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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)

MAJOR REALISATION INVOLVING THE PROPOSED SALE OF (A) HOTEL ASSETS AND OPERATOR AND (B) COMMERCIAL PROPERTIES

RESUMPTION OF TRADING

PROVISIONAL SALE AND PURCHASE AGREEMENT

On 6 January 2017 (after trading hours), the Vendor, a direct wholly-owned subsidiary of the Company, entered into the Provisional SPA with the Purchaser for the Sale of the Group's entire interests in the Target Group, holding the Group's interests in (i) J Plus Hotel Property and J Plus Hotel Operator; (ii) the Pennington Properties; and (iii) Keswick Shop.

The total amount of Consideration to the Group for the Sale is HK\$1,700,000,000 in cash, subject to adjustments under the Provisional SPA as disclosed in this announcement.

Completion of the Sale is conditional on, among other things, the Shareholders' approval being obtained in accordance with the Listing Rules. Pursuant to the Provisional SPA, the Controlling Shareholders now holding in aggregate approximately 45.94% of the issued Shares have undertaken to vote at the SGM in favour of the resolutions to approve the Provisional SPA and the transactions contemplated thereunder.

* For identification purpose

SGM

Completion of the Sale of the Properties as a major transaction for the Group under Chapter 14 of the Listing Rules is subject to approval by the Shareholders at the SGM.

A SGM will be convened by the Company to consider and, if thought fit, approve the Provisional SPA and the transactions contemplated under it. A circular containing, among others, further details of the Provisional SPA and the transactions contemplated thereunder and other information required under the Listing Rules will be issued by the Company. The circular is expected to be issued on or before 1 February 2017 together with the notice of the SGM as required by the Listing Rules.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on Monday, 9 January 2017 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Tuesday, 10 January 2017.

INTRODUCTION

On 6 January 2017 (after trading hours), the Vendor, a direct wholly-owned subsidiary of the Company, entered into the Provisional SPA with the Purchaser for the Sale of the Group's entire interests in the Target Group, which is holding the Group's interests in J Plus Hotel Property and J Plus Hotel Operator, Pennington Properties and Keswick Shop. The material terms of the Provisional SPA are set out below.

PROVISIONAL SALE AND PURCHASE AGREEMENT

Date and Parties

The Provisional SPA dated 6 January 2017 was made between Beham Capital Limited as the Vendor, Compass Times International Limited as the Purchaser and the Company (as the Vendor's guarantor to guarantee the due and punctual performance of the obligations of the Vendor under the Provisional SPA).

The Vendor is a wholly-owned intermediate holding company in the Group and is the sole beneficial shareholder of the Target Company. The Vendor's principal activity is investment holding, owning the Target Company.

Based on the information and confirmation provided by the Purchaser, and to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Assets involved

The Vendor has conditionally agreed to sell and assign the Sale Shares and the Sale Loan for a total consideration of HK\$1,700,000,000 in cash.

The Sale Shares and the Sale Loan represent the Target Company's entire issued share capital and all of the shareholder's loan owed by the Target Company to the Vendor.

The Target Company is the direct owner of 100% issued share capital of, and all shareholder loans owed by, the following members of the Target Group:

- (i) Smart Charm Holdings Limited, which is the registered owner of the J Plus Hotel Property in Hong Kong;
- (ii) CSI Hotel Services Limited (to be renamed as J Plus Hotel Limited), which is the holder of the relevant hotel licence for J Plus Hotel operated at the J Plus Hotel Property and the employer of the employees operating the J Plus Hotel;
- (iii) Digital Option Limited, High Supreme Limited and Capital Delight Limited, which are the registered owners of the Pennington Properties in Hong Kong; and
- (iv) Smart Kept Limited, which is the registered owner of the Keswick Shop in Hong Kong.

Consideration

Pursuant to the Provisional SPA, the Consideration for the Sale Shares and the Sale Loan shall be HK\$1,700,000,000, subject to adjustment by reference to the current assets, accruals and other liabilities of the Target Group as follows:

- (i) there shall be added to the Consideration the aggregate of (a) deposits and/or prepayments to utility companies, and for government rent and rate in respect of the Properties, (b) all third party receivables which are outstanding for less than 60 days and (c) all cash at bank, of the Target Group, as at Completion ("**Current Assets**"); and
- (ii) there shall be deducted from the resulting balance (a) any accruals for unpaid administrative and operating charges and expenses (including any outstanding salaries owing to employees and provisions for employment related benefits by the J Plus Hotel Operator as stipulated under the Provisional SPA) of each Target Group member, ("**Accruals**") and (b) any other liabilities (except the Sale Loan and any inter-company balances owing amongst members of the Target Group) of each member of Target Group (whether actual or contingent, including provisions for all tax payable by each member, but excluding any deferred taxation in respect of any appreciation or gain in the value of any of the Properties) ("**Other Liabilities**"), as at Completion.

