

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.



CSI PROPERTIES LIMITED

資本策略地產有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 497)

DISCLOSEABLE TRANSACTION FORMATION OF JOINT VENTURE COMPANY

FORMATION OF JOINT VENTURE COMPANY

The Board is pleased to announce that on 28 January 2022, Ultimate Solution, an indirect wholly-owned subsidiary of the Company, entered into the Shareholders' Agreement with the JV Partner and the JV Company in relation to the formation, management and operation of the JV Company. On the same day, the SPA was entered into between, among others, the JV Company as purchaser, and the Company and C C Land as purchaser's guarantors for the Acquisition. Pursuant to the SPA, completion of the Acquisition took place simultaneously upon signing of the SPA. In connection with the formation of the JV Company, the Company provided the Guarantees in support of the Acquisition. The JV Company will not be a subsidiary of the Company and its financial results will not be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the total commitment of the Company to the JV Company under the Shareholders' Agreement and the Guarantees, exceeds 5% but is less than 25%, the entering into of the Shareholders' Agreement and the provision of the Guarantees constitute a discloseable transaction for the Company and are subject to the notification and publication requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

* For identification purpose only

1. FORMATION OF THE JV COMPANY

The Board is pleased to announce that on 28 January 2022, Ultimate Solution entered into the Shareholders' Agreement with the JV Partner and the JV Company in relation to the formation, management and operation of the JV Company. Ultimate Solution holds two (2) Ordinary JV Shares while the JV Partner holds six (6) Non-voting JV Shares and two (2) Ordinary JV Shares as at the date of this announcement.

The principal terms of the Shareholders' Agreement are summarised as follows:

Date: 28 January 2022

Parties:

1. Ultimate Solution
2. JV Partner
3. JV Company

Purpose and Business of the JV Company: The purpose and business of the JV Company is mainly to (i) acquire 40% of the entire issued share capital of the Target Company which in turn holds the entire issued share capital of the Property Owner; (ii) through the Target Company, as a joint venture partner, participate in the business of the Target Company and the Property Owner; and (iii) engage in such other business(es) as may be mutually agreed by Ultimate Solution and the JV Partner.

Capital Commitment: In order to provide the initial financing for completing the Acquisition, Ultimate Solution and the JV Partner have caused to be advanced to the JV Company the shareholders' loans of up to HK\$244,000,000 and HK\$976,000,000 respectively upon signing of the Shareholders' Agreement which is in proportion to their respective interests in the JV Shares. The Company funded its share of the shareholder's loan to the JV Company from its internal resources.

Each of Ultimate Solution and the JV Partner has also agreed to procure its holding company (i.e. the Company and C C Land) to provide such guarantee as may be required on a several basis in favour of any bank(s) granting any loan facilities to the JV Company and/or the Property Owner for financing or refinancing the acquisition of the Property.

Board Representation:	The board of directors of the JV Company consists of a maximum of four (4) JV Directors, with Ultimate Solution and the JV Partner each having the right to nominate and appoint two (2) JV Directors. As at the date of this announcement, each of Ultimate Solution and the JV Partner has nominated two (2) JV Directors. The chairman of the board of directors of the JV Company is not entitled to second or casting vote and shall be elected by a simple majority of votes of the JV Directors.
Voting Arrangements:	<p>Each Ordinary JV Share shall confer upon the holder one vote at a meeting of the shareholders of the JV Company or on any resolution of shareholders.</p> <p>Each Non-voting JV Share does not carry any right to vote at any meeting of shareholders of the JV Company or to vote on a resolution of shareholders.</p>
Restrictions on Transfer of JV Shares and Shareholders' Loan:	Subject to and unless otherwise permitted by the terms and conditions of the Shareholders' Agreement, Ultimate Solution and the JV Partner must not transfer, sell, mortgage, charge or otherwise dispose of or encumber their respective JV Shares in, or shareholders' loans to, the JV Company.
Dividend and Distribution Policy:	All profits available for distribution shall be distributed to the shareholders of the JV Company by way of dividends in proportion to their respective interests in the total issued JV Shares from time to time.

As at the date of this announcement, the JV Shares held by Ultimate Solution and the JV Partner respectively entitle Ultimate Solution and the JV Partner to share 20% and 80% of the economic benefits in (or losses arising from) the JV Company respectively, and the Ordinary Shares held by them entitle them to each exercise 50% of the voting rights in the JV Company. The JV Company will not be a subsidiary of the Company and its financial results will not be consolidated into the financial statements of the Group.

