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**恒隆集團有限公司**  
**HANG LUNG GROUP LIMITED**

*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 00010)



**恒隆地產有限公司**  
**HANG LUNG PROPERTIES LIMITED**

*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 00101)

## **JOINT ANNOUNCEMENT**

### **(1) PLACING OF EXISTING SHARES OF HANG LUNG PROPERTIES LIMITED AND SUBSCRIPTION FOR NEW SHARES OF HANG LUNG PROPERTIES LIMITED BY HANG LUNG GROUP LIMITED**

### **(2) DISCLOSEABLE TRANSACTION FOR HANG LUNG GROUP LIMITED**

Sole Placing Agent



**Goldman Sachs (Asia) L.L.C.**

HLG is the controlling shareholder of HLP which, together with its subsidiaries, holds 2,185,672,570 Shares in HLP, representing approximately 52.41 per cent. of HLP's issued share capital as at the date of this announcement.

On 5 November 2010, HLG, HLP and the Placing Agent entered into the Placing Agreement. Under the Placing Agreement, the Placing Agent will procure, on a fully underwritten basis, purchasers to acquire, and HLG will sell, or procure the sale of, 293,864,000 existing Shares at the Placing Price of HK\$37.48 per Share.

On the same date, HLG and HLP also entered into the Subscription Agreement, pursuant to which HLG will subscribe for 293,864,000 Subscription Shares at the Placing Price on terms and subject to conditions contained therein.

The Placing Shares represent approximately 7.05 per cent. of the existing issued share capital of HLP of 4,170,102,670 Shares and approximately 6.58 per cent. of HLP's issued share capital as enlarged by the Subscription.

The net proceeds raised by HLP from the Subscription are estimated to be approximately HK\$10.90 billion. HLP intends to apply such net proceeds to finance its expansion in mainland China.

Each of the Placing and the Subscription constitutes a discloseable transaction for HLG under Chapter 14 of the Listing Rules.

## **PLACING AGREEMENT DATED 5 NOVEMBER 2010**

### **Parties**

- (i) HLG, a controlling shareholder of HLP;
- (ii) HLP; and
- (iii) the Placing Agent, as the placing agent and underwriter of the placing.

### **The Placing Shares**

293,864,000 Shares of HK\$1.00 each to be placed on an underwritten basis by the Placing Agent, representing approximately 7.05 per cent. of HLP's issued share capital as at the date of this announcement, being 4,170,102,670 Shares.

### **Placing Price**

HK\$37.48 per Share. The Placing Price was agreed after arm's length negotiations between HLP, HLG and the Placing Agent.

The Placing Price represents (i) a discount of about 7.00 per cent. to the closing price of HK\$40.30 per share quoted on the Stock Exchange on 4 November 2010, (ii) a discount of 4.41 per cent. to the average closing price of HK\$39.21 per share as quoted on the Stock Exchange from 29 October 2010 to 4 November 2010, both dates inclusive, being the five trading days immediately preceding the date of this announcement; and (iii) a discount of 3.10 per cent. to the average closing price of HK\$38.68 per share as quoted on the Stock Exchange from 22 October 2010 to 4 November 2010, both dates inclusive, being the ten trading days immediately preceding the date of this announcement.

### **The Placees**

The Placing Shares will be placed to not less than 6 professional, institutional and/or individual investors. The placees and their ultimate beneficial owners are third parties independent from and not acting in concert with any of HLG, HLP and its concert parties and further that the placees and their ultimate beneficial owners are independent of and not connected with any of HLG, HLP, their respective subsidiaries, their respective directors, chief executives, substantial shareholders, and their respective associates, and otherwise are not connected persons of HLG or HLP. No placees will become a substantial shareholder of HLP as a result of the Placing.

### **Independence of the Placing Agent**

The Placing Agent and its ultimate beneficial owners are third parties independent of and not connected with HLG, HLP and their respective connected persons, and are not acting in concert with HLG (or parties acting in concert with it) or its associates.

## **Rights attached to Placing Shares**

The Placing Shares will be sold free from all liens, charges and encumbrances, and together with all rights attaching to the Placing Shares as at the date of the Placing Agreement, including the right to receive all dividends and other distributions declared, made or paid on the Placing Shares on or after the date of the Placing Agreement.

