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華廈置業有限公司
WAH HA REALTY COMPANY LIMITED

WAH HA REALTY COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 278)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
THE DISPOSAL OF THE COMPANY'S ENTIRE SHAREHOLDING IN
EASTERN TAILOR ENTERPRISES LIMITED**

THE SALE AND PURCHASE AGREEMENT

After trading hours of the Stock Exchange on 13 December 2017, the Vendors and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares at the Consideration of HK\$418,036,092.50, to be apportioned as to HK\$209,018,046.25 for the Company Sale Shares and as to HK\$209,018,046.25 for the E. Tung Sale Shares, respectively, subject to adjustments required to be made based on the Audited Completion Accounts as prescribed in the Sale and Purchase Agreement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of Chapter 14 of the Listing Rules exceed 5% but all of the applicable percentage ratios are less than 25%, the Company Disposal contemplated under the Sale and Purchase Agreement constitutes a discloseable transaction of the Company under the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is a majority-controlled company held by Mr. Chung Ming Fai, an uncle of the Cheung Brothers, and his three children, that is, the cousins of the Cheung Brothers. In addition, E. Tung is a majority-controlled company held by the Cheung Brothers and their respective family members. Accordingly, the Purchaser is a deemed connected person of the Company and E. Tung is an associate of a connected person of the Company, both are therefore connected persons of the Company under Chapter 14A of the Listing Rules. By virtue of the Purchaser being a deemed connected person and the bundling of the Company Disposal and the E. Tung Disposal, the Company Disposal also constitutes a connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The Cheung Brothers and their respective associates shall abstain from voting on the ordinary resolution to be proposed at the General Meeting to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. Save as disclosed above, no other Shareholder has a material interest in the Company Disposal and accordingly, no other Shareholder is required to abstain from voting on the ordinary resolution to approve the Company Disposal at the General Meeting.

The IBC, comprising all the Independent Non-executive Directors, has been established to give a recommendation to the Independent Shareholders on the terms of the Company Disposal and on voting. The IFA has also been appointed to advise the IBC and the Independent Shareholders in this regard. A circular containing, among other things, details of the Company Disposal, the recommendation of the IBC, the advice of the IFA, the notice of the General Meeting and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 8 January 2018.

The Board is pleased to announce that after trading hours of the Stock Exchange on 13 December 2017, the Vendors and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares at the Consideration of HK\$418,036,092.50 (subject to adjustments required to be made based on the Audited Completion Accounts as prescribed in the Sale and Purchase Agreement). The principal terms of the Sale and Purchase Agreement are set out below.

THE SALE AND PURCHASE AGREEMENT

Date

13 December 2017

Parties

- (1) The Company, as vendor of the Company Sale Shares
- (2) E. Tung, as vendor of the E. Tung Sale Shares
- (3) The Purchaser, as purchaser of the Sale Shares

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is a majority-controlled company held by Mr. Chung Ming Fai, an uncle of the Cheung Brothers, and his three children, that is, the cousins of the Cheung Brothers. In addition, E. Tung is a majority-controlled company held by the Cheung Brothers and their respective family members. Accordingly, the Purchaser is a deemed connected person of the Company and E. Tung is an associate of a connected person of the Company, both are therefore connected persons of the Company under Chapter 14A of the Listing Rules.

Assets to be disposed of

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares. The Sale Shares, representing 50% equity interests in Eastern Tailor, will be sold free from all encumbrances and together with the right to receive all dividends, distributions and return of capital declared, made or paid after the Completion Date. The remaining 50% equity interests in Eastern Tailor is owned by the Purchaser. Details of Eastern Tailor are set out in the section headed "Information on Eastern Tailor" below.

Consideration and payment terms

The Consideration of HK\$418,036,092.50 (subject to adjustments as described below) for the Sale Shares is payable by the Purchaser to the Vendors according to the following schedule in cash or immediately available and freely transferrable funds:

- (i) HK\$41,803,609, being the Deposit upon the signing of the Sale and Purchase Agreement; and
- (ii) the remaining balance of the Consideration upon Completion.

The Consideration is based on an agreed value of the Property in the sum of HK\$840,000,000 and is subject to adjustments of the current assets and the current and non-current liabilities of Eastern Tailor with reference to the Audited Completion Accounts to be prepared in accordance with the Sale and Purchase Agreement. Such assets include cash at bank, utility deposits, pre-paid government rent and rates and insurance premium; and such liabilities include provision for tax, rental and licence deposits received, pre-paid rental income and licence fees, unpaid government rent and audit fees, deferred income tax liabilities, and other accrued daily maintenance and repair expenses of a non-capital nature and other professional fees. The adjustment amounts shall be settled between the Purchaser on the one part and the Vendors on the other part within 15 Business Days of the final determination of the adjusted net asset value of Eastern Tailor with reference to the Audited Completion Accounts. If the Consideration as adjusted is higher than HK\$418,036,092.50, the Purchaser will pay the excess amount to the Vendors; and conversely, if the Consideration as adjusted is lower than HK\$418,036,092.50, each Vendor will pay half of the shortfall to the Purchaser. In any event, the Consideration as adjusted must not be more than HK\$450,000,000 or less than HK\$400,000,000 in aggregate.

