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CSI

Capital Strategic Investment Limited

CAPITAL STRATEGIC INVESTMENT LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 497)



CAPITAL ESTATE LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 193)

DISPOSAL OF SHARE CAPITAL IN CAPITAL ESTATE LIMITED

(1) PLACING OF EXISTING SHARES

EARNEST EQUITY LIMITED

(2) TOP-UP SUBSCRIPTION OF NEW SHARES

(Incorporated in the British Virgin Islands with limited liability)

(3) PROPOSED PLACING OF CONVERTIBLE NOTES

(4) PROPOSED REFRESHMENT OF GENERAL MANDATE

AND

OFFEROR'S CONSENT

(5) RESUMPTION OF TRADING

PLACING AGENT FOR THE PLACING AND CB PLACING



KINGSTON SECURITIES LIMITED

(1) Placing and Top-Up Subscription

On 5 January 2005, the Vendor entered into the Placing Agreement and the Top-Up Subscription Agreement with the Placing Agent and the Company respectively.

Pursuant to the Placing Agreement, the Vendor agreed to place, through the Placing Agent, an aggregate of 650,000,000 existing Shares, on a fully underwritten basis, to not fewer than six placees who are independent individual, corporate and/or institutional investors, and who and whose ultimate beneficial owners will not be connected person(s) (as defined in the Listing Rules) of the Company and will be independent third parties not connected with any of the directors, chief executive or substantial shareholder(s) of the Company or any of its subsidiaries or their respective associates, at a price of HK\$0.0265 per Share. Pursuant to the Top-Up Subscription Agreement, the Vendor conditionally agreed to subscribe for an aggregate of 650,000,000 Shares at a price of HK\$0.0265 per Share.

The Placing Shares (or the Top-Up Subscription Shares) of 650,000,000 Shares represent (i) about 19.88% of the existing issued share capital of the Company divided into 3,269,398,668 Shares; and ii) about 16.58% of the issued share capital of the Company divided into 3,919,398,668 Shares as enlarged by the Top-Up Subscription Shares.

The Placing Price (or the Top-Up Subscription Price) of HK\$0.0265 represents (i) a discount of about 14.52% to the closing price of HK\$0.0310 per Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a premium of about 4.33% over the average closing price per Share of about HK\$0.0254 as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date; and (iii) a premium of about 11.34% over the average closing price per Share of HK\$0.0238 as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date.

The Top-Up Subscription is conditional upon, amongst other things, (1) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Top-Up Subscription Shares; and (2) the completion of the Placing.

The net proceeds from the Top-Up Subscription will be about HK\$16.8 million.

Pursuant to the Listing Rules, each of the Placing and the Top-Up Subscription in which Success Field Group Limited, an indirect wholly-owned subsidiary of Capital Strategic, is the vendor and the subscriber, constitutes a disposal of asset by Capital Strategic.

Pursuant to Rule 4 of the Code no action which could effectively result in the Offers (as defined in the Composite Offer Document jointly issued by Capital Strategic and the Offeror on 31 December 2004) being frustrated, or in the shareholders of Capital Strategic being denied an opportunity to decide on the merits of the Offers, shall be taken by the board of directors of Capital Strategic in relation to the affairs of Capital Strategic without approval of the shareholders of Capital Strategic in general meeting. The board of directors of Capital Strategic confirmed the written consent from the Offeror to the Disposal has been obtained. Capital Strategic has applied to the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (the “Executive”) to seek a ruling that the Disposal is not a frustrating action for the purposes of Rule 4 of the Code or alternatively, if the Executive rule that the Disposal is a frustrating action for the purposes of Rule 4 of the Code, to waive the requirement to obtain shareholders’ approval in connection with the Disposal.

(2) Proposed placing of Convertible Notes

On 5 January 2005, the Company and the Placing Agent entered into the CB Placing Agreement, pursuant to which, the Placing Agent has agreed to place, on a fully underwritten basis, to not fewer than six independent professional, corporate or individual investors the Convertible Notes, which are proposed to be issued in an aggregate principal amount of HK\$36.4 million. The Convertible Notes will carry a right to convert into new Shares at the conversion price of HK\$0.028 per Share (subject to adjustment).