## **Conditions of Placing**

The Placing is conditional upon:

- (1) the Subscription Agreement having been entered into by the parties thereto;
- (2) the Placing Agents having received (i) certified board resolutions of HLG and HLP approving the Placing and the entering into of the Placing Agreement, and (ii) the Hong Kong and United States legal opinions;
- (3) there not having come to the attention of the Placing Agent at any time prior to completion of the Placing (i) any breach of, or any event rendering untrue, incorrect or breached in any material respect, any of the representations, warranties or undertakings referred to in the Placing Agreement, or (ii) any material breach of, or failure to perform, any of the other agreements, conditions and/or obligations of HLP and/or HLG which are required to be performed at or before completion of the Placing;
- (4) there not having come to the attention of the Placing Agent at any time prior to completion of the Placing (i) any change in local or international financial, political, military, economic or market (including stock market) conditions or currency exchange rates or exchange controls or (ii) any suspension of dealings in the Shares for any period other than as a result of the Placing, or any cancellation of the listing of the Shares, on the Stock Exchange or (iii) any adverse announcement, determination or ruling of any governmental or other regulatory body (including delay in approval of the announcement for the Placing or any other relevant announcement by any relevant stock exchange), which would, in the opinion of the Placing Agent, prejudice materially the success of the Placing; and
- (5) there not having been imposed any moratorium, suspension or material restriction or trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to completion of the Placing.

## **Completion of the Placing**

The parties expect that the Placing will complete on or around 9 November 2010.

Immediately after completion of the Placing, assuming no further Shares are issued by HLP, the shareholding of HLG and its subsidiaries in HLP will be reduced from 2,185,672,570 Shares to 1,891,808,570 Shares (representing a reduction from approximately 52.41 per cent.

to approximately 45.37 per cent. of HLP's issued share capital as at the date of this announcement).

### **Lock-up**

Pursuant to the Placing Agreement, HLG has undertaken to the Placing Agent that (except for the sale of Placing Shares pursuant to the Placing Agreement), on or prior to the expiry of the period of 180 days from the date the Placing Agreement, it will not, and will procure that none of its nominees, companies controlled by it and/or trusts associated with it will, (i) sell or otherwise dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any shares in HLP (including the Subscription Shares but excluding the Placing Shares) or any interests therein, (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

Pursuant to the Placing Agreement, HLP has agreed that (except for (i) the Subscription Shares to be allotted and issued to HLG pursuant to the Subscription Agreement, (ii) any Subscription Shares or options to be issued pursuant to any existing or previous employee share option schemes of HLP; (iii) any Shares or other securities or rights issued or granted to shareholders by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of HLP in accordance with its articles of association or on the exercise of rights existing at the date of the Placing Agreement), on or prior to the expiry of the period of 180 days from the date the Placing Agreement, it will not (without the prior written consent of the Placing Agent) (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares, or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transaction described in (i) above, or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

## **SUBSCRIPTION AGREEMENT DATED 5 NOVEMBER 2010**

### **Parties**

- (i) HLG, as subscriber; and
- (ii) HLP.

### **The Subscription Shares**

293,864,000 new ordinary shares of HK\$1.00 each, representing approximately 7.05 per cent. of HLP's issued share capital as at the date of this announcement, and approximately 6.58 per cent. of HLP's issued share capital as enlarged by the Subscription, will be subscribed by HLG pursuant and subject to the terms of the Subscription Agreement.

HLG and its subsidiaries presently own approximately 52.41 per cent. of the existing issued share capital of HLP. Following completion of the Placing but prior to completion of the Subscription, the aggregate shareholdings of HLG and its subsidiaries will be reduced to approximately 45.37 per cent. of the existing share capital of HLP. Following completion of

the Placing and the Subscription, HLG and its subsidiaries will own approximately 48.96 per cent. of the issued share capital of HLP as enlarged by the issue of the Subscription Shares.

### **Subscription Price**

At a price per Share which is equivalent to the Placing Price. The subscription consideration for the subscription shares receivable by HLP shall be an amount equal to the subscription price per Share multiplied by the number of Subscription Shares less the costs and expenses incurred by HLG in connection with the Placing. The net proceeds raised by HLP from the Subscription are estimated to be approximately HK\$10.90 billion. The net price to HLP for each Subscription Share is approximately HK\$37.08.

