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WING TAI PROPERTIES LIMITED

永泰地產有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 369)

CONNECTED TRANSACTION

JOINT VENTURE

IN RESPECT OF

A PROPERTY DEVELOPMENT PROJECT

JOINT VENTURE

The Shareholders' Agreement is in relation to Southwater (BVI), a joint venture company established by the Group and CSI Group in respect of the Development at Gage Street/Graham Street, Central, Hong Kong.

At present, Wing Tai Subsidiary (a wholly-owned subsidiary of the Company) and CSI Subsidiary (a wholly-owned subsidiary of CSI) are holding 65 shares and 35 shares in Southwater (BVI) respectively. CSI has submitted the Subscription Notice for the Subscription for 30 new shares of Southwater (BVI) at US\$1.00 each pursuant to the terms of the Shareholders' Agreement. Upon and after the closing of the Subscription, Wing Tai Subsidiary and CSI Subsidiary will each own 65 issued shares in Southwater (BVI), representing 50% equity interest in Southwater (BVI). Wing Tai Subsidiary and CSI Subsidiary as shareholders of Southwater (BVI) will be responsible for the Funding requirements in proportion to their respective equity interests in Southwater (BVI).

Southwater (HK), being Southwater (BVI)'s wholly-owned subsidiary, is the developer to implement the Development. The Company has also been appointed as the lead member to oversee all aspects of the Development. The Development, when completed, is expected to include, among others, the Developer's Portion attributable to Southwater (HK).

LISTING RULES IMPLICATIONS

CSI Subsidiary is a connected person of the Company at the subsidiary level because of its 35% equity interest held in Southwater (BVI). Accordingly, the Transactions involving CSI Subsidiary and its holding company, CSI, constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

The Transactions have been approved by the Board. The independent non-executive Directors of the Company have further confirmed that the terms of the Transactions are fair and reasonable, and the Transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Under Rule 14A.101 of the Listing Rule, the Transactions are exempted from the circular, independent financial advice and independent shareholders' approval requirements in Chapter 14A of the Listing Rules. The Transactions are only subject to announcement and annual reporting requirements in Chapter 14A of the Listing Rules.

The Shareholders' Agreement is in relation to Southwater (BVI), a joint venture company established by the Group and CSI Group in respect of the Development at Gage Street/Graham Street, Central, Hong Kong. The material particulars of the Shareholders' Agreement are set out below.

SHAREHOLDERS' AGREEMENT

Date

7 September 2018

Parties

The Shareholders' Agreement was made by the following parties:-

- (i) the Company and its wholly owned subsidiary, Wing Tai Subsidiary;
- (ii) CSI and its wholly owned subsidiary, CSI Subsidiary; and
- (iii) Southwater (BVI) and its wholly owned subsidiary, Southwater (HK).

Equity interests in Southwater (BVI)

The Group and CSI Group formed Southwater (BVI) as a joint venture company in respect of the Development pursuant to the MOA made in October 2017. At present, Wing Tai Subsidiary (a wholly-owned subsidiary of the Company) and CSI Subsidiary (a wholly-owned subsidiary of CSI) are holding 65 shares and 35 shares in Southwater (BVI), representing 65% and 35% of the equity interests in Southwater (BVI), respectively.

In entering into the Shareholders' Agreement to supersede and terminate the MOA, the Group and CSI Group have agreed that CSI may serve the Subscription Notice for 30 new shares in Southwater (BVI) at US\$1 each. The Subscription Notice was served on 26 September 2018. Upon the closing of the Subscription, CSI Subsidiary shall make further Capital Contribution to equalize the Capital Contributions made by Wing Tai Subsidiary and CSI Subsidiary. After the closing of the Subscription, the Funding requirements should be shared between Wing Tai Subsidiary and CSI Subsidiary equally. As such, upon the closing of the Subscription, CSI Subsidiary will meet its shortfall in 15% of the Capital Contributions (of about HK\$940 million) to Southwater (BVI) in cash, and Southwater (BVI) will apply the same towards the repayment of the Capital Contributions previously made by Wing Tai Subsidiary. CSI Subsidiary has also agreed to make reimbursement (of about HK\$30 million) to Wing Tai Subsidiary in respect of all the relevant costs and expenses (including interest costs) incurred by the Group to the extent that these costs have not already been reimbursed by the repayment to Wing Tai Subsidiary.

