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資本策略

CSI PROPERTIES LIMITED

資本策略地產有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 497)

MAJOR TRANSACTION

DISPOSAL OF INTEREST IN GET WISDOM LIMITED

EXERCISE OF CONVERSION RIGHT

On 29 June 2010, Hill Shine exercised the Conversion Right granted to holders of Non-Voting Shares under the Shareholders' Agreement in respect of all of the Non-Voting Shares (representing 50% of the total issued share capital of Get Wisdom). Subject to the passing of an ordinary resolution by the Shareholders (other than those, if any, who are required to abstain from voting under the Listing Rules), on the Conversion the Non-Voting Shares will be redeemed by Get Wisdom and converted into Ordinary Shares, at the ratio of one Non-Voting Share to one Ordinary Share.

As at the date of this Announcement the issued share capital of Get Wisdom is held as to 50% by the Company's wholly-owned subsidiary Capital Strategic (represented by five Ordinary Shares), and as to 50% by a wholly-owned subsidiary of Chinese Estates, Hill Shine (represented by five Non-Voting Shares). Get Wisdom is a subsidiary of the Company under the Listing Rules, as 100% of the voting rights in Get Wisdom continues to be held by Capital Strategic.

Upon completion of the Conversion, Get Wisdom will be held as to 50% by Capital Strategic (represented by five Ordinary Shares), and as to 50% by Hill Shine (represented by five Ordinary Shares). Get Wisdom will, as a result, cease to be a subsidiary of the Company and will instead be a jointly controlled entity of the Company, and the financial results of the Get Wisdom Group will no longer be consolidated into the consolidated financial statements of the Group. The completion of the Conversion will therefore constitute a deemed disposal of a subsidiary under the Listing Rules.

* For identification purpose only

IMPLICATIONS UNDER THE LISTING RULES

As the financial results of the Get Wisdom Group will no longer be consolidated into the consolidated financial statements of the Group upon completion of the Conversion, the completion of the Conversion will constitute a deemed disposal of a subsidiary under the Listing Rules. One or more of the applicable percentage ratios (as defined in the Listing Rules) of the Conversion exceeds 25% but are less than 75% and it therefore constitutes a major realisation under Rule 14.06(3) of the Listing Rules. The completion of the Conversion is therefore subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules. As, to the best knowledge of the Directors, no Shareholder has any material interest in the Conversion, no Shareholder is required to abstain from voting at the SGM in respect of the resolution to approve the Conversion.

GENERAL

A circular containing further details of the Conversion and a notice convening the SGM will be despatched to the Shareholders on or before 21 July 2010.

BACKGROUND

Get Wisdom is an investment holding company incorporated in the British Virgin Islands through which the Company and Chinese Estates each, indirectly, holds 50% interest in the Property. The authorised share capital of Get Wisdom is divided into Ordinary Shares and Non-Voting Shares. According to the memorandum and articles of association of Get Wisdom, the Non-Voting Shares rank *pari passu* with the Ordinary Shares in respect of the right to dividend and as regards priority and proportion in respect of repayment of the capital paid up and the distribution of the surplus assets upon liquidation of Get Wisdom, but holders of Non-Voting Shares have no right to vote in the meeting of members of Get Wisdom.

Hill Shine acquired from Capital Strategic three of the Non-Voting Shares (representing 30% of the total issued share capital of Get Wisdom) for cash consideration of HK\$23.40 pursuant to the Sale and Purchase Agreement dated 18 December 2009. It acquired the remaining two Non-Voting Shares (representing 20% of the total issued share capital of Get Wisdom) from Capital Strategic for cash consideration of HK\$15.60 on 29 June 2010 pursuant to the exercise of the Call Option granted under the Sale and Purchase Agreement. Under the Sale and Purchase Agreement, Hill Shine also granted the Put Option to Capital Strategic, which is conditional upon the exercise of the Call Option by Hill Shine, and is exercisable from the date of completion of the transfer of the Call Option Shares from Capital Strategic to Hill Shine, being 29 June 2010 to the expiry of 180 days after this date (both dates inclusive). In the event that the Put Option is exercised by Capital Strategic and the sale and purchase of the Put Option Shares is completed, Get Wisdom shall cease to be a jointly controlled entity of the Company and instead will become an indirect wholly-owned subsidiary of Chinese Estates.

There is outstanding from each of Hill Shine and Capital Strategic, shareholders loans to Get Wisdom of approximately HK\$487.6 million being their pro-rata share of advances to Get Wisdom in accordance with the terms of the Shareholders' Agreement.

