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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)

PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES UNDER THE GENERAL MANDATE

Joint Bookrunners

Jefferies

J.P.Morgan

(in alphabetical order)

PLACING AND SUBSCRIPTION

On 16 September 2014 (after trading hours), (a) the Vendor, the Controlling Shareholder, the Company and the Joint Bookrunners entered into the Placing Agreement pursuant to which the Vendor has appointed the Joint Bookrunners and the Joint Bookrunners have conditionally agreed to act as the Joint Bookrunners for the Vendor, to procure Placees to purchase up to 1,300,000,000 Placing Shares held by the Vendor at the Placing Price of HK\$0.350 per Share; and (b) the Vendor and the Company entered into the Subscription Agreement pursuant to which the Vendor conditionally agreed to subscribe for up to 1,300,000,000 Subscription Shares, at the Subscription Price of HK\$0.350 per Share, which is equivalent to the Placing Price.

* For identification purpose only

As at the date of this announcement, the authorised share capital of the Company is HK\$180,000,000 divided into 22,500,000,000 Shares of which 9,187,039,676 Shares are in issue.

The 1,300,000,000 Placing Shares represent (i) approximately 14.15% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 12.40% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription save for the issue of the Subscription Shares).

Completion of the Placing is conditional on the condition as more particularly set out in the Placing Agreement. The Joint Bookrunners also reserve the right to terminate the Placing in case of the occurrence of certain force majeure events. Completion of the Subscription is conditional on certain conditions precedent as more particularly set out in the Subscription Agreement.

The gross proceeds of the Subscription will be approximately HK\$455.0 million. The net proceeds of the Subscription will be approximately HK\$442.4 million and are intended to be applied towards future property investments primarily in Hong Kong and Macau and as general working capital of the Group.

General Mandate

The Subscription Shares will be issued under the General Mandate granted to the Directors at the AGM and the issue of the Subscription Shares will not be subject to the approval by the Shareholders.

Application will be made to the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

Warning

Completion of the Placing is subject to a condition mentioned herein. Pursuant to the termination provisions contained in the Placing Agreement in respect of the Placing Shares, the Joint Bookrunners have the right in certain circumstances to terminate the obligations of the Joint Bookrunners pursuant to the Placing Agreement at any time prior to 10:00 a.m. on the Closing Date. Completion of the Subscription is subject to a number of conditions mentioned herein. Accordingly, Shareholders and potential investors should exercise caution when dealing in the Shares.

On 16 September 2014 (after trading hours), the Company entered into the Placing Agreement in respect of the placement of up to 1,300,000,000 Shares and the Subscription Agreement in respect of the issue of up to 1,300,000,000 Shares.

THE PLACING AGREEMENT

Date

16 September 2014

Parties

- (a) the Vendor (as the vendor of the Placing Shares);
- (b) the Controlling Shareholder;
- (c) the Company; and
- (d) the Joint Bookrunners (as the Joint Bookrunners of the Vendor).

As at the date of this announcement, the Vendor is a substantial shareholder (as defined in the Listing Rules) of the Company, holding 4,402,287,062 Shares which represents approximately 47.92% of the issued ordinary share capital of the Company. The Vendor and the Controlling Shareholder (the Chairman and an executive Director of the Company and wholly-owns the Vendor) together hold 4,405,332,062 issued Shares which represents approximately 47.95% of the issued ordinary share capital of the Company.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Joint Bookrunners and their respective ultimate owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

The Placing

At the request of the Company, the Vendor has appointed the Joint Bookrunners and the Joint Bookrunners has conditionally agreed to act as the Joint Bookrunners for the Vendor to procure Placees, to purchase up to 1,300,000,000 Placing Shares held by the Vendor at the Placing Price of HK\$0.350 per Share.

Placees

The Placees and their ultimate beneficial owners will be (i) independent of and not acting in concert (as defined under the Takeovers Code) with the Vendor, (ii) independent of and not connected with the Company and connected persons of the Company. It is also expected that the Placing Shares will be placed to not less than six Placees which are professional, institutional and/or other investors. The Company currently anticipates that none of the Placees will become a substantial shareholder of the Company as a result of the Placing.

Placing Shares

As at the date of this announcement, the authorised share capital of the Company is HK\$180,000,000 divided into 22,500,000,000 Shares of which 9,187,039,676 Shares are in issue.

The 1,300,000,000 Placing Shares represent (i) approximately 14.15% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 12.40% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription save for the issue of the Subscription Shares).

Rights of the Placing Shares

The Placing Shares will be sold free from all Encumbrances together with all rights attaching to them and rank pari passu with all other issued Shares in all respects as at the date of the Placing Agreement.