After taking into consideration the reduction in its share of accumulated losses in the Southwater Group arising from the disposal and the amount to be received from CSI Group (as reimbursement of the Group's costs and expenses), the Group will record a gain on disposal (of about HK\$30 million). Nearly all of this gain arises from the amount to be received from CSI Group as reimbursement of the Group's costs and expenses as mentioned above.

The closing of the Subscription is expected to take place before the Long Stop Date, subject to the requisite approvals by the Urban Renewal Authority, the relevant banks making the external loans to Southwater Group and other third parties (other than the shareholders of the Company and CSI) having been obtained.

Whilst Southwater (BVI) is an indirect subsidiary of the Company under the Listing Rules, it is not treated as a subsidiary from accounting perspective. Instead Southwater (BVI) has been treated by the Company as a jointly controlled entity according to the applicable accounting principles. After the reduction of its equity interest in Southwater (BVI) from 65% to 50%, the Company will continue to treat Southwater (BVI) as a jointly controlled entity according to the applicable accounting principles. As such, equity accounting is being adopted to account for the Company's interest in Southwater (BVI) before and after the change in the Company's equity interest in Southwater (BVI).

Funding Requirements

Wing Tai Subsidiary and CSI Subsidiary as shareholders of Southwater (BVI) will be responsible for the Funding requirements in proportion to their respective equity interests in Southwater (BVI).

The aggregate Funding requirements is estimated to be approximately HK\$15.5 billion, after taking into account, among other things, the estimated project costs (including construction costs) for implementing the Development, interest expenses anticipated to be incurred and payments to the Urban Renewal Authority.

The Funding requirements are all intended to be met by maximising the amount of the external loans from banks so far as available on a prudent and commercially reasonable basis and in accordance with the Shareholders' Agreement. If, for any reason, the Funding Requirements cannot be met through the external loans, Wing Tai Subsidiary and CSI Subsidiary as shareholders of Southwater (BVI) shall provide or procure the provision of such funding by way of Capital Contributions in proportion to their equity interests in Southwater (BVI). As at the end of August 2018, a total sum of approximately HK\$6.27 billion has been funded to Southwater Group by the Capital Contributions from Wing Tai Subsidiary and CSI Subsidiary in proportion to their equity interests.

Dividends

The dividends available for distribution by Southwater (BVI) will be shared amongst Wing Tai Subsidiary and CSI Subsidiary in proportion to their respective equity interests as prescribed by the Shareholders' Agreement.

Board of directors

The board of directors of Southwater (BVI), being responsible for the management of its business, shall comprise up to four (4) directors. Each shareholder of Southwater (BVI) will be entitled to appoint 1 director of Southwater (BVI) for each complete 25% of the shares in Southwater (BVI) held by that shareholder or its affiliates.

Reserved matters

Without the prior written approval of each shareholder of Southwater (BVI), the members of Southwater Group shall not take certain actions as prescribed in the Shareholders' Agreement, including the following:-

- any change in the nature or scope of the business of Southwater (BVI) or any member of Southwater Group;

- entry into any transaction, agreement or arrangement by any member of Southwater Group with any other person which is not on an arm's length basis;
- the creation of any encumbrance over any underlying asset of any member of Southwater Group, save as may be required as security under the terms of any external loans; and
- the giving by any member of Southwater Group of any guarantee or indemnity to or becoming surety for any third party, save as may be required as security under the terms of any external loans.

THE DEVELOPMENT AND THE REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Shareholders' Agreement is a joint venture agreement made pursuant to the MOA. The MOA memorialized the agreement of the Company and CSI to form Southwater (BVI) as the joint venture company if Southwater (HK) is successful in its tender submitted to the Urban Renewal Authority to implement the Development. After the acceptance of the tender offer by the Urban Renewal Authority on 24 October 2017, Southwater (HK) entered into the Development Agreement with Urban Renewal Authority on 1 December 2017 in respect of the Development. Southwater (HK) is the developer to implement the Development.