To finance the indirect acquisition of the Property by Smart Dynasty (which was completed on 1 April 2010) and the working capital requirement of Smart Dynasty, Smart Dynasty had on 17 March 2010 obtained a loan facility of up to HK\$895 million pursuant to the Loan Agreement. In this connection, the Company provided a guarantee in favour of the lending bank in respect of the Loan Agreement pro-rata to its interest in Smart Dynasty of up to approximately HK\$626.5 million, while Chinese Estates provided a guarantee in favour of the lending bank in respect of the Loan Agreement pro-rata to its interest in Smart Dynasty of up to approximately HK\$268.5 million. The amount of the guarantees provided by the Company and Chinese Estates will be adjusted to reflect their pro-rata indirect shareholding in Get Wisdom and the Company's guarantee will accordingly be reduced to HK\$447.5 million.

As at the date of this announcement, the loan facility has been fully drawn.

The Shareholders' Agreement also provides that holders of Non-Voting Shares may exercise the Conversion Right on which exercise the Non-Voting Shares will, subject to the passing of an ordinary resolution by the Shareholders (other than those, if any, who are required to abstain from voting under the Listing Rules), be redeemed by Get Wisdom and converted into Ordinary Shares, at the ratio of one Non-Voting Share to one Ordinary Share.

EXERCISE OF CONVERSION RIGHT

On 29 June 2010, Hill Shine exercised the Conversion Right granted to holders of Non-Voting Shares under the Shareholders' Agreement, as a result of which, subject to the passing of an ordinary resolution by the Shareholders (other than those, if any, who are required to abstain from voting under the Listing Rules), all of the five Non-Voting Shares held by Hill Shine will be redeemed by Get Wisdom and converted into five Ordinary Shares to be held by Hill Shine.

As at the date of this Announcement the issued share capital of Get Wisdom is held as to 50% by the Company's wholly-owned subsidiary Capital Strategic (represented by five Ordinary Shares), and as to 50% by a wholly-owned subsidiary of Chinese Estates, Hill Shine (represented by five Non-Voting Shares). Get Wisdom is a subsidiary of the Company under the Listing Rules, as 100% of the voting rights in Get Wisdom continues to be held by Capital Strategic.

Upon completion of the Conversion, the entire issued share capital of Get Wisdom will be comprised solely of Ordinary Shares, and Get Wisdom will be held as to 50% by Capital Strategic (represented by five Ordinary Shares), and as to 50% by Hill Shine (represented by five Ordinary Shares). Get Wisdom will, as a result, cease to be a subsidiary of the Company, and the financial results of the Get Wisdom Group will no longer be consolidated into the consolidated financial statements of the Group. The completion of the Conversion will therefore constitute a deemed disposal of a subsidiary under the Listing Rules.

Conversion will take effect only upon Shareholders approval being obtained.

INFORMATION ON THE GROUP

The Group is principally engaged in property investment and securities investment. Capital Strategic is an investment holding company.

INFORMATION ON HILL SHINE

As far as the Directors are aware, Hill Shine is an investment holding company, and is an indirectly wholly-owned subsidiary of Chinese Estates, a company which, according to public information released by Chinese Estates, is principally engaged in property investment and development, brokerage, securities investment, money lending and cosmetic distribution and trading, the shares of which are listed on the Stock Exchange, stock code 127.

Save and except for the holding of five Non-Voting Shares, to the best of the Directors' knowledge, information and belief, and after having made all reasonable enquiries, as at the date of this announcement, Hill Shine, Chinese Estates, its controlling shareholder(s) and the ultimate beneficial shareholder(s) of the controlling shareholder(s) of Chinese Estates are Independent Third Parties.

INFORMATION ON THE GET WISDOM GROUP

Get Wisdom is an investment holding company incorporated in the British Virgin Islands, the sole asset of which is the entire issued share capital of Smart Dynasty, an investment holding company incorporated in Hong Kong, the sole asset of which is the entire registered capital of Shanghai Xin Mao.

Shanghai Xin Mao is a company incorporated in the PRC and is the registered owner of the Property, which is its sole asset of significance. The Property is situated in the centre of Huaihai Commercial Zone Shanghai, comprising a 20-storey Grade A office building with a commercial area on the ground floor and carparking spaces in the three levels of the basement, with a total gross floor area of 43,335.55 square metres. The office area is currently leased to international and corporate tenants with an occupancy rate of over 93%. The acquisition of the Property was completed on 1 April 2010.