The Placing Price

The Placing Price is HK\$0.350 per Share. The Placing Price represents:

- (i) a discount of approximately 10.26% to the closing price of HK\$0.390 per Share as quoted on the Stock Exchange on the date of the Placing Agreement;
- (ii) a discount of approximately 9.33% to the average of the closing prices of approximately HK\$0.386 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 8.38% to the average of the closing prices of approximately HK\$0.382 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The Placing Price was negotiated on an arm's length basis between the Company, the Vendor, the Controlling Shareholder and the Joint Bookrunners and was determined with reference to the prevailing market price of the Shares and the recent trading volume of the Shares.

Condition of the Placing

Completion of the Placing is conditional on all necessary legal and regulatory approvals or consents having been obtained (and not withdrawn) for the Placing.

If the condition as set out above is not fulfilled, or waived by the Joint Bookrunners, at or before 10:00 a.m. on the Closing Date, the Placing Agreement shall terminate and neither the Vendor, the Company, the Controlling Shareholder nor the Joint Bookrunners shall be liable to the other or have any claim against the other for damages, compensation or otherwise save and except any liability for antecedent breaches of either party to the Placing Agreement or as stipulated under the Placing Agreement.

Non-Disposal Undertaking

In order to induce the Joint Bookrunners to enter into the Placing Agreement and in consideration of the obligations of the Joint Bookrunners thereunder:

- (1) each of the Vendor and the Controlling Shareholder undertakes to the Joint Bookrunners that (except for the sale of the Placing Shares pursuant to the Placing Agreement) for the period commencing from the date of the Placing Agreement and ending three months from the Closing Date, it will not, directly or indirectly or conditionally or unconditionally, and will procure that none of its associates or companies controlled by it or any nominee or trustee holding in trust for it (the “Intermediaries”) shall, directly or indirectly or conditionally or unconditionally, offer for sale, sell, transfer, contract to sell or otherwise dispose of (including without limitation by the creation of any option, rights, interests, warrant to purchase or otherwise transfer or dispose of, or any Encumbrance over), or announce any intention to dispose of, any Shares or any interest therein (including any interest in a company which, directly or indirectly, holds any such Shares or other securities of the Company) or any other securities of the Company which are of the same class as, or convertible or exchangeable for, or which carry a right to subscribe, purchase or acquire, or represent the right to receive, any such Shares, or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such Shares, in respect of which it is a beneficial owner (directly or indirectly and whether or not such Shares are held through any of its Intermediaries) and/or which are registered in its name or the name of any of its Intermediaries, unless the prior written consent of the Joint Bookrunners to any such disposal or grant shall have been obtained; and
- (2) the Company undertakes that it will not and will procure that no member of the Group will, and the Controlling Shareholder undertakes to procure that no member of the Group will, issue or agree to allot or issue any Shares (other than pursuant to (i) options outstanding under any existing share option scheme or (ii) any scrip dividend scheme or (iii) the Subscription Agreement) or other securities or grant or agree to grant any options (other than options granted pursuant to an existing share option scheme), warrants or other rights to subscribe for shares or other securities or to repurchase any securities of the Company, for the period commencing from the date of the Placing Agreement and ending three months from the Closing Date unless with the prior written consent of the Joint Bookrunners.

Completion of the Placing

Subject to the fulfilment of the condition precedent to the Placing as set out above, the Placing is expected to be completed on the Closing Date.

The Joint Bookrunners may terminate the Placing without liability to the Vendor, the Controlling Shareholder or the Company by giving notice in writing to the Vendor if at any time at or prior to 10:00 a.m. on the Closing Date:

- (A) in the sole opinion of any of the Joint Bookrunners there shall have been since the date of the Placing Agreement such a change in local, national or international monetary, financial, political, military, securities market conditions, economic conditions, taxation, currency exchange rates, foreign exchange rates or exchange controls or any suspension or limitation of trading on the Stock Exchange or any general moratorium on commercial banking activities in Hong Kong, London, Shanghai or New York declared by the relevant authorities or any disruption in commercial banking or securities settlement or clearance services as would be likely to prejudice materially the consummation of the Placing; any

suspension or limitation of trading of the Company's shares or securities on the Stock Exchange (save for any suspension pending the issue by the Company of the Placing Announcement pursuant to the Listing Rules); or