2. THE SPA AND THE ACQUISITION

On 28 January 2022, upon signing of the Shareholders' Agreement, the SPA was entered into between, among others, the JV Company as purchaser and the Company and C C Land as purchaser's guarantors, for the Acquisition, the principal terms of which are summarised as follows:

Date: 28 January 2022

Parties:

- (i) Smart Launch as vendor
- (ii) Mr. Hui as vendor's guarantor
- (iii) the JV Company as purchaser
- (iv) the Company as purchaser's guarantor
- (v) C C Land as purchaser's guarantor

Assets to be acquired by the JV Company: The assets to be acquired by the JV Company under the SPA are the Sale Shares and the Sale Loan. The Sale Shares represent 40% of the entire issued share capital of the Target Company as at the date of the SPA and at SPA Completion. The Sale Loan represents all loans and other amounts (whether principal, interest or otherwise) owing by the Target Company to Shimao HK Management Company Limited as at SPA Completion, amounting to approximately HK\$1,001,413,000.

Consideration: The consideration paid by the JV Company for the sale and purchase of the Sale Shares and the Sale Loan as adjusted pursuant to the terms and conditions of the SPA upon SPA Completion is approximately HK\$1,046,997,000, which is determined in accordance with the terms and conditions of the SPA by reference to the unaudited management accounts of the Target Company and the Property Owner for the period from the date immediately following 31 December 2021 and ended on 28 January 2022 and subject to adjustments to be made following completion of the audit of such management accounts after SPA Completion.

Post Completion Sharing of Profits: Upon completion of the sale of all the units in the Property, Smart Launch shall be entitled to receive 30% of 40% of the net profit of the Target Company as determined in accordance with the SPA if the average sales price of all the units in the Property exceeds HK\$70,000 per square foot.

SPA Guarantee: Each of the Company and C C Land entered into the SPA as the JV Company's guarantor and guaranteed on a several basis to Smart Launch the full, due and punctual performance by the JV Company of all its payment obligations in the SPA.

Completion: The SPA was signed and completed simultaneously.

3. TARGET SHA

On 28 January 2022, upon SPA Completion, the Company also executed the Deed of Adherence together with C C Land, the JV Company, Smart Launch, Mr. Hui (as guarantor of Smart Launch), the Target Company and its existing indirect shareholders being Emperor and Mingfa.

Particulars of the principal terms of the Target SHA as varied and/or supplemented by the Deed of Adherence are summarised as follows:

Purpose and Business of the Target Company:

The sole business of the Target Company is to hold all the entire issued share capital of the Property Owner, and the sole business of the Property Owner is to hold and develop the Land into the Property for sale or lease.

Financing of the Target Company and the Property Owner:

The shareholders of the Target Company agreed to obtain loans from banks and/or financial institutions to finance the land acquisition cost for the acquisition of the Land and the project costs (including the costs for the development of buildings on the Land) and provide guarantees in favour of such banks and/or financial institutions on a several basis in the percentage proportional to their respective shareholding interests in the Target Company. In the event such borrowings are insufficient to cover all relevant costs, the shareholders' of the Target Company shall provide shareholders loans in proportion to their respective interests in the Target Company in accordance with the terms and conditions of the Target SHA.

Covenant by the JV Company:

The JV Company covenants to observe, perform and be bound by all the terms of the Target SHA with effect from the date of the Deed of Adherence, in all respects as if it were named as a party to the Target SHA as Smart Launch under the Target SHA, save and except any personal obligations imposed only on and any warranties given by Smart Launch, and any antecedent breaches or non-observance of the Target SHA by Smart Launch prior to the date of the Deed of Adherence.

Target SHA Guarantee:	Each of the Company and C C Land covenants to observe, perform and be bound by all the terms of the Target SHA with effect from the date of the Deed of Adherence, in all respects as if each of them were named as a party to the Target SHA as the guarantor of Smart Launch under the Target SHA, save and except any antecedent breaches or non-observance of the Target SHA by the guarantor of Smart Launch prior to the date of the Deed of Adherence. The payment obligation or liability to pay by the Company and C C Land under the Target SHA shall be on a several basis in the proportion of 20:80 respectively.
Board Representation:	Each of Emperor and the JV Company shall be entitled to nominate two (2) directors and Mingfa shall be entitled to nominate one (1) director.
Restrictions on Transfer of Shares and Shareholders' Loan:	None of the shareholders of the Target Company, except with the prior written consent of the other shareholders and subject to the terms and conditions of the Target SHA, shall sell, assign, or otherwise dispose of or create any pledge or lien over the shares of the Target Company or the shareholders loan made to the Target Company.
Dividend and Distribution Policy:	The Target Company shall, within a period of six (6) months after the earlier of (i) the issue of the consent to assign or occupation permit in respect of the development of the Property and (ii) the issue of the certificate of compliance in respect of the Land and the Property, and thereafter every six (6) months, pay or distribute to the shareholders of the Target Company all profits in accordance with the terms and conditions of the Target SHA.

