

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement



資本策略

CAPITAL STRATEGIC INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 497)

ISSUE OF HK\$78 MILLION PRINCIPAL AMOUNT 4% CONVERTIBLE NOTE DUE 2012

On 16 November, 2009, CSI entered into Subscription Agreement with the Subscriber in relation to the subscription of the Convertible Note in the principal amount of HK\$78 million.

SUBSCRIPTION FOR THE CONVERTIBLE NOTE

On 16 November, 2009, CSI entered into Subscription Agreement with the Subscriber in relation to the subscription of the Convertible Note in the principal amount of HK\$78 million. Set out below is a summary of the principle terms of the Convertible Note:—

Subscription amount: HK\$78 million

Initial Conversion Price: HK\$0.25 per CSI Share, subject to usual anti-dilution adjustments in certain events such as share consolidation, share subdivision, reclassification, capitalization issue, capital distribution, rights issue and other equity or equity derivatives issues.

The Initial Conversion Price of HK\$0.25 per CSI Share represents:

- a premium of approximately 15.7% over the closing price of HK\$0.216 per CSI Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 14.7% over the average closing price of approximately HK\$0.218 per CSI Share as quoted on the Stock Exchange for the last 5 trading days prior to and including the Last Trading Day.

The Initial Conversion Price was determined after arm's length negotiation between the Subscriber and CSI with reference to the prevailing market prices of the CSI Shares.

Interest rate: 4% per annum, payable semi-annually in arrear

Maturity:	The third anniversary from the issue of the Convertible Notes (the “Maturity Date”)
Redemption:	<p>Unless previously converted or purchased or redeemed by CSI, CSI will redeem the Convertible Notes on the Maturity Date at the redemption amount which is 123.1% of the principal amount of the Convertible Notes outstanding plus interest.</p> <p>In the event of the occurrence of certain events of default specified in the Convertible Notes, Noteholders holding at least 75% of the then outstanding principal amount of the Notes may give notice to the Company that an event of default has occurred. If the event is capable of remedy but is not remedied or incapable of being remedied after 21 Business Days, the Notes shall become due and payable at the Early Redemption Amount.</p>
Redemption at the option of CSI:	On or at any time after the date of the first anniversary of issue of the Convertible Notes, if the volume weighted average price of each CSI Share for any 15 trading days out of 20 consecutive trading days is at least 180% of the Conversion Price, such redemption to be effected at the Early Redemption Amount.
Repurchase:	The Company or any of its subsidiaries may at any time and from time to time purchase Convertible Notes at any price as may be agreed between the Company or such subsidiary and the relevant Noteholder. Any Convertible Note so purchased shall forthwith be cancelled by the Company.
Transferability:	Transfer of the Convertible Notes is subject to the prior written consent of the Company (whether or not to a connected person of CSI).
Conversion period:	Each of the Noteholders shall have the right to convert, on any Business Day commencing from and excluding the 7th day after the date of issue of the Convertible Notes up to and including the date which is 7 days prior to the Maturity Date, the whole or any part (in an amount or integral multiple of HK\$10,000,000) of the principal amount of the Convertible Notes into CSI Shares at the then prevailing conversion price.
Conversion Shares:	Upon full conversion of the Convertible Note at the Initial Conversion Price, an aggregate of 312,000,000 Conversion Shares (with an aggregate nominal value of HK\$2,496,000) will be issued by CSI, representing approximately 3.82% of the existing issued share capital of CSI and approximately 3.68% of the issued share capital of CSI as enlarged by the issue of the Conversion Shares.
Voting:	A Noteholder will not be entitled to receive notice of, attend or, vote, at any general meeting of CSI by reason only of it being a Noteholder.

Listing: No application will be made for the listing of the Convertible Note on the Stock Exchange or any other stock exchange. An application will be made by CSI for the listing of and permission to deal in the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes.

Ranking: The Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Note will rank pari passu in all respects with all other CSI Shares in issue as at the date on which the relevant conversion rights are exercised.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, the Subscriber and its respective ultimate beneficial owners are Independent Third Parties.

The Subscriber is a Cayman fund available only to institutions and sophisticated investors. The Subscriber makes strategic investments throughout emerging markets and is managed by Templeton Asset Management Ltd (“TAML”), which has 15 offices located throughout the emerging markets. TAML’s emerging markets analysts in Asia are located in Singapore, Shanghai, Seoul, Hong Kong and Mumbai, and TAML’s emerging markets investments team is headed by Dr. Mark Mobius.

Conditions of the Subscription Agreement:

Completion of the Subscription Agreement is conditional on:

- (a) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Subscriber cannot reasonably object) listing of and permission to deal in the Conversion Shares; and
- (b) if required, the Bermuda Monetary Authority having approved the issue of the Convertible Notes and the Conversion Shares and the transferability of the Convertible Notes and the Conversion Shares.

If any of the above conditions precedent have not been fulfilled on or before the day which falls on the expiry of 20 calendar days following the date of the Subscription Agreement (or such later date as may be agreed by the parties to the Subscription Agreement), then the Subscription Agreement shall lapse immediately thereafter and be of no further effect and neither party to the Subscription Agreement shall have any claim against or liability or obligation to other party under the Subscription Agreement.

Completion of the Subscription Agreement:

Completion of the Subscription Agreement is to take place on the third Business Day next following the date of fulfilment or waiver (as the case may be) of the conditions precedent stated in the section headed “Conditions of the Subscription Agreement” above, or such other date as the parties to the Subscription Agreement may agree.

INFORMATION ON CSI AND REASONS FOR THE SUBSCRIPTION AGREEMENT

The Group is principally engaged in property investment and securities investment.

