (ii) the letter from the Independent Board Committee set out on page 7 of this circular containing its recommendations to Shareholders with regard to the grant of the New Share Issue Mandate.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

By order of the Board of
CAPITAL ESTATE LIMITED
Chu Nin Yiu, Stephen
Executive Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CAPITAL ESTATE LIMITED

冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

29 May 2006

To the Shareholders

Dear Sirs or Madams,

We have been appointed as the Independent Board Committee to advise you in connection with the proposed refreshment of the Current Share Issue Mandate, the details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 29 May 2006 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the refreshment of the Current Share Issue Mandate and the advice of AMS in relation thereto as set out on pages 8 to 15 of the Circular, we are of the view that the refreshment of the Current Share Issue Mandate is in the interests of the Company and its Shareholders as a whole and the terms and conditions of the New Share Issue Mandate are fair and reasonable so far as the Shareholders are concerned.

Accordingly, we recommend that the Shareholders vote in favour of the resolution to be proposed at the EGM to approve the grant of the New Share Issue Mandate.

Yours faithfully,

For and on behalf of the Independent Board Committee

Li Sze Kuen, Billy
Independent
non-executive Director

Wong Kwong Fat
Independent
non-executive Director

Leung Kam Fai
Independent
non-executive Director

LETTER FROM AMS

The following is the full text of the letter dated 29 May 2006 from AMS setting out its advice to the Independent Board Committee and the Shareholders.



博資財務顧問有限公司
AMS Corporate Finance Limited

20th Floor
Hong Kong Diamond Exchange Building
8-10 Duddell Street
Central
Hong Kong

29 May 2006

*To the Independent Board Committee and
the Shareholders of Capital Estate Limited*

Dear Sirs,

REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Shareholders in respect of the terms of the refreshment of the Current Share Issue Mandate, details of which are set out in the letter from the Board (the “Letter from the Board”) contained in the circular dated 29 May 2006 issued by the Company to the Shareholders (the “Circular”), of which this letter forms part. Unless otherwise stated, terms used in this letter have the same meanings as those defined in the Circular.

The Board proposes to refresh the Current Share Issue Mandate to issue and allot up to 20% of the issued share capital of the Company as at the date of passing the relevant resolution. In accordance with Rule 13.36(4) of the Listing Rules, any refreshment of such general mandate to issue securities before the next annual meeting requires the approval of shareholders by way of poll whereby any controlling shareholders and their associates or, where there are no controlling shareholders, the directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour of the relevant resolution at the general meeting. As at the Latest Practicable Date, the Company did not have any controlling shareholders and the single largest Shareholder was Supervalue Holdings Limited, which is wholly owned by Mr. Chu Nin Yiu, Stephen, an executive Director, and was interested in 16.23% of the issued share capital of the Company, i.e. 214,966,000 Shares. Accordingly, Supervalue and Mr. Chu and their respective associates will abstain from voting in favour of the relevant resolution to approve the New Share Issue Mandate at the EGM as required under the Listing Rules. As stated in the Letter from the Board, as at the Latest Practicable Date, none of the other Directors or chief executive of the Company or

LETTER FROM AMS

their associates (as defined in the Listing Rules) held any Shares. In the event that, during the period from the Latest Practicable Date to the date of the EGM, there arises any controlling Shareholder, or any Director or chief executive of the Company becomes interested in any issued Shares, such Shareholder or Director or chief executive of the Company and their respective associates (as defined in the Listing Rules) will also be required to abstain from voting in favour of the relevant resolution to approve the New Share Issue Mandate at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Shareholders as to whether the refreshment of the Current Share Issue Mandate is in the interests of the Company and the Shareholders as a whole and whether the refreshment of the Current Share Issue Mandate is fair and reasonable so far as the Shareholders are concerned. As the independent financial adviser to the Independent Board Committee and the Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Shareholders as to (i) whether or not the refreshment of the Current Share Issue Mandate is in the interests of the Company and the Shareholders as a whole; (ii) whether the refreshment of the Current Share Issue Mandate is fair and reasonable so far as the Shareholders are concerned; and (iii) how the Shareholders should vote in respect of the resolution to approve the New Share Issue Mandate at the EGM.

Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser to the Independent Board Committee and the Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company. We are independent of the Company for the purposes of Rule 13.84 the Listing Rules.

II. BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and representations contained or referred to in the Circular and the information and representations provided to us by the Company and the Directors. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Company and the Directors, for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so at the date hereof. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. The Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We consider that we have reviewed sufficient information which enables us to form a reasonable basis for our opinion. We also consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules to ascertain the reliability of the information provided to us and to form our opinion. We have not, however, conducted any independent verification of the information provided, nor have we carried out any form of in-depth investigation into the business and affairs of the Company and its subsidiaries (together, the “Group”) or the prospects of the market in which it operates.

