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CSI PROPERTIES LIMITED

資本策略地產有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 497)

SUPPLEMENTAL ANNOUNCEMENT

DISCLOSEABLE TRANSACTION FORMATION OF JOINT VENTURE COMPANY

Reference is made to the announcement of the Company dated 28 January 2022 in relation to the discloseable transaction of the formation of the JV Company (the “**Announcement**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as defined in the Announcement.

Further to the Announcement, the Company wishes to provide additional information and sets out below a summary of certain key financial information on the Target Company and the Property Owner (the “**Target Group**”) on a consolidated basis for the financial years ended 31 December 2021 and 31 December 2020 respectively:

	For the financial year ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Revenue	—	—
Net loss before taxation	(71,660)	(171)
Net loss after taxation	(71,660)	(171)

* For identification purpose only

Based on the unaudited consolidated financial statements of the Target Group for the period commenced on 1 January 2022 and ended on 28 January 2022 (the “**Financial Statements**”), the unaudited consolidated net liabilities of the Target Group as at 28 January 2022 was approximately HK\$86,138,000 which mainly resulted from marketing expenses and interest expenses incurred in preparation for launching the Property for sale. The adjusted unaudited consolidated net assets of the Target Group (excluding shareholders’ loans due and owing by the Target Group) as at 28 January 2022 was approximately HK\$2,417,000,000 (the “**Adjusted NAV**”). The Property consisting of 15 blocks of luxury detached houses has been fully completed as at the date of the SPA.

Basis of the Capital Commitment and the Consideration for the Acquisition

As disclosed in the Announcement, Ultimate Solution and the JV Partner had 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 aggregate capital commitment of HK\$1,220,000,000 to the JV Company was determined with reference primarily to the consideration paid for the Acquisition with an additional funding buffer for ongoing operational requirements of the JV Company.

The consideration paid for the Acquisition of approximately HK\$1,046,997,000 comprises of (i) approximately HK\$45,584,000 for the Sale Shares and (ii) approximately HK\$1,001,413,000 for the Sale Loan, and represents a slight premium to the Adjusted NAV attributable to the JV Company.

The consideration was determined after arm’s length negotiation between the JV Company and Smart Launch on normal commercial terms with reference primarily to the assets and liabilities of the Target Group as disclosed in the Financial Statements (combined with the reason for the unaudited consolidated net liabilities of the Target Group), and taking into account (i) the Property is already fully completed as at the date of the SPA and ready for sale soon, rendering it both time and cost-effective for the Group to accelerate returns on its investment; (ii) the purpose and business of the Target Group, (iii) the effective interest in the Target Group to be acquired by the JV Company, (iv) the opportunity for the Group to further participate in property development and investment in Hong Kong through the JV Company, as well as (v) property market sentiment during the relevant time. On this basis, the Directors were of the view that the consideration for the Acquisition was fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

All other information as set out in the Announcement remain unchanged and shall continue to be valid for all purposes, while this announcement is supplemental to and should be read in conjunction with the Announcement.

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

Hong Kong, 22 March 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.