The Conversion Price of HK\$0.028 represents (i) a discount of about 9.68% to the closing price of HK\$0.0310 per Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a premium of about 10.24% over the average closing price per Share of about HK\$0.0254 as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date; and (iii) a premium of about 17.65% over the average closing price per Share of HK\$0.0238 as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date.

The net proceeds from the CB Placing will be about HK\$35.6 million. The aggregate net proceeds from the Top-Up Subscription and the CB Placing of about HK\$52.4 will be used for property development and investment in Macau for retail and commercial purposes.

No application will be made for listing of the Convertible Notes. Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares falling to be issued upon exercise of the Convertible Notes. The CB Placing is conditional upon, amongst other things, the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares and the passing of the relevant resolution for the approval of the issue of the Convertible Notes at the EGM.

(3) Proposed refreshment of general mandate

The Top-Up Subscription Shares will be allotted and issued pursuant to the general mandate to allot, issue and deal with Shares granted to the Directors by a resolution passed at the annual general meeting of the Company held on 16 December 2004 and such general mandate is granted on the basis of the issued share capital of the Company comprising 3,269,398,668 Shares on that date. At the date of this announcement, the existing general mandate has not been utilized and based on the number of Shares in issue as at the date of the said resolution, 653,879,733 new Shares can be issued under the existing general mandate. As a result, such existing general mandate will be utilized by the Placing and the board of Directors proposes to refresh the general mandate. The refreshment of the general mandate is subject to the Shareholders' approval at an EGM.

A circular of the Company containing, amongst other things, further details of the CB Placing and the refreshment of General Mandate, together with notice of EGM will be despatched to the Shareholders as soon as practicable.

Shareholders should note that completion of each of the Top-Up Subscription Agreement and the CB Placing Agreement are conditional. Shareholders and potential investors should exercise caution when dealing in the Shares.

(4) Resumption of trading

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on Friday, 31 December 2004 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on Thursday, 6 January 2005.

THE PLACING AGREEMENT

Date

5 January 2005

Parties involved

The Placing Agent and the Vendor

Vendor

The Vendor is an indirect wholly-owned subsidiary of Capital Strategic.

Placing Agent

Kingston Securities Limited is the Placing Agent and will receive a placing commission of 2% on the gross proceeds of the Placing paid by the Company, which was arrived at after arm's length negotiations between the Company and the Placing Agent. The Placing Agent is independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

Placees

The Placing Agent agreed to place the Placing Shares to not fewer than six placees (the "Placees") which will be independent individual, corporate and/or institutional investors, and who and whose ultimate beneficial owners will not be connected person(s) (as defined in the Listing Rules) of the Company and will be independent third parties and not connected with any of the directors, chief executive or substantial shareholder(s) of the Company or any of its subsidiaries or their respective associates. No Placees will become substantial Shareholders as a result of the Placing.

Placing Price

The Placing Price (or the Top-Up Subscription Price) of HK\$0.0265 represents (i) a discount of about 14.52% to the closing price of HK\$0.0310 per Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a premium of about 4.33% over the average closing price per Share of about HK\$0.0254 as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date; and (iii) a premium of about 11.34% over the average closing price per Share of HK\$0.0238 as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date.

The Placing Price was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

The Placing Shares

The Placing Shares (or the Top-Up Subscription Shares) of 650,000,000 Shares represent (i) about 19.88% of the existing issued share capital of the Company divided into 3,269,398,668 Shares; and (ii) about 16.58% of the issued share capital of the Company divided into 3,919,398,668 Shares as enlarged by issue of the Top-Up Subscription Shares.

Ranking of Placing Shares

The Placing Shares rank pari passu among themselves and with Shares in issue as at the date of this announcement.