### **Mandate to issue Subscription Shares**

The Subscription Shares will be issued under the general mandate granted by the shareholders of HLP to the directors of HLP at the annual general meeting of HLP held on 20 October 2010. Save for the Subscription, this general mandate has not been utilised at all. As at the date of this announcement HLP may issue up to 833,904,534 Shares under the existing general mandate.

### **Ranking of Subscription Shares**

The Subscription Shares, when fully paid, will rank equally with the existing Shares in issue as at the date of issue of the Subscription Shares including the right to receive all dividends and distributions which may be declared, made or paid after the date of the Subscription Agreement.

### **Conditions of the Subscription**

Completion of the Subscription is conditional upon:

- (a) completion of the Placing pursuant to the terms of the Placing Agreement; and
- (b) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Subscription Shares.

### **Completion of the Subscription**

Completion of the Subscription will take place within 48 hours following the receipt of HLG of written confirmation that the conditions to Subscription is satisfied provided that completion will not be later than a date falling 14 days after the date of the Placing Agreement.

Immediately after completion of the Subscription, assuming that there is no other issue of Shares by HLP, the shareholding of HLG and its subsidiaries in HLP will be increased from 1,891,808,570 Shares to 2,185,672,570 Shares (representing an increase from approximately 45.37 per cent. of HLP's issued share capital as at the date of this announcement to approximately 48.96 per cent. of HLP's issued share capital as enlarged by the Subscription).

As HLG and its subsidiaries have continuously held more than 50 per cent. of the voting rights of HLP for more than 12 months prior to the Placing and Subscription, no waiver is required to be obtained from the Executive pursuant to the Takeovers Code.

### Application for Listing

Application will be made to the Listing Committee for the granting of the listing of, and permission to deal in, the Subscription Shares.

### EFFECT OF THE PLACING AND THE SUBSCRIPTION

The shareholdings in HLP as at the date of this announcement and immediately upon completion of the Placing and completion of the Subscription are summarised as follows (Note 1):

	Existing Shares		Immediately after the Placing but before the Subscription		Immediately after the Placing and the Subscription	
	Number of Shares	Percentage	Number of Shares	Percentage (Note 2)	Number of Shares	Percentage (Note 2)
<b>HLG and its subsidiaries</b>	2,185,672,570	52.41	1,891,808,570	45.37	2,185,672,570	48.96
<b>Placees of the Placing Shares</b>	-	-	293,864,000	7.05	293,864,000	6.58
<b>Other public shareholders of HLP</b>	1,984,430,100	47.59	1,984,430,100	47.59	1,984,430,100	44.45
<b>TOTAL</b>	<u>4,170,102,670</u>	<u>100.00</u>	<u>4,170,102,670</u>	<u>100.00</u>	<u>4,463,966,670</u>	<u>100.00</u>

Notes:

1. The figures above assume that other than the Subscription Shares, no further Shares are issued or repurchased by HLP and no share options are exercised, and other than the Placing Shares, no Shares are sold or purchased by HLG, in each case on or after the date of this announcement and up to the date of the completion of the Placing and the Subscription.
2. The percentages in the table do not aggregate to 100% due to rounding differences.

The net profits (both before and after taxation and extraordinary items) of HLP for the two financial years ended 30 June 2009 and 2010 are set out below :-

Year ended 30 June	Profit before taxation and extraordinary items HK\$ billion	Profit after taxation and extraordinary items HK\$ billion
2009	6.7	5.2
2010	29.9	23.7

HLG will recognise in its income statement a gain of approximately HK\$2.1 billion, calculated by reference to the carrying value of the assets of HLP as at 30 June 2010.

Upon completion of the Placing and the Subscription, the shareholding of HLG and its subsidiaries in HLP would decrease from approximately 52.41 per cent. to approximately 48.96 per cent. Notwithstanding the said reduction in shareholdings, HLG will continue to control the financial and operating decisions of HLP. The directors of HLG are of the view that the financial results of HLP would consolidate into those of HLG in compliance with the applicable Hong Kong Financial Reporting Standards and HLG's auditors, KPMG, concurs with this accounting treatment. Accordingly, HLP will continue to be a subsidiary of HLG immediately upon completion of the Placing and the Subscription.