4. BANK GUARANTEE

On 28 January 2022, upon SPA Completion, the Company also provided a Bank Guarantee to The HongKong and Shanghai Banking Corporation Limited to secure the performance of up to 8% of the Property Owner's obligations under certain loan facility in the principal amount of HK\$2,230,000,000 and a revolving loan facility in principal amount of HK\$100,000,000 made available to the Property Owner by the bank. The guarantee obligations of the Company under the Bank Guarantee is determined on the basis of Ultimate Solution's indirect interest in the Property Owner.

5. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Property development is one of the principal business activities of the Group. The investment in the JV Company, which will be principally engaged in the Acquisition and the business of the Target Company and the Property Owner, allows the Group to further participate in the property development and investment in Hong Kong, which is in line with the business development strategy of the Group.

Upon SPA Completion, the JV Company becomes a shareholder of the Target Company and the Target Company is owned as to 40% by the JV Company, 40% by Optimistic Horizon Limited (a wholly-owned subsidiary of Emperor) and 20% by Easycrest Limited (a wholly-owned subsidiary of Mingfa). The management and operation of the Target Company and the rights and obligations of the shareholders of the Target Company are subject to the terms and conditions of the Target SHA. The Target Company indirectly holds the Property through the Property Owner.

The terms of the Shareholders' Agreement, including those relating to Ordinary JV Shares and Non-voting JV Shares, and the terms of the Guarantees were negotiated after arm's length negotiations, having taken into account the extensive experience of C C Land in property development and investment as well as the current available financial resources of the Group. The Directors are of the view that the terms of the Shareholders' Agreement and the Guarantees are fair and reasonable and are in the interests of the Company and its shareholders of the Company as a whole.

6. INFORMATION ON ULTIMATE SOLUTION AND THE GROUP

Ultimate Solution is a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

The Company is a limited liability company incorporated in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the business of property development and investment, and securities investment.

7. INFORMATION ON THE OTHER PARTIES

(1) C C Land and the JV Partner

C C Land is a limited liability company incorporated in Bermuda which shares are listed on the Main Board of the Stock Exchange (stock code: 1224). The principal businesses of the C C Land Group are property development and investment as well as treasury investments.

The JV Partner is a company incorporated in the British Virgin Islands limited liability and is an indirect wholly-owned subsidiary of C C Land. It is principally engaged in investment holding.

(2) The JV Company

The JV Company was incorporated on 23 November 2021 in the British Virgin Islands with limited liability and the Ordinary JV Shares are owned as to 50% by Ultimate Solution and 50% by the JV Partner. As the JV Company is a newly established company, no financial information or past information on the JV Company is available for disclosure in this announcement. The purpose and business of the JV Company are as mentioned in the paragraph headed “1. FORMATION OF THE JV COMPANY”.

(3) Mr. Hui and Smart Launch

Mr. Hui is the chairman and director of Shimao Group Holdings Limited, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 813).

Smart Launch is a company incorporated in the British Virgin Islands and indirect wholly-owned by Mr. Hui. Prior to the SPA Completion, it was principally engaged in the investment holding of the Target Company.

(4) Emperor and Mingfa

Emperor is a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 163). Emperor is an investment holding company and its subsidiaries are principally engaged in property investment, property development and hospitality businesses in the Greater China and overseas. Optimistic Horizon Limited is an indirect wholly-owned subsidiary of Emperor.

Mingfa is a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 846). Mingfa is an investment holding company and its subsidiaries are principally engaged in property development, property investment and hotel operation in the People’s Republic of China. Easycrest Limited is a wholly-owned subsidiary of Mingfa.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the following are all third parties independent of the Company and connected persons of the Company:

- (1) the JV Partner, C C Land and its controlling shareholder(s);
- (2) Smart Launch and its ultimate beneficial owner, Mr. Hui;
- (3) Optimistic Horizon Limited, Emperor and its controlling shareholder(s); and
- (4) Easycrest Limited, Mingfa and its controlling shareholder(s).

8. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the total commitment of the Company to the JV Company under the Shareholders' Agreement and the Guarantees, exceeds 5% but is less than 25%, the entering into of the Shareholders' Agreement and the provision of the Guarantees constitute a discloseable transaction for the Company and are subject to the notification and publication requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the following meanings in this announcement:

“Acquisition”	the acquisition of (i) 40% of the entire issued share capital of the Target Company and (ii) the shareholders' loan owed by the Target Company to Shimao HK Management Company Limited, pursuant to the SPA;
“Bank Guarantee”	the guarantee given by the Company under a deed of guarantee dated 28 January 2022 in favour of The HongKong and Shanghai Banking Corporation Limited;
“Board”	the board of Directors;
“C C Land”	C C Land Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1224);
“C C Land Group”	C C Land and its subsidiaries;
“Company”	CSI Properties Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 497);
“connected person(s)”	has the same meaning ascribed thereto in the Listing Rules;
“Deed of Adherence”	a deed of release and adherence dated 28 January 2022 executed by the Company, C C Land, the JV Company, Smart Launch, Mr. Hui, the Target Company, Emperor and Mingfa in relation to the Target SHA and as acknowledged by Optimistic Horizon Limited and Easycrest Limited as agents for Emperor and Mingfa respectively;

“Directors”	the directors of the Company;
“Emperor”	Emperor International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 163);
“Group”	the Company and its subsidiaries;
“Guarantees”	the SPA Guarantee, the Target SHA Guarantee and the Bank Guarantee;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“JV Company”	Land Magic Investments Limited, a company incorporated in the British Virgin Islands, and a joint venture company managed pursuant to the terms of the Shareholders’ Agreement;
“JV Directors”	the directors of the JV Company;
“JV Partner”	Rapid Joy Limited, a company incorporated in the British Virgin Islands, which is indirectly wholly-owned by C C Land;
“JV Share(s)”	the Non-voting JV Share(s) and/or the Ordinary JV Share(s);
“Land”	All that piece or parcel of ground registered in the Land Registry as Rural Building Lot Number 1198;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mingfa”	Mingfa Group (International) Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 846);
“Mr. Hui”	Mr. Hui Wing Mau;
“Non-voting JV Share(s)”	the non-voting share(s) of the JV Company having the rights and being subject to the restrictions set out in the memorandum of association of the JV Company;

“Ordinary JV Share(s)”	the ordinary share(s) of the JV Company;
“Property”	15 Shouson Hill Road West, Hong Kong, as erected on the Land;
“Property Owner”	Talent Charm Corporation Limited, a company incorporated in Hong Kong with limited liability, which directly holds the Property;
“Sale Loan”	the entire amount of the principal, interest and other sums and indebtedness owing to Shimao HK Management Company Limited by the Target Company as at SPA Completion;
“Sale Shares”	four (4) ordinary shares of the Target Company sold by Smart Launch to the JV Company, which represents 40% of the entire issued share capital of the Target Company as at the date of the SPA and SPA Completion;
“Shareholders’ Agreement”	the shareholders’ agreement dated 28 January 2022 between Ultimate Solution, the JV Partner and the JV Company in relation to the JV Company;
“Smart Launch”	Smart Launch Limited, a company incorporated in the British Virgin Islands with limited liability, which is indirect wholly-owned by Mr. Hui;
“SPA”	the sale and purchase agreement dated 28 January 2022 entered into by the JV Company as purchaser, the Company and C C Land as purchaser’s guarantors, Smart Launch as vendor and Mr. Hui as vendor’s guarantor relating to the Acquisition;
“SPA Completion”	the completion of the SPA;
“SPA Guarantee”	the guarantee given by the Company under the SPA as mentioned in the paragraph headed “2. THE SPA AND THE ACQUISITION”;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Superb Land Limited, a company incorporated in the British Virgin Islands with limited liability, which is the immediate holding company of the Property Owner;

“Target SHA”	the shareholders’ agreement dated 9 June 2014 and entered into amongst Emperor, Smart Launch, Mingfa, Mr. Hui, and the Target Company in relation to the formation, management and operation of the Target Company, as varied and amended by the supplemental agreement dated 1 December 2014 and entered into amongst the said parties and as acknowledged by Optimistic Horizon Limited and Easycrest Limited as agents for Emperor and Mingfa respectively;
“Target SHA Guarantee”	the guarantee given by the Company by virtue of the Deed of Adherence as mentioned in the paragraph headed “3. TARGET SHA”;
“Ultimate Solution”	Ultimate Solution Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is an indirect wholly-owned subsidiary of the Company; and
“%”	per cent.

By Order of the Board
CSI Properties Limited
Kan Sze Man
Company Secretary

Hong Kong, 28 January 2022

As at the date of this announcement, the executive directors of the Company are Mr. Chung Cho Yee, Mico (Chairman), Mr. Kan Sze Man, Mr. Chow Hou Man, Mr. Fong Man Bun, Jimmy, Mr. Ho Lok Fai and Mr. Leung King Yin, Kevin and the independent non-executive directors of the Company are Mr. Cheng Yuk Wo, Dr. Lam Lee G., Hon. Shek Lai Him, Abraham, GBS, JP and Dr. Lo Wing Yan, William, JP.