Condition of the Placing

The Placing is unconditional.

Implication of Rule 4 of the Code

Pursuant to Rule 4 of the Code no action which could effectively result in the Offers (as defined in the Composite Offer Document jointly issued by Capital Strategic and the Offeror on 31 December 2004) being frustrated, or in the shareholders of Capital Strategic being denied an opportunity to decide on the merits of the Offers, shall be taken by the board of directors of Capital Strategic in relation to the affairs of Capital Strategic without approval of the shareholders of Capital Strategic in general meeting. The board of directors of Capital Strategic confirmed the written consent from the Offeror to the Disposal has been obtained. Capital Strategic has applied to the Executive to seek a ruling that the Disposal is not a frustrating action for the purposes of Rule 4 of the Code or alternatively, if the Executive rule that the Disposal is a frustrating action for the purposes of Rule 4 of the Code, to waive the requirement to obtain shareholders' approval in connection with the Disposal.

THE TOP-UP SUBSCRIPTION AGREEMENT

Date

5 January 2005

Parties involved

The Company and the Vendor

The Top-Up Subscription Price

The Top-Up Subscription Price is HK\$0.0265 per Share. The Top-Up Subscription Price is the same to the Placing Price and was determined after arm's length negotiation between the Company and the Vendor with reference to the Placing Price of the Placing Shares.

Number of Top-Up Subscription Shares

The Top-Up Subscription Shares will be allotted and issued pursuant to the general mandate to allot, issue and deal with Shares granted to the Directors by a resolution passed at the annual general meeting of the Company held on 16 December 2004 and such general mandate was granted on the basis of the issued share capital of the Company comprising 3,269,398,668 Shares on that date. At the date of this announcement, the existing general mandate has not been utilized and based on the number of Shares in issue as at the date of the said resolution, 653,879,733 new Shares can be issued under the existing general mandate. The number of Top-Up Subscription Shares pursuant to the Top-Up Subscription Agreement is equivalent to the number of Placing Shares, being 650,000,000 Shares.

Ranking of Top-Up Subscription Shares

The Top-Up Subscription Shares, when issued and fully paid, will rank pari passu among themselves and with Shares in issue at the time of issue and allotment of the Top-Up Subscription Shares.

Conditions

The Top-Up Subscription is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Top-Up Subscription Shares; and
- (b) completion of the Placing.

The Top-Up Subscription Agreement does not provide either party the rights to waive the above conditions.

Application will be made to the Stock Exchange to grant the listing of, and permission to deal in, the Top-Up Subscription Shares.

Completion

Under the Listing Rules, the Top-Up Subscription must be completed within 14 days from the date of the Placing Agreement, that is, on or before 19 January 2005.

In the event that the conditions to the Top-Up Subscription Agreement are not fulfilled by 19 January 2005, the Company and the Vendor may elect, subject to compliance with all requirements in relation to connected transactions under the Listing Rules, to postpone completion of the Top-Up Subscription to a later date to be agreed between the Company and the Vendor.

CB PLACING AGREEMENT

Date

5 January 2005

Parties involved

The Placing Agent and the Company

Placing Agent

The Placing Agent has conditionally agreed with the Company to place, on a fully underwritten basis, to not fewer than six independent professional, corporate or individual investors the Convertible Notes which are proposed to be issued in an aggregate principal amount of HK\$36.4 million. The Placing Agent will receive a placing commission of 2% on the gross proceeds of the placing of the Convertible Notes in accordance with the aggregate amount underwritten by it, which was arrived at after arm's length negotiations between the Company and the Placing Agent.

The Placing Agent is independent of and not connected with the Company nor with the directors, chief executive or substantial shareholders of the Company, and any of their subsidiaries or any of their respective associates.