According to the unaudited consolidated financial statements of the Get Wisdom and Smart Dynasty which were prepared in accordance with accounting principles and practices generally accepted in Hong Kong,

- (a) the net loss both before and after taxation for the period from 13 May 2009 (date of incorporation) to 31 March 2010 (financial year end date) was HK\$3.4 million; and
- (b) as at 31 March 2010, the total assets and the total liabilities of the Get Wisdom Group amounted to approximately HK\$1,850.5 million and HK\$1,853.9 million respectively, resulting in a net liability value of approximately HK\$3.4 million.

According to the audited financial statement of Shanghai Xin Mao which were prepared in accordance with accounting principles and practices generally accepted in the PRC,

- (a) the net profit before and after taxation for the financial year ended 31 December 2009 were approximately RMB 58.0 million and approximately RMB 43.5 million respectively;
- (b) the net profit before and after taxation for the financial year ended 31 December 2008 were approximately RMB 61.1 million and approximately RMB 44.3 million respectively; and
- (c) as at 31 December 2009, its total assets and total liabilities were approximately RMB 658.9 million and approximately RMB 378.9 million respectively, resulting in a net asset value of approximately RMB 280.0 million.

The major difference between the accounting standards of the Group and Shanghai Xin Mao is that the value of the Property has been stated at cost less depreciation in the financial statements of Shanghai Xin Mao for the financial years ended 31 December 2009 while property interests will be stated at fair value in the financial statements of the Group.

REASONS FOR AND BENEFITS OF THE CONVERSION

The entering into of the Sale and Purchase Agreement has formed the foundation of a strategic relationship with Chinese Estates, whilst the grant of the Call Option and Put Option under the Sale and Purchase Agreement allows the Company to strengthen the financial position of the Group, by the reduction in the pro-rata shareholders' loans and the adjustments in the corporate guarantees provided in connection with the Loan Agreement. The grant of the Conversion Right under the Shareholders' Agreement also allows the Company and Chinese Estates to further strengthen the strategic relationship between the Company and Chinese Estates.

The Directors (including the independent non-executive Directors) are of the view that terms of the Sale and Purchase Agreement, including the exercise of the Call Option and the grant of the Put Option, and the Conversion are in the interests of the Group and the Shareholders as a whole, and are on normal commercial terms which terms are fair and reasonable.

FINANCIAL EFFECTS OF THE CONVERSION

As at the date of this announcement, the issued share capital of Get Wisdom is held as to 50% by the Company's wholly-owned subsidiary Capital Strategic (represented by five Ordinary Shares), and as to 50% by a wholly-owned subsidiary of Chinese Estates, Hill Shine (represented by five Non-Voting Shares).

Subject to the passing of an ordinary resolution by the Shareholders (other than those, if any, who are required to abstain from voting under the Listing Rules), upon completion of the Conversion, the entire issued share capital of Get Wisdom will be comprised solely of Ordinary Shares, and Get Wisdom will be held as to 50% by Capital Strategic (represented by five Ordinary Shares), and as to 50% by Hill Shine (represented by five Ordinary Shares). Get Wisdom will, as a result, cease to be a subsidiary of the Company, and the financial results of the Get Wisdom Group will no longer be consolidated into the consolidated financial statements of the Group. The completion of the Conversion will therefore constitute a deemed disposal of a subsidiary under the Listing Rules.

The Group expects no material gain or loss will arise from the Conversion. The assets of the Group will be decreased by approximately HK\$2,271.4 million and the liabilities of the Group will be decreased by approximately HK\$2,274.8. As a result, the net asset value of the group will increase by approximately HK\$3.4 million.

IMPLICATIONS UNDER THE LISTING RULES

As the financial results of the Get Wisdom Group will no longer be consolidated into the consolidated financial statements of the Group upon completion of the Conversion, the completion of the Conversion will constitute a deemed disposal of a subsidiary under the Listing Rules. One or more of the applicable percentage ratios (as defined in the Listing Rules) of the Conversion exceeds 25% but are less than 75% and it therefore constitutes a major realisation under Rule 14.06(3) of the Listing Rules. The completion of the Conversion is therefore subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules. As, to the best knowledge of the Directors, no Shareholder has any material interest in the Conversion, no Shareholder is required to abstain from voting at the SGM in respect of the resolution to approve the Conversion.

GENERAL

A circular containing further details of the Conversion and a notice convening the SGM will be despatched to the Shareholders on or before 21 July 2010.

