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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 THE SCHEME MANDATE LIMIT

UNDER

THE SHARE OPTION SCHEME

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 10:00 a.m. is set out on pages 7 and 8 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:

“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
“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 10:00 a.m.
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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
“Notice of EGM”	the notice convening the EGM as set out on pages 7 and 8 of this circular
“Option(s)”	the right granted under the Share Option Scheme to subscribe for Shares in accordance with the Share Option Scheme
“Proposed Refreshment”	the Scheme Mandate Limit proposed to be refreshed by the Shareholders at the EGM pursuant to which the Board may grant options to eligible participants under the Share Option Scheme and any other share option schemes of the Company to subscribe for up to 10% of the Shares in issue as at the date of the EGM
“Scheme Mandate Limit”	the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company and which shall not in aggregate exceed 10% of the Shares in issue as at the date of approval of the Share Option Scheme by Shareholders and thereafter, if refreshed, shall not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company (or of such other nominal amount as shall result from a consolidation, subdivision, reclassification or reconstruction of the share capital of the Company from time to time)
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme adopted by the Company on 30 December 2002
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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 Chairman*)

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 THE SCHEME MANDATE LIMIT

UNDER

THE SHARE OPTION SCHEME

INTRODUCTION

The purpose of this circular is to provide Shareholders information relating to the ordinary resolution to be proposed at the EGM for Shareholders to consider and, if thought fit, to approve the Proposed Refreshment and to give Shareholders the Notice of EGM.

REFRESHMENT OF SCHEME MANDATE LIMIT UNDER THE SHARE OPTION SCHEME

Proposed Refreshment

The Share Option Scheme was adopted on 30 December 2002. Under the rules of the Share Option Scheme and in compliance with the Provisions of Chapter 17 of the Listing Rules:

LETTER FROM THE BOARD

- (i) the maximum number of Shares which may be issued upon the exercise of all options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company cannot exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Company if such grant would result in the above limit being exceeded;
- (ii) the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of adoption of the Share Option Scheme; and
- (iii) the Company may seek approval of the Shareholders in general meeting for “refreshing” the Scheme Mandate Limit. However, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as “refreshed” shall not exceed 10% of the total number of Shares in issue as at the date of approval of the limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed or exercised) will not be counted for purpose of calculating the limit as “refreshed”.

As at 30 December 2002, the date of adoption of the Share Option Scheme, the total number of Shares in issue was 482,399,556 and the Scheme Mandate Limit was therefore 48,239,955 Shares on that date. On 20 November 2003, the Company granted Options to subscribe for 41,600,000 Shares to the following persons under the Share Option Scheme:

Name	Numbers of shares	Exercise period	Exercise price per share HK\$
Director:			
Ng Kai Man, Luke	20,800,000	20.11.2003 – 29.12.2012	0.0234
Employee:			
Other employee	20,800,000	20.11.2003 – 29.12.2012	0.0234

Pursuant to a resolution passed on 18 December 2003, the Scheme Mandate Limit was refreshed to 208,139,866 Shares, representing 10% of the Shares of the Company in issue as at 18 December 2003. On 17 March 2004, the following Options to subscribe for 83,600,000 Shares were granted:

Name	Numbers of shares	Exercise period	Exercise price per share HK\$
Directors:			
Ng Kai Man, Luke	6,500,000	17.3.2004 – 29.12.2012	0.0240
Ma Wai Man, Catherine	27,300,000	17.3.2004 – 29.12.2012	0.0240
Chow Hon Man	27,300,000	17.3.2004 – 29.12.2012	0.0240
Employees:			
Other employees	22,500,000	17.3.2004 – 29.12.2012	0.0240

LETTER FROM THE BOARD

None of the Options granted above on 20 November 2003 and 17 March 2004 have been exercised, all of which have been lapsed after the termination of engagements of the directors and employees concerned, and none remained outstanding as at the Latest Practicable Date.