Placees

The Placing Agent will place the Convertible Notes to not fewer than six Placees, each of whom (i) will be an independent third party not connected with the directors, chief executive and substantial shareholders of the Company and any of its subsidiaries or any of their respective associates; and (ii) is not connected with the other Placees. The Conversion Shares will be issued pursuant to the passing of the relevant resolution at the EGM. No Placees will become substantial Shareholders upon fully exercised of the convertible rights attaching to the Convertible Notes.

Conditions

The placing of the Convertible Notes is conditional upon, among other things, the Listing Committee of the Stock Exchange having granted (either unconditionally or subject to conditions to which neither the Company nor the Subscribers shall unreasonably object) listing of and permission to deal in the Conversion Shares to be issued upon the exercise of the conversion rights attached to the Convertible Notes and the passing of the relevant resolution for the approval of the issue of the Convertible Notes at the EGM.

If the condition is not fulfilled on or before 18 March 2005 or such later date as may be agreed between the Placing Agent and the Company, the CB Placing Agreement will lapse and become null and void.

Completion

Completion of the CB Placing Agreement shall take place on the tenth business day following the date on which the condition thereto are fulfilled (or such other date as the Company and the Placing Agents shall agree).

The Convertible Notes

The terms of the Convertible Notes have been negotiated on arm's length basis and the principal terms of which are summarized below:

Principal amount

An aggregate of HK\$36.4 million.

Interest

At the rate of 2% per annum on the outstanding principal amount, which is determined after arm's length negotiation between the Company and the Placing Agent, with reference to, among other things, the prime rate and the interest rates of convertible notes issued by other listed companies.

Maturity

18 months from the date of the issue.

Denomination

In multiple of HK\$100,000

Conversion Price

HK\$0.028 per Share which is subject to adjustment for the dilutive events including, amongst other matters, sub-division or consolidation of Shares, bonus issues and rights issues.

The Conversion Price of HK\$0.028 represents (i) a discount of about 9.68% to the closing price of HK\$0.0310 per Share as quoted on the Stock Exchange on the Last Trading Date; (ii) a premium of about 10.24% over the average closing price per Share of about HK\$0.0254 as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date; and (iii) a premium of about 17.65% over the average closing price per Share of HK\$0.0238 as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date.

Conversion

Each holder may convert the whole or part of the principal amount of the relevant Convertible Note (in multiple of HK\$100,000) into new Shares as determined by dividing the principal amount of the relevant Convertible Note outstanding at the time of conversion by the conversion price.

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Notes at the conversion price by all holders of the Convertible Notes, the Company will issue an aggregate of 1,300,000,000 new Shares, representing approximately 39.76% of the existing issued share capital of the Company, and approximately 24.91% of the enlarged issued share capital of the Company by the Top-Up Subscription Shares and the Conversion Shares. The Conversion Shares will be issued pursuant to the passing of the relevant resolution at the EGM.

The market value of the total Conversion Shares will be in aggregate of HK\$40.3 million based on the closing price of HK\$0.031 per Share on 30 December 2004, being the Last Trading Day.

Conversion period

Each of the holders of the Convertible Notes shall have the right at any time after the date of issue of the relevant Convertible Note to convert all or part of the principal amount of the relevant Convertible Note outstanding at any time into new Shares at the conversion price of HK\$0.028 per Share provided that an integral multiple of HK\$100,000 be converted at any time and save that if the outstanding principal amount of the relevant Convertible Notes is less than HK\$100,000, the whole (but not part only) of the outstanding principal amount of the relevant Convertible Note must be converted.

Ranking

The Conversion Shares will rank pari passu in all respects among themselves and with all other Shares in issue on the date of such allotment and issue.

Redemption by the Company

The Company shall be entitled at any time to redeem the whole or any part of the outstanding principal amount of the relevant Convertible Notes at 5% premium over the outstanding principal amount and interest accrued thereon with the consent of the holder(s).

Status of the Convertible Notes

The Convertible Notes constitute general and unsecured obligations of the Company and shall rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.

No application will be made for listing of the Convertible Notes. Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares falling to be issued upon exercise of the Convertible Notes.