- (B) any breach of any of the representations and warranties contained in the Placing Agreement or any event has occurred or any matter has arisen on or after the date of the Placing Agreement and prior to the Closing Date which would render any of such representations and warranties untrue or incorrect or there has been a breach by the Vendor, the Company or the Controlling Shareholder of any other provision of the Placing Agreement; or
- (C) there is any adverse change or development involving a prospective adverse change (whether or not permanent) in the general affairs, condition, results of operations or prospects, management, business, stockholders' equity or in the financial or trading position of the Company and/or its subsidiaries, whether or not arising out the ordinary course of business which in the sole opinion of any of the Joint Bookrunners is material in the context of the Placing or the Subscription; or
- (D) any new law or regulation or any change or development involving a prospective change in existing laws or regulations in any relevant jurisdiction which in the opinion of the Joint Bookrunners has or is likely to have a material adverse effect on the financial position of the Company and/or of the Group as a whole; or
- (E) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange, the London Stock Exchange, the New York Stock Exchange or Nasdaq due to exceptional financial circumstances or otherwise at any time prior to the Closing Date;
- (F) any outbreak or escalation of hostilities or act of terrorism involving Hong Kong, the United Kingdom, the People's Republic of China or the United States or the declaration by Hong Kong, the United Kingdom, the People's Republic of China or the United States of a national emergency or war; or
- (G) the Subscription Agreement has not been entered into by the parties thereto on the date hereof or the Subscription Agreement having been revoked, terminated or modified.

Given that (i) completion of the Placing is subject to the condition mentioned above; (ii) the above mentioned right of the Joint Bookrunners to terminate the obligations of the Joint Bookrunners; and (iii) completion of the Subscription is subject to a number of conditions mentioned below, Shareholders and potential investors should exercise caution when dealing in the Shares.

THE SUBSCRIPTION AGREEMENT

Date

16 September 2014

Parties

- (a) the Vendor (as the subscriber of the Subscription Shares); and
- (b) the Company (as the issuer).

The Subscription

The Vendor has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue up to 1,300,000,000 Subscription Shares.

The Subscription Price

The Subscription Price is HK\$0.350 per Share, which is the same as the Placing Price.

The Subscription Price of the Subscription Shares will be paid to the Company in full on application.

Number of Subscription Shares

The Vendor will subscribe for and the Company will allot and issue a total of up to 1,300,000,000 new Shares with an aggregate nominal value of HK\$10,400,000.

The 1,300,000,000 Subscription Shares represent (i) approximately 14.15% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 12.40% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the Subscription save for the issue of the Subscription Shares).

Ranking of Subscription Shares

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with the issued Shares as at the date of allotment of the Subscription Shares.

Conditions of the Subscription

Completion of the Subscription is conditional on:

- (1) completion of the Placing having occurred pursuant to the terms of the Placing Agreement;
- (2) the Listing Committee of the Stock Exchange's agreeing to grant a listing of and permission to deal in the Subscription Shares; and
- (3) the Executive Director of the Corporate Finance Division of the Securities and Futures Commission ("SFC") waiving any obligation of the Vendor and parties acting in concert with it to make a general offer for all the issued shares in the Company as a result of the Subscription under Rule 26.1 of the Takeovers Code.

The Company will apply to the Listing Committee for listing of and permission to deal in the Subscription Shares and will apply to the SFC for the waiver as referred to in sub paragraphs (2) and (3) above.

The Subscription Agreement does not provide for either party to waive any of the above conditions.

Completion

The completion of the Subscription is expected to take place on or before 30 September 2014, which is within 14 days from the date of the Placing Agreement and the Subscription Agreement (or such later date as may be agreed by the Vendor and the Company). If the Subscription is not completed within 14 days from the date of the Placing Agreement and the Subscription Agreement and unless it is waived by the Stock Exchange, it will constitute a connected transaction under the Listing Rules and is subject to compliance with the requirements under Chapter 14A of the Listing Rules, including the issue of a separate announcement and approval of the independent Shareholders.

GENERAL MANDATE TO ISSUE THE SUBSCRIPTION SHARES

The issue of the Subscription Shares will not be subject to the approval by the Shareholders and the Subscription Shares will be issued under the General Mandate granted to the Directors at the AGM. Pursuant to the General Mandate, the total number of new Shares that the Company is authorised to issue is 1,837,407,935 Shares, representing 20% of the issued nominal capital of the Company as at the date of the AGM.

Since the date of the AGM and up to the date of this announcement, no new Shares have been allotted and issued by the Company under the General Mandate.

APPLICATION FOR LISTING

Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement, (ii) immediately after the Placing but before the Subscription, and (iii) immediately after completion of the Placing and the Subscription:

	Immediately before the Placing and the Subscription		Immediately after the Placing and before the Subscription		Immediately after the Placing and the Subscription	
	<i>Shares</i>	<i>Approximate %</i>	<i>Shares</i>	<i>Approximate %</i>	<i>Shares</i>	<i>Approximate %</i>
Substantial Shareholders						
Vendor	4,402,287,062	47.92	3,102,287,062	33.77	4,402,287,062	41.98
The Controlling Shareholder	3,045,000	0.03	3,045,000	0.03	3,045,000	0.03
Vendor and associates (<i>Note 1</i>)	4,405,332,062	47.95	3,105,332,062	33.80	4,405,332,062	42.01
Other Executive Director						
Mr. Kan Sze Man	23,790,500	0.26	23,790,500	0.26	23,790,500	0.22
Public						
Public Shareholders	4,757,917,114	51.79	4,757,917,114	51.79	4,757,917,114	45.37
Placees	–	–	1,300,000,000	14.15	1,300,000,000	12.40
Total	9,187,039,676	100.00	9,187,039,676	100.00	10,487,039,676	100.00