DEFINITIONS

The following terms are used in this announcement with the meanings assigned to them below:—

“Board”	the board of Directors
“Call Option”	the option granted by Capital Strategic to Hill Shine under the Sale and Purchase Agreement in consideration of the payment of HK\$1.00, pursuant to which Hill Shine could require Capital Strategic to sell the Call Option Shares to Hill Shine, at the Call Option Price
“Call Option Price”	HK\$7.80 per Call Option Share
“Call Option Shares”	two Non-Voting Shares beneficially held by Capital Strategic
“Capital Strategic”	Capital Strategic Ventures Limited, a company incorporated in the British Virgin Islands, and a wholly-owned subsidiary of the Company
“Chinese Estates”	Chinese Estates Holdings Limited, a company incorporated in Bermuda, with limited liability the shares of which are listed on the Stock Exchange, stock code 127
“Company”	CSI Properties Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Conversion”	the redemption of Non-Voting Shares by Get Wisdom and the conversion of such Non-Voting Shares into Ordinary Shares, at the ratio of one Non-Voting Share to one Ordinary Share

“Conversion Right”	the right granted to holders of Non-Voting Shares under the Shareholders’ Agreement to require Get Wisdom to undergo the Conversion
“Director(s)”	director(s) of the Company
“Get Wisdom”	Get Wisdom Limited, a company incorporated in the British Virgin Islands, and as at the date of this announcement, a subsidiary of the Company
“Get Wisdom Group”	Get Wisdom, Smart Dynasty and Shanghai Xin Mao
“Group”	the Company and its subsidiaries
“Hill Shine”	Hill Shine Limited, a company incorporated in the British Virgin Islands, and a wholly-owned subsidiary of Chinese Estates
“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
“Independent Third Party”	a party who, to the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, is independent of the Company and of connected persons (as defined in the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement dated 17 March 2010 between Smart Dynasty as borrower and a licensed bank in Hong Kong as lender in relation to a loan facility of up to HK\$895 million
“Non-Voting Shares”	shares of US\$1.00 each in the share capital of Get Wisdom which rank pari passu with the Ordinary Shares in respect of the right to dividend and as regards priority and proportion in respect of repayment of the capital paid up and the distribution of the surplus assets upon liquidation of Get Wisdom, but holders of which have no right to vote in the meeting of members of Get Wisdom
“Ordinary Shares”	ordinary shares of US\$1.00 each in the share capital of Get Wisdom
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau SAR and Taiwan
“Property”	the building, named Platinum, located on 233 Taicang Road, in the centre of Huaihai Commercial Zone Shanghai, PRC, comprising a commercial building, with a total gross floor area of 43,335.55 square metres

“Put Option”	the option granted by Hill Shine to Capital Strategic under the Sale and Purchase Agreement in consideration of the payment of HK\$1.00, pursuant to which Capital Strategic can require Hill Shine to purchase the Put Option Shares from Capital Strategic, at the Put Option Price
“Put Option Price”	HK\$7.80 per Put Option Share
“Put Option Shares”	five Ordinary Shares beneficially held by Capital Strategic
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	an agreement dated 18 December 2009 entered into between Capital Strategic and Hill Shine for, inter alia, the sale and purchase of three Non-Voting Shares in Get Wisdom
“SGM”	the special general meeting of the Company to be convened to approve, amongst other things, the Conversion
“Shanghai Xin Mao”	上海新茂房地產開發有限公司 (Shanghai Xin Mao Property Development Co., Ltd) a company incorporated in the PRC, and a wholly-owned subsidiary of Smart Dynasty
“Share(s)”	ordinary share(s) of HK\$0.008 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Shareholders’ Agreement”	the shareholders’ agreement between Capital Strategic, Hill Shine and Get Wisdom to set out the respective rights and obligations of Capital Strategic and Hill Shine in relation to Get Wisdom and its subsidiaries
“Smart Dynasty”	Smart Dynasty Limited, a company incorporated in Hong Kong, and a wholly-owned subsidiary of Get Wisdom
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
Kan Sze Man
Executive Director

Hong Kong, 29 June 2010

As at the date of this announcement, Mr. Chung Cho Yee, Mico is the non-executive Chairman, Mr. Kan Sze Man, Mr. Chow Hou Man and Mr. Wong Chung Kwong are the executive directors, Dato’ Wong Sin Just, Dr. Lam Lee G. and Mr. Cheng Yuk Wo are the independent non-executive directors.