Transferability

The Convertible Notes are freely transferable, provided that the holders of the Convertible Notes must inform the Company of each transfer or assignment made by them. The Company will notify the Stock Exchange if any of the Convertible Notes is transferred to a connected person (as defined in the Listing Rules).

Events of default

All Convertible Notes contain an event of default provision which provides that on the occurrence of certain events of default specified in the Convertible Notes (e.g. liquidation), each of the holders of the Convertible Notes shall be entitled to demand for immediate repayment of the principal amount outstanding under the relevant Convertible Note.

EFFECTS ON SHAREHOLDING STRUCTURE

Apart from the Convertible Notes, the Company has outstanding 2% redeemable convertible notes with aggregate principal amount of HK\$3,000,000 at a conversion price of HK\$0.02 per Share. Assuming there is an immediate exercise in full of the conversion rights attaching to the outstanding 2% redeemable convertible notes with aggregate principal amount of HK\$3,000,000 at a conversion price of HK\$0.02 per Share, the Company will issue an aggregate of 150,000,000 new Shares, representing approximately 4.59% of the existing share capital of the Company, and approximately 2.79% of the enlarged issued share capital of the Company by the Top-Up Subscription Shares, the Conversion Shares and the shares issued for the exercise in full of the conversion rights attaching to the outstanding 2% redeemable convertible notes.

Assuming the conversion rights attached on the Convertible Notes are exercised in full, the shareholding of the holders of the Convertible Notes and the substantial Shareholder immediately before the exercise of the conversion rights on the Convertible Notes in full, and immediately after the exercise of conversion rights on the Convertible Notes in full, are as follows:

	Existing issued share capital	%	Immediately upon completion of Placing	%	Immediately upon completion of Top-Up Subscription	%	Immediately upon completion of Top-Up Subscription assuming conversion rights attached on the Convertible Notes are exercised in full but before conversion of the 2% redeemable convertible notes with aggregate principal amount of HK\$3,000,000 at conversion price of HK\$0.02 per Share	%	Immediately upon completion of Top-Up Subscription assuming conversion rights attached on the Convertible Notes are exercised in full and after conversion of the 2% redeemable convertible notes with aggregate principal amount of HK\$3,000,000 at conversion price of HK\$0.02 per Share	%
Vendor	859,864,000	26.30	209,864,000	6.42	859,864,000	21.94	859,864,000	16.47	859,864,000	16.01
Holders of Convertible Notes	—	0	—	0	—	0	1,300,000,000	24.91	1,300,000,000	24.21
Holders of 2% redeemable convertible notes with aggregate principal amount of HK\$3,000,000	—	0	—	0	—	0	—	0	150,000,000	2.79
Public:										
Placees	—	0	650,000,000	19.88	650,000,000	16.59	650,000,000	12.45	650,000,000	12.11
Others	2,409,534,668	73.70	2,409,534,668	73.70	2,409,534,668	61.47	2,409,534,668	46.17	2,409,534,668	44.88
Subtotal	<u>2,409,534,668</u>	<u>73.70</u>	<u>3,059,534,668</u>	<u>93.58</u>	<u>2,409,534,668</u>	<u>78.06</u>	<u>3,059,534,668</u>	<u>58.62</u>	<u>3,059,534,668</u>	<u>56.99</u>
Total	<u><u>3,269,398,668</u></u>	<u><u>100.00</u></u>	<u><u>3,269,398,668</u></u>	<u><u>100.00</u></u>	<u><u>3,919,398,668</u></u>	<u><u>100.00</u></u>	<u><u>5,219,398,668</u></u>	<u><u>100.00</u></u>	<u><u>5,369,398,668</u></u>	<u><u>100.00</u></u>

USE OF PROCEEDS

The net proceeds from the Top-Up Subscription will be about HK\$16.8 million. The net proceed raised per Top-Up Subscription Share will be HK\$0.0258 per Share.

The net proceeds from the CB Placing will be about HK\$35.6 million.