LETTER FROM AMS

III. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the refreshment of the Current Share Issue Mandate, we have taken into consideration the following principal factors and reasons:

1. Background information

At the annual general meeting of the Company held on 20 December 2005, the Current Share Issue Mandate was given to the Directors to allot, issue and deal with the unissued Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the relevant ordinary resolution, being 264,931,465 Shares.

On 8 May 2006, the Company announced that it had entered in a placing agreement with a placing agent, pursuant to which the placing agent would on a best effort basis procure subscribers for not more than 264,930,000 warrants (the “Warrant(s)”) to be issued by the Company (the “Placing”) at the price of HK\$0.05 per Warrant. As advised by the Company, the Placing was completed on 19 May 2006 and a total of 264,930,000 Warrants had been subscribed by parties independent from and not connected with the Company and its connected persons (as defined in the Listing Rules). As each Warrant entitles the holder thereof to subscribe for one new Share at the price of HK\$0.20 per Share, a total of 264,930,000 new Shares will be issued and allotted upon the full exercise of the subscription rights attached to the Warrants. As advised by the Company, the new Shares which may be issued in respect of the Warrants are to be issued and allotted pursuant to the Current Share Issue Mandate.

Given that the Current Share Issue Mandate has been earmarked as to 264,930,000 new Shares for the purposes of the Warrants and only 1,465 new Shares may be further issued under the Current Share Issue Mandate, the Directors propose to seek approval of the Shareholders for the approval of the New Share Issue Mandate so that the Directors would be granted the authority to allot, issue and deal with new Shares not exceeding 20% of the total nominal amount of the share capital of the Company as at the date of passing the relevant ordinary resolution. As stated in the Letter from the Board, the Directors believe that it is in the interest of the Company and its Shareholders as whole to refresh the Current Share Issue Mandate by the grant of the New Share Issue Mandate as it will provide the Directors with the flexibility and powers to issue new securities of the Company speedily within the limit to be granted as and when necessary, and without seeking further Shareholders’ approval.

LETTER FROM AMS

2. Review of the Group's business and cashflow positions

The Group is principally engaged in property rental, financial investment, property development, property sales, provision of estate agency services, and investment.

As noted in the Company's latest annual report for the year ended 31 July 2005 (the "Annual Report"), the Group recorded a total turnover of approximately HK\$25.7 million for the year, representing an increase of approximately 13.7% from the preceding year. Such growth was mainly due to the increase in turnover generated from financial investment and property sale as well as the estate agency business, despite the fact that there was no longer any contribution from the silk product business following its disposal in March 2004. The Group also reported a net profit of approximately HK\$5.9 million for the year, compared to a net loss of approximately HK\$2.9 million for the preceding year. The improvement in the operating results was mainly due to the surplus on revaluation of the Group's investment properties of approximately HK\$8.9 million and the unrealized gain on trading securities of approximately HK\$5.0 million.

According to the Company's interim report for the six months ended 31 January 2006 ("Interim Report"), the Group recorded an unaudited turnover of approximately HK\$47.7 million for the six-month period which was primarily due to the sale of listed trading securities and unlisted debt securities. Despite the more than twofold growth in turnover, the Group reported a net loss of approximately HK\$1.6 million for the six months ended 31 January 2006 compared with a net profit of approximately HK\$13.8 million for the corresponding period last year. The deterioration in the operating results was primarily due to the net decrease in unrealized gain on investment in securities of approximately HK\$8.7 million and the increase in administrative expenses of approximately HK\$2.6 million, coupled with the net realized loss on disposal of investments in trading securities/derivative financial instruments of approximately HK\$5.2 million.

It appears from the Group's recent financial results that the contribution from its property investments has been declining, though the Group's principal business activities include property sales and development. This may probably be due to the depletion of the Group's portfolio of properties held for sale, which amounted to only approximately HK\$206,000 as at 31 January 2006. Nevertheless, we note in the Interim Report that, fuelled by the solid performance of the property markets in Hong Kong and Macau, the Group has gathered its pace in business expansion and increased its presence in the property and hotel sectors through acquisitions. On 3 January 2006, the Group completed the acquisition of 10% interest in a company which holds 100% interest in a hotel in Macau, namely Hotel Fortuna, for a total consideration of HK\$60 million. On 4 April 2006, the Board announced that a wholly-owned subsidiary of the Company had entered into a sale and purchase agreement for the purchase of 5% equity interest in a company, the principal asset of which is a piece of land of approximately 3,449 square metres in Macau, for a total consideration of HK\$56.25 million. As advised by the Company, the acquisition was completed on 3 April 2006. Such acquisitions are consistent with the stated strategy of the Group to expand its property portfolio.