Notes:

1. The Controlling Shareholder, namely Mr. Chung Cho Yee, Mico, indirectly wholly-owns the Vendor.
2. The aggregate of the percentage figures in the above table may not add up to 100% due to rounding of the percentage figures to two decimal places.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months before the date of this announcement.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider that the Subscription offers a good opportunity to raise additional funds to strengthen the financial position and broaden the capital base of the Group so as to facilitate its future development. The Directors consider that the terms of the Placing Agreement and the Subscription Agreement are fair and reasonable, on normal and commercial terms and are in the interests of the Company and the Shareholders as a whole.

The gross proceeds of the Subscription will be up to approximately HK\$455.0 million. The net proceeds (after deducting all applicable costs and expenses of the Subscription) of up to approximately HK\$442.4 million from the Subscription are intended to be applied towards future property investment primarily in Hong Kong and Macau and as general working capital purposes of the Group. The net price of each Subscription Share will be approximately HK\$0.340.

INFORMATION ON THE COMPANY, THE VENDOR AND THE JOINT BOOKRUNNERS

The Company is an investment holding company and is principally engaged in property repositioning and investment. The subsidiaries of the Company are principally engaged in property enhancement and development, property investment, and securities investment in Hong Kong and the PRC.

The Vendor is indirectly wholly-owned by Mr. Chung Cho Yee, Mico, the Chairman and an executive Director of the Company.

The Joint Bookrunners are Jefferies Hong Kong Limited and J.P. Morgan Securities (Asia Pacific) Limited.

WARNING

Completion of the Placing is subject to a condition mentioned herein. Pursuant to the termination provisions contained in the Placing Agreement in respect of the Placing Shares, the Joint Bookrunners have the right in certain circumstances to terminate the obligations of the Joint Bookrunners pursuant to the Placing Agreement at any time prior to 10:00 a.m. on the Closing Date. Completion of the Subscriptions is subject to a number of conditions mentioned herein. Accordingly, Shareholder and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the expressions below have the meanings assigned:

“AGM”	the annual general meeting of the Company held on 20 August 2014;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Closing Date”	not later than 19 September 2014 or such other date as the Vendor and the Joint Bookrunners shall agree in writing;
“Company”	CSI Properties Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange (stock code 497);
“Controlling Shareholder”	Mr. Chung Cho Yee, Mico, the Chairman and an executive Director of the Company;
“Directors”	directors of the Company;
“Encumbrance”	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or any other type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect;

“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM;
“Group”	the Company, its direct or indirect subsidiaries and jointly controlled entities and the expression “member of the Group” shall be construed accordingly;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong for the time being;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Joint Bookrunners”	Jefferies Hong Kong Limited and J.P. Morgan Securities (Asia Pacific) Limited;
“Last Trading Day”	15 September 2014, being the trading date immediately prior to the date of the Placing Agreement and the Subscription Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Placee(s)”	any professional, institutional and/or other investors procured by or on behalf of the Joint Bookrunners severally (and not jointly nor on a joint and several basis) to purchase any of the Placing Shares pursuant to the Joint Bookrunners’ obligations under the Placing Agreement;
“Placing”	the offer by way of a private placing of the Placing Shares by or on behalf of the Joint Bookrunners severally (and not jointly or on a joint and several basis) to selected Placees on the terms and subject to the conditions set out in the Placing Agreement;
“Placing Agreement”	the placing agreement dated 16 September 2014 entered into among the Vendor, the Controlling Shareholder, the Company and the Joint Bookrunners in relation to the Placing;
“Placing Price”	HK\$0.350 per Placing Share;
“Placing Shares(s)”	up to 1,300,000,000 existing Shares held by the Vendor;
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
“Share(s)”	ordinary share(s) of par value of HK\$0.008 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription for the Subscription Shares by the Vendor pursuant to the terms and conditions of the Subscription Agreement;
“Subscription Agreement”	the subscription agreement dated 16 September 2014 entered into among the Vendor and the Company in relation to the Subscription;
“Subscription Price”	HK\$0.350 per Subscription Share, which is equal to the Placing Price;
“Subscription Shares”	up to 1,300,000,000 new Shares that is equal to the number of Placing Shares actually sold by the Vendor;
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs;
“Vendor”	Earnest Equity Limited, a company incorporated in the British Virgin Islands, a substantial shareholder of the Company and wholly-owned by the Controlling Shareholder; and
“%”	per cent.

By order of the Board
CSI Properties Limited
Kan Sze Man
Executive Director

Hong Kong, 16 September 2014

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

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