The Company and CSI have provided guarantees (on a several and pro rata basis for payments) in favour of the Urban Renewal Authority to guarantee the performance by Southwater (HK) of its obligations under the Development Agreement.

The Development Site is at Gage Street/Graham Street, Central, Hong Kong, covering a total site area of approximately 2,685 square meters. The gross floor area for construction is 40,275 square meters (with a hotel portion with maximum floor area of 9,280 square meters and minimum floor area of 5,568 square meters and a non-industrial portion with maximum floor area of 30,995 square meters and minimum floor area of 18,597 square meters). The Development, when completed, will include the Developer's Portion attributable to Southwater (HK) and the URA Retention Portion (comprising the retail portion and public open spaces) to be retained by the Urban Renewal Authority under the Development Agreement.

The Development involves the relevant demolition and construction works, various conservation and preservation works and the design and construction of footbridges stipulated in the relevant land grant. The construction works are expected to be completed on or before 25 January 2024, subject to any extension granted by the Urban Renewal Authority. Southwater (HK) is the developer to implement the Development. The Company has been appointed as the lead member to oversee all aspects of the Development. A subsidiary of the Company has been appointed as the project manager of the Development. Neither foundation work nor superstructure work has begun yet.

The Group's investment in Southwater Group is carried out as one of the principal activities of the Group. The terms of the Shareholders' Agreement are negotiated and agreed by the parties on an arm's length basis. The Group considers that the Subscription will strengthen the alignment of interests of CSI Subsidiary with that of Wing Tai Subsidiary in Southwater (BVI), whilst at the same time the Group's roles as the lead member and the project manager of the Development will be preserved by the Shareholders' Agreement. As such, the Group will continue to have the leading role in the implementation of the Development to bring it to a successful completion in a timely manner.

The Directors (including the independent non-executive Directors) are of the view that the entering into of the Shareholders' Agreement and the carrying out of the Transactions are in the ordinary and usual course of business of the Group and that the terms of the Shareholders' Agreement and the

Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Southwater (BVI) was incorporated on 3 August 2017. Since then, Southwater Group did not commence business operations before the right to implement the Development was awarded to Southwater (HK).

Certain unaudited financial information of Southwater Group prepared on the basis of the generally accepted accounting principles in Hong Kong is set out below:

	For the period ended	
	31 December 2017	30 June 2018
	<i>Approximately</i>	<i>Approximately</i>
	<i>HK\$</i>	<i>HK\$</i>
Consolidated loss before tax	17,253	116,585
Consolidated loss after tax	17,253	96,909

The consolidated net liabilities of Southwater Group as at 30 June 2018 was approximately HK\$113,382.

LISTING RULES IMPLICATIONS

Southwater Group is formed for the single purpose of engaging in the Development which is of a revenue nature and in the ordinary and usual course of business of the Group.

CSI Subsidiary is a connected person at the subsidiary level of the Company by reason of its 35% equity interest held in Southwater (BVI) on its formation. Accordingly, the Transactions involving CSI Subsidiary and its holding company, CSI, constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

The Transactions have been approved by the Board. The independent non-executive Directors of the Company have further confirmed that the entering into of the Shareholders' Agreement and the carrying out of the Transactions are in the ordinary and usual course of business of the Group and that the terms of the Shareholders' Agreement and the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Transactions are exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.101 of the Listing Rules but are subject to announcement and annual reporting requirements under Chapter 14A of the Listing Rules.

No Director has a material interest in the Transactions and none of them was required to abstain from voting on the Board resolutions approving the Transactions.

GENERAL INFORMATION

The Company is an investment holding company. The principal subsidiaries of the Company are engaged in property development, property investment and management and hospitality investment and management.

Wing Tai Subsidiary is a wholly owned subsidiary of the Company and its principal activity is investment holding.

CSI is an investment holding company. According to the information published on the Stock Exchange's website by CSI, the principal business activities of CSI's subsidiaries include the investment and trading of commercial and residential properties and securities investment.