### **INFORMATION ON HLP**

HLP is the property arm of HLG, being one of the largest property development and investment companies in Hong Kong in terms of its market capitalisation. The principal activities of HLP are investment holding, and through its subsidiaries, property investment for rental income, property development for sales and leasing, car park management and property management, both in Hong Kong and mainland China.

### **INFORMATION ON HLG**

HLG is a company listed on the Stock Exchange and has been involved in property development in Hong Kong for 50 years. HLG is the holding company of HLP.

### **REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS**

In the 12 months immediately before this announcement, HLP has not raised any funds on any issue of equity securities.

HLP intends to use the net proceeds of the issue of the Subscription Shares to finance its expansion in mainland China.

The directors of HLP believe the terms of the Placing are fair and reasonable and that the Placing will also increase the capital base of HLP and broaden its shareholder base.

The directors of HLG also considered the facilitating of the fund-raising by HLP under the Placing Agreement and the Subscription Agreement and the terms thereof to be fair and reasonable and in the interest of HLG and its shareholders as a whole.

### **GENERAL**

Each of the Placing and Subscription constitutes a discloseable transaction for HLG under Chapter 14 of the Listing Rules.

## DEFINITIONS

In this announcement the following expressions have the meanings set out below unless the context requires otherwise.

“acting in concert”	has the meaning given to it in the Takeovers Code
“associate”	has the meaning given to it in the Listing Rules
“connected person”	has the meaning given to it in the Listing Rules
“Executive”	the Executive Director of the Securities and Futures Commission of Hong Kong
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HLG”	Hang Lung Group Limited, a limited liability company incorporated under the laws of Hong Kong whose shares are listed on the main board of the Stock Exchange
“HLG Shares”	share(s) of HK\$1.00 each in the share capital of HLG
“HLP”	Hang Lung Properties Limited, a limited liability company incorporated under the laws of Hong Kong whose shares are listed on the main board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Placing Shares by the Placing Agent pursuant to the Placing Agreement
“Placing Agent”	Goldman Sachs (Asia) L.L.C., a licensed corporation under the SFC licensed to conduct Types 1 (dealing in securities), 4 (advising on securities) 5 (advising on futures contracts), 6 (advising on corporate finance), 7 (providing automated trading services) and 9 (asset management) regulated activities under the SFO
“Placing Agreement”	the placing and underwriting agreement dated 5 November 2010 entered into between HLG, HLP and the Placing Agent
“Placing Price”	HK\$37.48 per Placing Share
“Placing Shares”	293,864,000 existing Shares currently owned by a wholly-owned subsidiary of HLG



“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$1.00 each in the share capital of HLP
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the conditional subscription by HLG and/or its associates of the Subscription Shares pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 5 November 2010 entered into between HLG and HLP
“Subscription Shares”	293,864,000 new Shares to be subscribed by HLG under the Subscription
“substantial shareholder”	has the meaning given to it in the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“trading day”	has the meaning given to it in the Listing Rules

By Order of the Board of  
**Hang Lung Group Limited**  
**Velencia Lee**  
*Company Secretary*

By Order of the Board of  
**Hang Lung Properties Limited**  
**Velencia Lee**  
*Company Secretary*

Hong Kong, 5 November 2010

*As at the date of this announcement, the Board of Hang Lung Group Limited comprises the following Directors:*

*Executive Directors:* Mr. Ronnie C. CHAN, Mr. Philip N.L. CHEN, Mr. William P.Y. KO and Mr. H.C. HO

*Non-Executive Director:* Mr. Gerald L. CHAN

*Independent Non-Executive Directors:* Mr. S.S. YIN, Dr. H.K. CHENG, Ms. Laura L.Y. CHEN, Mr. Simon S.O. IP and Dr. York LIAO

*As at the date of this announcement, the Board of Hang Lung Properties Limited comprises the following Directors:*

*Executive Directors:* Mr. Ronnie C. CHAN, Mr. Philip N.L. CHEN, Mr. William P.Y. KO, Mr. Henry T.Y. YIU and Mr. H.C. HO

*Independent Non-Executive Directors:* Mr. S.S. YIN, Mr. Ronald J. ARCULLI, Dr. H.K. CHENG, Ms. Laura L.Y. CHEN, Prof. P.W. LIU and Mr. Dominic C.F. HO