The adjustment will initially be made based on the amounts of the Current Assets, Accruals and Other Liabilities shown in the un-audited consolidated balance sheet of the Target Company as at the date of Completion ("**Completion Accounts**") to be prepared by the Vendor and delivered to the Purchaser not less than 7 business days prior to Completion. The Vendor shall also procure that the Completion Accounts be audited by the designated accountancy firm as designated under the

Provisional SPA within 20 days following the Completion. To the extent that the relevant amounts of the Current Assets, Accruals and Other Liabilities shown in the unaudited Completion Accounts are different from those in the audited Completion Accounts, the adjustment to the Consideration will be based on the audited Completion Accounts to reflect such differences to be paid by the Vendor or the Purchaser, as the case may be.

The Consideration shall be satisfied in the following manner:

- (i) a sum of HK\$50,000,000 shall be payable upon signing of the Provisional SPA as an initial deposit and part payment of the Consideration (the “**Initial Deposit**”) by the Purchaser in cash;
- (ii) a sum of HK\$120,000,000 shall be payable on 26 January 2017 or upon the signing of the Formal SPA (as defined and mentioned below), whichever is the earlier, as a further deposit and part payment of the Consideration by the Purchaser in cash which, together with the Initial Deposit, will be received and held by the Vendor’s solicitors as stakeholders pending Completion of the Sale;
- (iii) upon Completion, the balance of the Consideration (before adjustment, see below) shall be payable by the Purchaser to the Vendor in cash; and
- (iv) an amount in respect of the adjustment of the Consideration shall be paid by the Purchaser or the Vendor (as the case may be) within 5 business days following the delivery of the audited Completion Accounts by the auditors mentioned above.

The Consideration was determined after arm’s length negotiation between the Vendor and the Purchaser having regard to the market value of the Properties and the adjustments to account for the Current Assets, Accruals and Other Liabilities of the Target Group as at Completion mentioned above.

The Directors consider that the Consideration was fair and reasonable and in the interest of the Company and its Shareholders taken as a whole.

Conditions Precedent

Completion of the Sale under the Provisional SPA shall be conditional upon:

- (i) the necessary approval(s) of the Shareholders in the SGM to approve and implement the Provisional SPA and the transactions contemplated therein being obtained in full compliance with the Listing Rules;
- (ii) (unless waived in writing by the Purchaser) the Vendor having proved and shown, in accordance with Sections 13 & 13A of the Conveyancing and Properties Ordinance (Cap 219), that the respective members of the Target Group have good title to the relevant parts of the Properties in each case free from all encumbrances and the existing tenancies, and those existing legal charge(s) and rental assignment(s) (if any) over any of the Properties (to be released upon Completion), and provided further that no objection to title shall be made in connection with any existing use or permitted use of any of the Properties and/or any illegal or unauthorized alteration(s) or structure(s) thereto); and

- (iii) (unless waived in writing by the Purchaser) the absence of any material breach of any Vendor's warranties as set out in the Provisional SPA.

As at the date of this announcement, no Conditions Precedent above has been fulfilled or waived.

Completion

Subject to the satisfaction of the Conditions Precedent above, Completion shall take place on the later of 31 March 2017 or the third business day following the day on which the approval of the Shareholders is obtained at the SGM.

Upon Completion, the Group shall cease to hold any interest in the Target Group and the Target Group will cease to be subsidiaries of the Company.

Formal SPA

The Provisional SPA is legally binding. The Vendor and the Purchaser shall negotiate in good faith and use all their respective reasonable endeavours to enter into a formal agreement ("**Formal SPA**") for sale and purchase on or before 26 January 2017 (or such other date as the parties in the Provisional SPA may agree in writing) which shall incorporate the terms, warranties and representations customary to transactions similar to the one contemplated therein based on the principal terms set out therein.

If no Formal SPA is entered into despite the parties' reasonable endeavours eventually, the Provisional SPA shall continue to have full force and effect.

INFORMATION ON THE TARGET GROUP

The Target Company, an indirect wholly-owned subsidiary of the Company, is an investment holding company incorporated in the British Virgin Islands with limited liability. The wholly-owned subsidiaries of the Target Company are direct registered owners of the Properties respectively as follows:

1. J Plus Hotel Property

Address and owner:	No. 1 Irving Street, Hong Kong, owned by Smart Charm Holdings Limited.
Description:	It comprises a 25-storey composite building completed in 1988. The ground floor and the 1st floor are devoted for commercial uses; the 2nd floor is the mechanical floor; and the 3rd to 24th floors are devoted for domestic uses where J Plus Hotel is operated. It has a total of 56 guest rooms and a total gross floor area of approximately 44,678 sq. ft. (4,150.66 sq. m.).