LETTER FROM AMS

According to the Interim Report, the Group's cash and bank balances together with certificate of deposits amounted to approximately HK\$192.0 million as at 31 January 2006. As indicated in the circular issued by the Company on 24 April 2006, the total consideration of HK\$56.25 million for acquisition of the land in Macau as mentioned above had been satisfied in cash from internal resources of the Group. By way of placing of the Warrants which was completed on 19 May 2006 as mentioned above, the Company had raised net proceeds of approximately HK\$12.8 million.

Having considered the nature of the Group's principal business activities which include property investment and development and are capital-intensive in nature, we consider it prudent and reasonable for the Group to maintain a strong capital base and cash position in order to finance the expansion of its property portfolio when opportunities arise. In the event that the Group identifies a suitable investment opportunity but does not have sufficient financial resources on hand, or is unable to obtain loan financing on acceptable terms or raise funds from the equity market in a timely manner, the Group may lose a favourable investment opportunity.

3. Financial flexibility

As stated in the Letter from the Board, the Directors believe that it is in the interests of the Company and the Shareholders as a whole if the Current Share Issue Mandate is refreshed by the grant of the New Share Issue Mandate as it will provide them with the flexibility and powers to issue new securities of the Company speedily within the limit to be granted as and when necessary, and without seeking further Shareholders' approval. However, the Directors have no present intention or plan to use the New Share Issue Mandate.

We consider that the grant of the New Share Issue Mandate could enhance the financing flexibility of the Company to raise capital and strengthen the capital base of the Group, if and when required, through placing of securities of the Company for further development of the Group. In particular, as the Group is principally engaged in property investment and development which is capital intensive in nature and any decision in relation to potential investment or acquisition of properties has to be made promptly, we are of the view that it is crucial for the Group to maintain sufficient financial resources to meet its investment needs from time to time. The New Share Issue Mandate would provide the Group with the flexibility as allowed under the Listing Rules to allot and issue securities of the Company to raise additional equity or as consideration for potential investments or acquisitions as and when such opportunities arise. Furthermore, the additional amount of equity which may be raised through utilizing the New Share Issue Mandate will give the Group more financing options when assessing and negotiating potential acquisitions in a timely manner.

Given the financial flexibility available to the Group as discussed above, we consider that the refreshment of the Current Share Issue Mandate is in the interests of the Company and the Shareholders as a whole.

LETTER FROM AMS

4. Other financing alternatives

Other than raising fund by way of issuing equity capital, the Directors indicate that the Company may consider other financing methods such as bank borrowing, issue of debt securities and funding through internal resources in order to meet its financing requirements arising from future investment or acquisition opportunities, depending on the then cost of funding, financial position and capital structure of the Group as well as the then prevailing market condition. We are of the view that the New Share Issue Mandate provides an additional prudent means to finance the Group's investments without incurring additional debt and interest costs.

5. Potential dilution to shareholdings of the Shareholders

As stated in the Letter from the Board, there were 1,324,657,340 Shares in issue as at the Latest Practicable Date. Assuming no change in the number of issued Shares from the Latest Practicable Date up to the EGM, the Directors would be authorized to allot, issue and deal with up to 264,931,468 new Shares under the New Share Issue Mandate, representing 20% and approximately 16.67% of the existing share capital and the enlarged issued share capital of the Company respectively. We set out below a table illustrating the shareholding structures of the Company as at the Latest Practicable Date and, for illustrative purpose only, upon full utilization of the proposed new general mandate:

	Issued Shares as at the Latest Practicable Date		Issued Shares upon full utilization of the proposed new general mandate	
	(No. of Shares)	%	(No. of Shares)	%
Supervalue Holdings Limited (<i>Note 1</i>)	214,966,000	16.23	214,966,000	13.52
Mark Profit Development Limited (<i>Note 2</i>)	<u>166,430,500</u>	<u>12.56</u>	<u>166,430,500</u>	<u>10.47</u>
Sub-total	381,396,500	28.79	381,396,500	23.99
Public Shares that may be issued under the proposed new general mandate	943,260,840	71.21	943,260,840	59.34
	<u>—</u>	<u>—</u>	<u>264,931,468</u>	<u>16.67</u>
Total	<u><u>1,324,657,340</u></u>	<u><u>100.0</u></u>	<u><u>1,589,588,808</u></u>	<u><u>100.0</u></u>

LETTER FROM AMS

Note 1: The 214,966,000 Shares are beneficially owned by Supervalue Holdings Limited, which is in turn wholly-owned by Mr. Chu Nin Yiu, Stephen, an executive Director.