The Consideration (including adjustments, if any) payable or paid will be apportioned between the Company and E. Tung in the proportion of 50:50; and the Consideration so apportioned to the Company in the sum of HK\$209,018,046.25 and to E. Tung in the sum of HK\$209,018,046.25, subject to adjustments, is the consideration for the Company Sale Shares and the E. Tung Sale Shares, respectively.

The Consideration (as well as the agreed value of the Property) were determined after arm's length negotiations between the Vendors and the Purchaser with reference to the valuation of the Property of HK\$730,000,000 as at 6 December 2017 conducted by C S Surveyors Limited, an independent professional valuer, using direct comparison approach and having regard to various other factors including the recent market transactions and the prevailing commercial and business conditions affecting Eastern Tailor and the Property.

Condition

The Completion is conditional on and subject to the approval of the transactions contemplated under the Sale and Purchase Agreement by the Shareholders in accordance with Chapter 14A of the Listing Rules at a general meeting held by the Company.

If the above condition is not fulfilled on or before 28 February 2018, the Sale and Purchase Agreement will automatically terminate and the Vendors will procure the refund of the Deposit to the Purchaser in full within 10 Business Days after that date.

Completion

Subject to the fulfillment of the condition above, the Completion will take place on or before 15 March 2018. In the event the condition above has been fulfilled but Completion does not take place (i) due to the default of the Vendors, the Purchaser may by notice to the Vendors terminate the Sale and Purchase Agreement and the Vendors will procure the refund of the Deposit to the Purchaser in full within 10 Business Days after receipt of such notice; or (ii) due to the default of the Purchaser, the Vendors may by notice to the Purchaser elect to proceed to Completion or terminate the Sale and Purchase Agreement and seize and retain the Deposit received and have it absolutely forfeited to the Vendors without prejudice to any other rights which any of the Vendors may have against the Purchaser.

The Purchaser shall not be obliged to purchase any Sale Shares unless the sale and purchase of the Company Sale Shares and the E. Tung Sale Shares are completed simultaneously.

Upon Completion, the Group will cease to hold any equity interests in Eastern Tailor.

Other provisions

The obligations and liabilities of the Vendors under the Sale and Purchase Agreement are several (but not joint and several).

The costs of the preparation and audit of the Audited Completion Accounts will be borne by the Vendors in equal share.

INFORMATION ON EASTERN TAILOR

Eastern Tailor is a company owned as to 25% by the Company, 25% by E. Tung and 50% by the Purchaser and is principally engaged in property holding. The principal asset of

Eastern Tailor is the Property which is a residential property with saleable area of approximately 19,296 square feet located at No. 20 Stanley Village Road, Stanley, Hong Kong.

Based on the unaudited management accounts of Eastern Tailor for the six months ended 30 September 2017 prepared in accordance with the generally accepted accounting principles in Hong Kong, the unaudited net assets value of Eastern Tailor as at 30 September 2017 was approximately HK\$446,072,185.

Set out below are the audited financial information of Eastern Tailor prepared in accordance with the generally accepted accounting principles in Hong Kong and extracted from the audited financial statements of Eastern Tailor for each of the two years ended 31 March 2016 and 2017:

	Year ended 31 March	
	2017	2016
	HK\$	HK\$
Profit before taxation	28,232,699	14,010,755
Profit after taxation	26,894,318	12,543,996

As at 30 September 2017, the carrying value of the Group's investment in the Company Sale Shares amounted to HK\$111,518,046, which reflects the underlying carrying value of the Property in the amount of HK\$450,000,000.

REASONS FOR AND BENEFITS OF THE COMPANY DISPOSAL

The Company is an investment holding company and the principal activities of its subsidiaries include property development, investment and management.

The Group is actively managing and rationalizing its real estate investment portfolio in Hong Kong. The Company and E. Tung acquired their respective shareholdings in Eastern Tailor in September 1994 and Eastern Tailor acquired the Property in December 1994. Since then, Eastern Tailor has served as an asset holding company to hold the Property for long-term capital appreciation and rental revenues. The Company considers that it is now an appropriate and opportune time to sell the Company Sale Shares and enter into the Company Disposal such that the Group would be able to realise the capital appreciation of its indirect investment in the Property.

Based on the carrying value of the Group's investment in the Company Sale Shares and the Consideration, it is expected that the Group would record a gain on the Company Disposal of approximately HK\$96,964,700 net of expenses directly attributable thereto.