The Company had a share consolidation on the basis of every 100 Shares of HK\$0.01 each consolidated into one consolidated Share of HK\$1.00 each effected on 29 September 2005, followed by a share subdivision on the basis of one Share of HK\$1.00 each subdivided into five Shares of HK\$0.02 each effected on 21 December 2005. Accordingly, the Scheme Mandate Limit became 10,406,990 Shares after adjusting for the effect of the above share consolidation and share subdivision.

The number of Shares in issue has increased to 1,324,657,340 since the last refreshment of the Scheme Mandate Limit. Accordingly, unless the Scheme Mandate Limit is refreshed, the maximum of Shares which can be granted under the Share Option Scheme is 10,406,990 Shares, representing only about 0.79% of the existing share capital of the Company.

If the Scheme Mandate Limit is refreshed, based on 1,324,657,340 Shares in issue as at the Latest Practicable Date and assuming no further issue or repurchase of Shares prior to the EGM, upon refreshment of the Scheme Mandate Limit by Shareholders at the EGM, the Company may grant options entitling holders to subscribe for a maximum of 132,465,734 Shares, representing 10% of the number of Shares in issue as at the date of the EGM.

The Directors propose to refresh the Scheme Mandate Limit so that the Company will have more flexibility to give incentives and recognition to participants for their contribution to the Group, and enable the Group to attract and retain high-calibre employees that are valuable to the Group.

Conditions

The Proposed Refreshment is conditional upon:

- (a) the Shareholders passing an ordinary resolution to approve the Proposed Refreshment at the EGM; and
- (b) the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any Options that may be granted pursuant to the Share Option Scheme under the Proposed Refreshment not exceeding 132,465,734 Shares, representing 10% of the Shares in issue as at the date of approval of the Proposed Refreshment by the Shareholders at the EGM.

Application for Listing

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares which fall to be issued upon the exercise of any Options that may be granted pursuant to the Share Option Scheme under the Proposed Refreshment.

EGM

The Notice of EGM appearing on pages 7 and 8 of this circular sets out the proposed resolution for the Proposed Refreshment.

LETTER FROM THE BOARD

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.

PROCEDURES BY WHICH A POLL MAY BE DEMANDED

Pursuant to article 74 of the articles of association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll (before or on the declaration of the result of the show of hands or on withdrawal of any other demand for a poll) is demanded:

- (a) by the Chairman of the meeting; or
- (b) by at least three Shareholders present in person or by proxy for the time being entitled to vote at the meeting; or
- (c) by any Shareholder or Shareholders present in person or by proxy or in the case of a Shareholder being a corporation by its duly authorised representative representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (d) by any Shareholder or Shareholders present in person or by proxy or in the case of a Shareholder being a corporation by its duly authorised representative and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

RECOMMENDATION

The Directors consider that the Proposed Refreshment 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.

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

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 an 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 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval for the listing of, and permission to deal in, the shares of the Company (representing a maximum of 10% of the number of shares of the Company in issue as at the date of passing of this resolution) which may fall to be issued by the Company pursuant to the exercise of options granted under the share option scheme adopted by the Company on 30 December 2002 (the “Share Option Scheme”), approval be and is hereby granted for refreshing the 10% mandate limit under the Share Option Scheme (the “Refreshed Scheme Limit”) pursuant to paragraph 9.2 of the rules of the Share Option Scheme such that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the Refreshed Scheme Limit shall not exceed 10% of the shares of the Company in issue on the date of passing this resolution, provided that for the purpose of calculating whether the Refreshed Scheme Limit is exceeded, all shares of the Company which are subject to or had been subject to the options granted under the Share Option Scheme and any other share option schemes of the Company prior to the passing this resolution (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) shall not be taken into account, and the Directors or duly authorised committee thereof be and are hereby authorised to grant options and to allot, issue and deal with unissued shares of the Company pursuant to the exercise of options granted under the Share Option Scheme within the Refreshed Scheme Limit in accordance with the rules of the Share Option Scheme, and to do such acts and execute such documents for or incidental to such purpose.

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

Hong Kong, 29 May 2006

NOTICE OF EGM

Registered office:

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

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.