The Directors consider that issue of the Convertible Note will strengthen the financial position and capital base of the Group. Accordingly, the Directors are of the view that the entering into of the Subscription Agreement is in the best interests of CSI and its shareholders as a whole and that their terms are fair and reasonable.

USE OF PROCEEDS

The aggregate gross amount to be raised under the Subscription Agreement will be approximately HK\$78 million. After deduction of the related costs, the net proceeds are expected to be approximately HK\$77.5 million. Assuming a total of 312,000,000 Conversion Shares are issued upon exercise of Conversion Rights at the Initial Conversion Price, the net price per Conversion Share is HK\$0.248. The Directors intend to apply the net proceeds for general working capital for the Group.

SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of CSI as at the date of this announcement and immediately after completion of the Subscription Agreement:

	Upon completion of the Subscription Agreement Shareholding as at the date of this announcement		Assuming full conversion of the Convertible Notes at the Initial Conversion Price	
		%		%
Earnest Equity together with parties acting in concert with it	2,518,552,062	30.85%	2,518,552,062	29.71%
The Subscriber	—	—	312,000,000	3.68%
Other Public CSI Shareholders	5,645,265,012	69.15%	5,645,265,012	66.61%
Total	<u>8,163,817,074</u>	<u>100%</u>	<u>8,475,817,074</u>	<u>100%</u>

SUMMARY OF EQUITY FUND RAISING ACTIVITIES OF CSI IN THE PAST TWELVE MONTHS

The fund raising activities of CSI in the 12 months immediately preceding the date of this announcement are set out below:

Announcement date	Description	Net Amount raised	Intended use Proceeds of as announced	Actual use of Proceeds
26 May 2009 (date of first announcement)	Rights issue of 2,223,253,574 Rights Shares of HK\$0.008 each at HK\$0.078 per rights share on the basis nine rights shares for every twenty shares held	HK\$170.9 million	Debt repayment and/or as general working capital	Repayment, of debts of approximately HK\$116 million. The balance of HK\$54.9 million was used as general working capital of the Company
27 August 2009	Placing of 1,000,000,000 Shares	HK\$238.20 million	General working capital and property related investments	Applied towards property related investments

IMPLICATIONS UNDER THE LISTING RULES

The Conversion Shares will be issued under the general mandate to issue up to 1,432,763,414 shares granted by CSI Shareholders at the annual general meeting held on 27 August, 2009. Accordingly, the issue of the Convertible Notes is not subject to Shareholders' approval.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:—

“associates”	the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	any day other than a Saturday or Sunday on which banks in Hong Kong are open for business
“Capital Distribution”	any distribution in specie or in cash
“connected persons”	the meaning ascribed to it in the Listing Rules
“controlling shareholder”	the meaning ascribed to it in the Listing Rules
“Conversion Shares”	CSI Shares which may fall to be issued by CSI upon the exercise of the conversion rights attached to the Convertible Note

“Convertible Note(s)”	the convertible note in a principal amount of HK\$78 million to be issued to the Subscriber pursuant to the Subscription Agreement. The Convertible Note will entitle the holders thereof to convert the principal amount outstanding into Conversion Shares at the Initial Conversion Price
“CSI” or the “Company”	Capital Strategic Investment Limited, an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“CSI Share(s)”	ordinary share(s) of HK\$0.008 each in the share capital of CSI
“CSI Shareholders”	the holders of the CSI Share(s)
“Director”	the directors of CSI
“Early Redemption Amount”	100% of the principal amount of the Convertible Notes plus a premium calculated to provide holders of the Convertible Notes with a yield of 11% per annum (inclusive of interest of 4% per annum, from the date of issue to the date of redemption of the Convertible Note)
“Earnest Equity”	Earnest Equity Limited, a company incorporated under the laws of the British Virgin Islands, the entire issued share capital of which is held by Digisino Assets Limited (“Digisino”) as trustee of a discretionary trust founded by Mr. Chung, who together with his spouse and children is a current discretionary beneficiary. The entire issued share capital of Digisino is held by Mr. Chung and both Digisino and Earnest Equity Limited are wholly-owned and controlled by Mr. Chung
“Group”	CSI and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	(a) party(ies) who, to the best of the knowledge, information and belief of the Directors, is/are not connected persons of the Company (as defined under the Listing Rules)
“Initial Conversion Price”	the initial conversion price of HK\$0.25 per CSI Share (subject to adjustment) under the terms of the Convertible Note
“Last Trading Day”	16 November, 2009, being the date of the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chung”	Chung Cho Yee, Mico, the non-executive Chairman of CSI

“Subscription”	the subscription of the Convertible Note by the Subscriber on the terms of the Subscription Agreement
“Subscription Agreement”	a conditional subscription agreement dated 16 November, 2009 entered into between CSI and the Subscriber in relation to the Subscription, subject to the terms and conditions contained therein
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Templeton Strategic Emerging Markets Fund III, LDC
“subsidiary”	the meaning ascribed to it in the Listing Rules
“substantial shareholder”	the meaning ascribed to it in the Listing Rules
“%”	per cent.

By order of the Board of
Capital Strategic Investment Limited
Kan Sze Man
Director and Company Secretary

Hong Kong, 16 November, 2009

As at the date of this announcement, Mr. Chung Cho Yee, Mico is the non-executive chairman, Mr. Hubert Chak, Mr. Kan Sze Man and Mr. Chow Hou Man are the executive directors, Dato’ Wong Sin Just, Dr. Lam Lee G. and Mr. Cheng Yuk Wo are the independent non-executive directors.