The Company Disposal will generate cash inflow to the Group and enhance its liquidity and working capital position. The proceeds from the Company Disposal, net of expenses directly attributable thereto, is estimated to be approximately HK\$208,482,746 and are intended to be used for general working capital of the Group and/or the declaration and payment of special dividends as the Board, taking into account the business, financial and cashflow position of the Group, may consider appropriate and in the interests of the Group and the Shareholders as a whole.

Based on the above, the Board considers that the Company Disposal represents a good opportunity for the Company to realise its investment and that the terms of the Sale and Purchase Agreement are fair and reasonable and the Company Disposal is in the interests of the Company and the Shareholders as a whole.

E. Tung is principally engaged in investment holding and deposits placing.

The Purchaser is principally engaged in investment holding, properties investment, investment and provision of management service.

IMPLICATIONS UNDER THE LISTING RULES

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The IBC, comprising all the Independent Non-executive Directors, has been established to give a recommendation to the Independent Shareholders on the terms of the Company Disposal and on voting. The IFA has also been appointed to advise the IBC and the Independent Shareholders in this regard. A circular containing, among other things, details of the Company Disposal, the recommendation of the IBC, the advice of the IFA, the notice of the General Meeting and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 8 January 2018.

DEFINITIONS

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

“associate”	shall have the meaning ascribed to such term under the Listing Rules
“Audited Completion Accounts”	the audited accounts of Eastern Tailor as at the Completion Date prepared in accordance with the generally accepted accounting principles in Hong Kong
“Board”	the board of Directors
“Business Day”	a day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between the hours of 9:00 a.m. and 5:00 p.m. on weekdays and 9:00 a.m. and 12:00 noon on Saturdays) on which licensed banks are generally open for business in Hong Kong
“Cheung Brothers”	Mr. Cheung Kee Wee, Mr. Cheung Lin Wee and Mr. Cheung Ying Wai, Eric, who are the Executive Directors and brothers of each other

“Company”	Wah Ha Realty Company Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the main board of the Stock Exchange (Stock Code: 278)
“Company Disposal”	the sale of the Company Sale Shares to the Purchaser pursuant to the Sale and Purchase Agreement
“Company Sale Shares”	2,500 ordinary shares in Eastern Tailor owned by the Company, representing 25% of all the issued shares in Eastern Tailor
“Completion”	the completion of the Disposal
“Completion Date”	the date on which Completion takes place
“connected person”	shall have the meaning ascribed to such term under the Listing Rules
“Consideration”	the consideration of HK\$418,036,092.50 for the Sale Shares (subject to adjustments required to be made based on the Audited Completion Accounts as described in this announcement)
“Deposit”	a deposit of HK\$41,803,609 payable by the Purchaser to the Vendors under the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the Sale Shares to the Purchaser pursuant to the Sale and Purchase Agreement
“E. Tung”	E. Tung Properties Limited, a company incorporated in Hong Kong with limited liability
“E. Tung Disposal”	the sale of the E. Tung Sale Shares to the Purchaser pursuant to the Sale and Purchase Agreement
“E. Tung Sale Shares”	2,500 ordinary shares in Eastern Tailor owned by E. Tung, representing 25% of all the issued shares in Eastern Tailor

“Eastern Tailor”	Eastern Tailor Enterprises Limited, a company incorporated in Hong Kong with limited liability
“family members”	shall have the meaning ascribed to such term under the Listing Rules
“General Meeting”	the general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IBC”	an independent committee of the Board established to give a recommendation to the Independent Shareholders on the terms of the Company Disposal and on voting
“IFA”	Fortune Financial Capital Limited, the independent financial adviser appointed by the Company to advise the IBC and the Independent Shareholders on the Company Disposal
“Independent Shareholder(s)”	Shareholder(s) other than the Cheung Brothers and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property”	the real estate known as “Vista Stanley” at No. 20 Stanley Village Road, Stanley, Hong Kong
“Purchaser”	Aik San Realty Limited, a company incorporated in Hong Kong with limited liability
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 13 December 2017 entered into between the Company and E. Tung as vendors and the Purchaser as purchaser in relation to the sale and purchase of the Sale Shares

“Sale Shares”	the Company Sale Shares and the E. Tung Sale Shares
“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	collectively, the Company and E. Tung
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board
WAH HA REALTY COMPANY LIMITED
CHU Wing Man, Raymond
Company Secretary

Hong Kong, 13 December 2017

As at the date of this announcement, the Board comprises Mr. Cheung Kee Wee (Chairman), Mr. Cheung Lin Wee and Mr. Cheung Ying Wai, Eric as Executive Directors, Mr. Ng Kwok Tung as Non-executive Director, and Mr. Lam Hon Keung, Keith, Mr. Chan Woon Kong and Mr. Au-Yang Cheong Yan, Peter as Independent Non-executive Directors.