The aggregate net proceeds from the Top-Up Subscription and the CB Placing, of about HK\$52.4 million will be used for property development and investment in Macau including retail shops and commercial buildings.

The Board considers that the Top-Up Subscription and the CB Placing are in the interest of the Company and the Shareholders as a whole.

PROPOSED REFRESHMENT OF GENERAL MANDATE

The Top-Up Subscription Shares will be allotted and issued pursuant to the general mandate to allot, issue and deal with Shares granted to the Directors by a resolution passed at the annual general meeting of the Company held on 16 December 2004 and such general mandate was granted on the basis of the issued share capital of the Company comprising 3,269,398,668 Shares on that date. At the date of this announcement, the existing general mandate has not been utilized and based on the number of Shares in issue as at the date of the said resolution, 653,879,733 new Shares can be issued under the existing general mandate. As a result, such existing general mandate will be utilized by the Top-Up Subscription and the board of Directors proposes to refresh the general mandate. The refreshment of the general mandate is subject to the Shareholders' approval at the EGM. Since there is no controlling shareholders of the Company and also there is not any holding of Shares by the Directors nor the chief executive existing as at the date of this announcement, no Shareholders are required to abstain from voting to the refreshment of the general mandate at the EGM. In event that, during the period from the date of this announcement to the date of EGM, there is any controlling shareholder, or directors or the chief executive of the Company hold any Shares, such controlling shareholder or directors or the chief executive of the Company (as the case may be) shall abstain from voting in respect of the refreshment of the general mandate at the EGM.

GENERAL

The Group is an investment holding company and the principal activities of the Group are property rental, financial investment, property sale, franchising estate agency work, real estate project management and related undertakings.

The 650,000,000 Top-Up Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors to allot, issue and deal with Shares up to 20% of the issued share capital of the Company, being 653,879,733 Shares as at the date of passing of the resolution for such general mandate at the annual general meeting on 16 December 2004.

The Directors consider that the terms of the Placing Agreement, the Top-Up Subscription Agreement, and the CB Placing Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The issue of Conversion Shares falling to be issued upon exercise of the conversion rights attached to the Convertible Notes and the refreshment of general mandate are subject to the Shareholders' approval at the EGM. No one is required to abstain from voting at the EGM.

Pursuant to the Listing Rules, each of the Placing and the Top-Up Subscription in which Success Field Group Limited, an indirect wholly-owned subsidiary of Capital Strategic, is the vendor and the subscriber, constitutes a disposal of asset by Capital Strategic.

A circular containing, amongst other things, further details of the CB Placing and the refreshment of General Mandate, together with notice of EGM will be despatched to the Shareholders as soon as practicable.

Fund raising in the 12 months immediately preceding the date of this announcement

Description	Announcement date	Net proceeds	Date of general mandates granted	Intended use of proceeds as announced	Actual use of proceeds
Placing of 400,000,000 Shares and subscription of 400,000,000 new Shares at HK\$0.02 per Share	9.2.2004	About HK\$7.8 million	18.12.2003	General working capital for operating activities	HK\$1 million used for repayment of bank mortgage loan, HK\$2 million used for general working capital; the remaining proceeds of HK\$4.8 remained unused
Placing of 538,000,000 new Shares at HK\$0.02 per Share	25.3.2004	About HK\$10.30 million	22.4.2004	Financing the Company's purchase of properties and other investment-related projects	same as intended but not yet utilized

Shareholders should note that completion of each of the Top-Up Subscription Agreement and the CB Placing Agreement are conditional. Shareholders and potential investors should exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on Friday, 31 December 2004 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on Thursday, 6 January 2005.