2. Pennington Properties

- Addresses and owners:
- (a) Portion A on G/F & Portion A on M/F, 14 Pennington Street, Hong Kong, owned by Digital Option Limited;
 - (b) Portion B , C & D on G/F (including the yard at rear) and Portion B & C on M/F, 14 Pennington Street, Hong Kong, owned by High Supreme Limited; and
 - (c) 1/F, 2/F & 3/F and Roof, 14 Pennington Street, Hong Kong, owned by Capital Delight Limited.

Description: They include 4 portions on the ground floor; the mezzanine floor; and 3 domestic units on upper floors of a 4-storey tenement completed in 1951. The total saleable area is approximately 2,754 sq. ft. (255.85 sq. m.).

3. Keswick Shop

Address and owner: Shop 4 on G/F together with the yard appurtenant thereto, Keswick Court, 3 Keswick Street, Hong Kong, owned by Smart Kept Limited.

Description: It comprises a shop unit on the ground floor of a 24-storey composite building with its ground and 1st floors devoted to retail purpose whilst the upper floors accommodate domestic units completed in 1988. It has a saleable area of approximately 640 sq. ft. (59.46 sq. m.) with a yard of approximately 36 sq. ft. (3.34 sq. m.).

The remaining member of the Target Group, CSI Hotel Services Limited (to be renamed as J Plus Hotel Limited), is the holder of the relevant hotel licence for J Plus Hotel and the employer of the employees operating the J Plus Hotel. CSI Hotel Services Limited has no property interests on its own.

Set out below is the financial information of the Target Group for the two financial years ended 31 March 2015 and 2016:

	Financial Year ended 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	unaudited	unaudited
Revenue	38,005	36,330
Net loss before taxation	(12,909)	(346)
Net loss after taxation	(14,575)	(346)

The unaudited net asset of the Target Group (excluding the Sale Loan and the outstanding bank loans (which will be repaid upon Completion through advancement of shareholder's loan to form part of the Sale Loan to be assigned to the Purchaser)) as at 30 September 2016 was approximately HK\$0.6 billion.

The financial information above has been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

FINANCIAL EFFECT OF THE SALE

The estimated gain on disposal before taxation expected to accrue to the Group from the Sale is estimated to be approximately HK\$1.09 billion based on the unaudited management accounts of the Target Group as at 30 September 2016, subject to the audit of the financial statements of the Group for the year. The estimated gain on disposal before taxation from the Sale is derived primarily from the amount of the Consideration after taking into account the carrying value of the Properties as at 30 September 2016 and deduction of the estimated direct transaction costs and expenses attributable to the Sale before taking into effects of taxation.

REASONS AND BENEFITS OF THE SALE

The Company considers the Sale to be a good opportunity for the Company to realize its investment at a gain. The cash realized will strengthen the financial and liquidity position of the Group and its cashflow. It is also the view of the Directors that it is an appropriate time for the Group to realize its interests in the Properties.

The net proceeds from the Sale is intended to be used as general working capital of the Group.

Having regard to the nature of and the benefits resulting from the Sale, the Directors believe that the terms of the Provisional SPA are fair and reasonable and in the interests of the Company and its Shareholders taken as a whole.

OTHER INFORMATION

(1) The Company

The Company is incorporated in Bermuda with limited liability with its Shares listed on the Main Board of the Stock Exchange.

The Company is an investment holding company. The principal activities of its principal subsidiaries include property investment, repositioning and development in Hong Kong, Macau and the PRC.

(2) The Vendor

The Vendor is a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company.

The principal business activity of the Vendor is investment holding.

(3) The Purchaser

The Purchaser is a company incorporated in the British Virgin Islands with limited liability. Based on enquiry by the Company, the principal business activity of the Purchaser is investment holding.

LISTING RULES IMPLICATIONS

Regarding the Properties subject to the Sale, only the J Plus Hotel Property is recorded as part of the property, plant and equipment of the Group whereas the Pennington Properties and the Keswick Shop are properties held for sale.

The highest of the Percentage Ratios calculated in respect of the entirety of the Properties taken together is between 25% and 75%. Completion of the Sale of the Properties as a major transaction is subject to approval by the Shareholders at the SGM pursuant to Chapter 14 of the Listing Rules.