Note 2: The 166,430,500 Shares are beneficially owned by Mark Profit Development Limited, a wholly-owned subsidiary of Easyknit Properties Holdings Limited which is in turn wholly-owned by Easyknit International Holdings Limited, the shares of which are listed on the main board of the Stock Exchange and the Singapore Exchange Securities Trading Limited. Easyknit International Holdings Limited is owned as to approximately 36.74% by Magical Profits Limited, a wholly-owned subsidiary of Accumulate More Profits Limited which is in turn wholly-owned by Trustcorp Limited. Trustcorp Limited is the trustee of The Magical 2000 Trust, the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than spouse. Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 166,430,500 Shares under the SFO.

The aforesaid trustee, Trustcorp Limited, is 100% owned by Newcorp Ltd. which is in turn wholly-owned by Newcorp Holdings Limited. David William Roberts and David Henry Christopher Hill are each interested in 35% of Newcorp Holdings Limited, and Rebecca Ann Hill is the spouse of the latter. Accordingly, they are all deemed to be interested in the 166,430,500 Shares under the SFO.

As shown in the table above, the shareholdings of the existing Shareholders will decrease by a magnitude of approximately 16.67% upon full utilization of the New Share Issue Mandate. Given the fact that (i) the New Share Issue Mandate will provide an alternative means to finance the Group's business operations and potential investments as and when opportunities arise; (ii) the additional capital which may be raised by way of new equity issue under the New Share Issue Mandate will strengthen the Group's equity position; and (iii) the shareholdings of all the Shareholders, including those of the substantial Shareholders, will be diluted by the same magnitude upon any utilization of the New Share Issue Mandate, we consider such maximum potential dilution to the shareholding of the Shareholders to be fair and reasonable.

Shareholders are advised to note that the existing Current Share Issue Mandate will be revoked upon approval at the EGM of the New Share Issue Mandate which will continue to be in force until the earlier of (i) the conclusion of the Company's next annual general meeting, and (ii) the revocation or variation or renewal of the authority given under the relevant resolution to be proposed by ordinary resolution of the Shareholders in general meeting. Such duration is in compliance with Rule 13.36(3) of the Listing Rules.

LETTER FROM AMS

IV. RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the refreshment of the Current Share Issue Mandate is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Shareholders are concerned. Therefore, we would advise the Independent Board Committee and the Shareholders that the Shareholders should vote in favour of the resolution to approve the New Share Issue Mandate at the EGM.

Yours faithfully,
For and on behalf of
AMS Corporate Finance Limited
Jinny Mok
Director

NOTICE OF EGM



CAPITAL ESTATE LIMITED

冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of CAPITAL ESTATE LIMITED (the “Company”) will be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong Hotel, No. 238 Jaffe Road, Wan Chai, Hong Kong on 16 June 2006 at 10:15 a.m. (or any time as soon as practicable after the conclusion or adjournment of an earlier extraordinary general meeting of the Company to be held at 10:00 a.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“THAT:

- (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall be in addition to any other authorization given to the directors of the Company and shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of the share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
 - (i) a Rights Issue (as hereinafter defined); or
 - (ii) an issue of Shares upon the exercise of rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into Shares, the issue of which warrants and other securities has previously been approved by shareholders of the Company; or
 - (iii) an issue of Shares upon the exercise of any options granted under any share option scheme or similar arrangement for the time being adopted for the grant or issue to eligible persons of Shares or rights to acquire Shares; or

NOTICE OF EGM

- (iv) an issue of Shares as scrip dividends or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of the Company.

shall not in total exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and

- (d) for the purpose of this resolution, “Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of the Company, the Companies Ordinance or any applicable laws in Hong Kong to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company under this resolution.

“Rights Issue” means an offer of Shares or an offer of warrants, options or other securities giving rights to subscribe for Shares, open for a period fixed by the directors of the Company to holders of Shares or any class thereof whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares or any class thereof (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong).”

By order of the Board of
CAPITAL ESTATE LIMITED
Chu Nin Yiu, Stephen
Executive Chairman

Hong Kong, 29 May 2006

Registered office:
Unit 1901, 19th Floor
Asia Orient Tower, Town Place
33 Lockhart Road
Wan Chai
Hong Kong

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Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
3. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder may appoint more than one proxy to attend the meeting. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding of the above meeting or any adjournment thereof.
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or at any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote, in respect thereof.

As of the date hereof, the board of directors of the Company comprises Mr. Chu Nin Yiu, Stephen, Mr. Chu Nin Wai, David and Mr. Lau Chi Kan, Michael as executive directors; and Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai as independent non-executive directors.