TERMS AND DEFINITION

“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of directors of the Company
“CB Placing”	the conditional placing of the Convertible Notes pursuant to the CB Placing Agreement
“CB Placing Agreement”	the conditional placing agreement dated 5 January 2005 and entered into between the Company and the Placing Agent in relation to the CB Placing
“Capital Strategic”	Capital Strategic Investment Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Code”	Code on Takeovers and Mergers
“Company”	Capital Estate Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Conversion Shares”	the new Shares to be issued by the Company upon the exercise of the conversion rights attaching to the Convertible Notes by the holders thereof
“Convertible Notes”	the convertible notes to be issued by the Company in the aggregate principal amount of HK\$36.4 million and each being a “Convertible Note”
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Placing Shares to the Placees in respect of the Placing
“EGM”	an extraordinary general meeting of the Company to be convened to approve, amongst other things, the issue of the Convertible Notes and the refreshment of general mandate or any adjustment thereof
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Offers”	the Share Offer and the Option Offer which has been announced on 15 November, 3 December, 21 December, 22 December and 30 December 2004 issued jointly by the Offeror and Capital Strategic

“Offeror”	Earnest Equity Limited, a company incorporated under the laws of the British Virgin Islands, is wholly owned by Digisino Assets Limited in its capacity as the sole trustee and for the benefit of a discretionary trust founded and established by Mr. Mico Chung. Digisino Assets Limited, a company incorporated under the laws of the British Virgin Islands, is wholly owned by Mr. Mico Chung. Mr. Mico Chung is the sole director of each of Earnest Equity Limited and Digisino Assets Limited
“Placing Agent”	Kingston Securities Limited, a deemed licensed corporation to carry on business in types 1, 4, 6 and 9 regulated activities (dealing in securities, advising on securities and corporate finance, and asset management) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Last Trading Date”	30 December 2004, being the last full trading day for the Shares before this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of 650,000,000 existing Shares beneficially owned by the Vendor pursuant to the terms of the Placing Agreement
“Placing Agreement”	the placing agreement between the Vendor and the Placing Agent dated 5 January 2005 in relation to the Placing
“Placing Price”	HK\$0.0265 per Shares
“Placing Shares”	an aggregate of 650,000,000 existing Shares beneficially owned by the Vendor and to be placed pursuant to the Placing Agreement
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.01 in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Top-Up Subscription Price”	HK\$0.0265 per Shares
“Top-Up Subscription Shares”	a total of 650,000,000 new Shares to be subscribed for by the Vendor pursuant to the Top-Up Subscription Agreement
“Top-Up Subscription”	the subscription of 650,000,000 new Shares pursuant to the terms of Top-Up Subscription Agreement
“Top-Up Subscription Agreement”	the subscription agreement between the Vendor and the Company dated 5 January 2005 in relation to the Top-Up Subscription

“Vendor”	Success Field Group Limited, which is a wholly owned subsidiary of Super Master Group Limited, which in turn is a wholly owned subsidiary of Capital Strategic
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

For and on behalf of
Earnest Equity Limited
Chung Cho Yee, Mico
Sole Director

By Order of the Board
Capital Strategic Investment Limited
Choo Yeow Ming
Executive Chairman

By order of the Board
Capital Estate Limited
Choo Yeow Ming
Executive Chairman

Hong Kong, 5 January 2005

As at the date of this announcement, the executive directors of the Company are Mr. Choo Yeow Ming, Mr. Ng Kai Man, Luke, Ms. Ma Wai Man, Catherine and Mr. Chow Hou Man and the independent non-executive directors are Mr. Miu Frank H. and Mr. Sin Chi Fai.

As at the date of this announcement, Mr. Choo Yeow Ming and Ms. Ma Wai Man, Catherine are the executive directors, Mr. Chung Cho Yee, Mico is the non-executive director and Messrs. Liu Yeau-Hwan, Pete, Wong Sin Just, Lam Lee G. and Cheng Yuk Wo are the independent non-executive directors of Capital Strategic.

All of the directors of Capital Strategic jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Company and the Offeror) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those relating to the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement (other than those relating to the Company and the Offeror), the omission of which would make any statement in this announcement misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Company and Capital Strategic) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed by him in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any such statement in this announcement misleading.

Please also refer to the published version of this announcement in The Standard.