A SGM will be convened by the Company to consider and, if thought fit, approve the Provisional SPA and the transactions contemplated thereunder. A circular containing, among others, further details of the Provisional SPA and the transactions contemplated thereunder and other information required under the Listing Rules will be issued by the Company. The circular is expected to be issued on or before 1 February 2017 together with the notice of the SGM as required by the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its close associates has any material interest in the Provisional SPA and the transactions contemplated thereunder, and no Shareholder is required to abstain from voting on the resolution(s) in respect of the Provisional SPA at the SGM.

Pursuant to the Provisional SPA, the Controlling Shareholders now holding in aggregate approximately 45.94% of the issued Shares have undertaken to vote at the SGM in favour of the resolutions to approve the Provisional SPA and the transactions contemplated thereunder.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on Monday, 9 January 2017 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Tuesday, 10 January 2017.

DEFINITIONS

“Board”	the board of Directors
“Company”	CSI Properties Limited 資本策略地產有限公司, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of sale and purchase of the Sale Shares and the Sale Loan to take place in accordance with the Provisional SPA
“Conditions Precedent”	the conditions precedent to the Completion as set out in this announcement
“connected person(s)”	having the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	Mr Chung Cho Yee, Mico (holding 3,045,000 Shares or approximately 0.03% in the shareholdings of the Company) and Earnest Equity Limited (holding 4,608,367,062 Shares or approximately 45.91% in the shareholdings of the Company) which is indirectly wholly owned by Mr Chung Cho Yee, Mico
“Consideration”	the total consideration in the sum of HK\$1,700,000,000 (subject to adjustment) payable by the Purchaser to the Vendor for the Sale under the Provisional SPA
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“J Plus Hotel”	the hotel business operated under the brand “J Plus Hotel by yoo”

“J Plus Hotel Property”	No. 1 Irving Street, Hong Kong, at which J Plus Hotel is operated, the registered owner of which is Smart Charm Holdings Limited, being a wholly-owned subsidiary of the Target Company
“J Plus Hotel Operator”	CSI Hotel Services Limited (to be renamed as J Plus Hotel Limited), a wholly-owned subsidiary of the Target Company and the holder of the relevant hotel licence for J Plus Hotel and the employer of the employees operating the J Plus Hotel
“Keswick Shop”	Shop 4 on G/F together with the yard appurtenant thereto, Keswick Court, 3 Keswick Street, Hong Kong, the registered owner of which is Smart Kept Limited, being a wholly-owned subsidiary of the Target Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Percentage Ratio(s)”	percentage ratio(s) computed in respect of the Sale as set out in Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excludes Taiwan, Hong Kong and Macau Special Administrative Region of the People’s Republic of China
“Provisional SPA”	the Provisional Agreement for sale and purchase dated 6 January 2017 entered into between the Vendor, the Purchaser and the Company (as the Vendor’s guarantor) for the sale and purchase of the Sale Shares and the Sale Loan
“Properties”	collectively, the J Plus Hotel Property, the Pennington Properties and the Keswick Shop

“Purchaser”	Compass Times International Limited, a company incorporated in the British Virgin Islands with limited liability and the purchaser under the Provisional SPA
“the Pennington Properties”	collectively the following properties at 14 Pennington Street, Hong Kong: (a) Portion A on G/F & Portion A on M/F, the registered owner of which is Digital Option Limited; (b) Portion B, C & D on G/F (including the yard at rear) and Portion B & C on M/F, the registered owner of which is High Supreme Limited; and (c) 1/F, 2/F & 3/F and Roof, the registered owner of which is Capital Delight Limited, which companies being the wholly-owned subsidiaries of the Target Company
“Sale”	the sale of the Sale Shares and the Sale Loan by the Vendor to the Purchaser pursuant to the Provisional SPA
“Sale Loan”	all of the shareholder’s loan owed by the Target Company to the Vendor, to be assigned by the Vendor to the Purchaser under the Provisional SPA
“Sale Shares”	the entire issued shares of the Target Company, to be sold by the Vendor to the Purchaser pursuant to the Provisional SPA
“SGM”	the special general meeting to be convened by the Company for the Shareholders to consider and, if thought fit, approve the Provisional SPA and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Uttermost Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

“Target Group”	the Target Company and its wholly-owned subsidiaries as set out in this announcement
“Vendor”	Beham Capital Limited, a direct wholly-owned subsidiary of the Company and as the vendor under the Provisional SPA
“%”	per cent.

By Order of the Board
CSI Properties Limited
Chan Suet Kwan
Company Secretary

Hong Kong, 9 January 2017

As at the date of this announcement, Mr. Chung Cho Yee, Mico (Chairman), Mr. Kan Sze Man, Mr. Chow Hou Man and Mr. Fong Man Bun, Jimmy are the executive directors of the Company; and Dr. Lam Lee G., Mr. Cheng Yuk Wo and Dr. Lo Wing Yan, William are the independent non-executive directors of the Company.