CSI Subsidiary is a wholly owned subsidiary of CSI and its principal activity is investment holding.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following capitalized terms shall have the following meanings:

"Board"	the board of Directors;
"BVI"	British Virgin Islands;
"Capital Contributions"	the capital contributions (in the form of equity or shareholder loans) to Southwater (BVI) by its shareholders in respect of the Funding requirements in accordance with the Shareholders' Agreement;
"Company"	Wing Tai Properties Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"connected person at the subsidiary level"	as defined in Rule 14A.06(9) of the Listing Rules;
"CSI"	CSI Properties Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange (Stock Code: 497);
"CSI Group"	CSI and its subsidiaries;
"CSI Subsidiary"	Master Reach Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of CSI;
"Developer's Portion"	as defined in the Development Agreement, comprising the hotel portion and the office portion (together with the motorcycle parking spaces) attributable to Southwater (HK) under the Development Agreement;
"Development"	the development of the Development Site in accordance with the Development Agreement;
"Development Agreement"	the development agreement between by Southwater (HK) (as the developer) and the Urban Renewal Authority in relation to the Development;

"Development Site"	the land parcel known as Inland Lot No. 9065 and located at Gage Street/Graham Street, Central, Hong Kong;
"Directors"	the directors of the Company;
"Funding"	any amounts of funding required by the shareholders of Southwater (BVI) and members of Southwater Group to implement the Development including all costs of Development as prescribed in the Development Agreement, operating, administration, selling and marketing expenses, any amounts payable on external loans and/or any shareholder loans owed by Southwater Group;
"Group"	the Company and its subsidiaries;
"HK\$"	Hong Kong dollar(s), the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Long Stop Date"	the date falling 6 months (or such longer period as the Wing Tai Subsidiary and CSI Subsidiary may agree), after the date of the Shareholders' Agreement;
"MOA"	the Memorandum of Agreement dated 9 October 2017 between the Company and CSI in respect of, among other things, the submission of a tender offer, through Southwater (HK), in respect of the Development and, if the tender offer is accepted, the implementation of the Development. The MOA has been superseded and terminated by the Shareholders' Agreement;
"Shareholders"	the shareholders of the Company;
"Shareholders' Agreement"	the shareholders' agreement dated 7 September 2018 and entered into by (i) the Company and Wing Tai Subsidiary; (ii) CSI and CSI Subsidiary; and (iii) Southwater (BVI) and Southwater (HK);
"Southwater Group"	the Southwater (BVI) and its subsidiaries (including Southwater (HK)) from time to time;
"Southwater (BVI)"	Southwater Investments Limited, a limited liability company incorporated in the BVI and a joint venture company formed by the Company and CSI in respect of the Development;
"Southwater (HK)"	Southwater Hong Kong Limited a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Southwater (BVI);

"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subscription"	the subscription by CSI Subsidiary for thirty (30) new shares of Southwater (BVI);
"Subscription Notice"	the written notice given by CSI pursuant to the Shareholders' Agreement to require Southwater (BVI) to allot and issue thirty (30) new shares of Southwater (BVI) to CSI Subsidiary;
"Transactions"	the transactions contemplated by the Shareholders' Agreement (including the Subscription);
"Urban Renewal Authority"	Urban Renewal Authority, a body corporate established in Hong Kong under the Urban Renewal Authority Ordinance (Chapter 563 of the Laws of Hong Kong);
"Wing Tai Subsidiary"	Wing Tai Properties (International) Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company;
"%"	per cent.

By Order of the Board of
WING TAI PROPERTIES LIMITED
Chung Siu Wah, Henry
Company Secretary & Group Legal Counsel

Hong Kong, 26 September 2018

As at the date of this Announcement, the directors of the Company are:

Executive Directors:	Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward, Cheng Man Piu, Francis, Chow Wai Wai, John and Ng Kar Wai, Kenneth
Non-executive Directors:	Kwok Ping Luen, Raymond (Kwok Ho Lai, Edward as his alternate), Hong Pak Cheung, William, Ng Tak Wai, Frederick and Chen Chou Mei Mei, Vivien
Independent Non-executive Directors:	Simon Murray, Yeung Kit Shing, Jackson, Haider Hatam Tyebjee Barma, Cheng Hoi Chuen, Vincent and Lam Kin Fung, Jeffrey