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恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED
Incorporated in Hong Kong with limited liability
(Stock Code : 12)

ANNOUNCEMENT

CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF INTEREST IN HOTEL PROPERTY

The Sale and Purchase Agreement

On 17 February 2017, the Vendor (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Purchaser (a wholly-owned subsidiary of Shun Ho Property) and Shun Ho Property, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company, together with the Sale Loan. The Consideration shall be HK\$1,000,000,000, subject to the Adjustment, which shall be satisfied in cash by the Purchaser to the Vendor at Completion. The Target Company owns 100% interest in Conradion which is the legal and beneficial owner of the Property, known as Newton Inn at No.88 Chun Yeung Street, North Point, Hong Kong.

Listing Rules Implications

Since (i) Dr. Lee is a Director and is a controlling shareholder of the Company; (ii) Mr. Cheng is the son-in-law of Dr. Lee and the brother-in-law of both Dr. Lee Ka Kit and Mr. Lee Ka Shing, both of whom are sons of Dr. Lee and Directors; and (iii) the Purchaser is a wholly-owned subsidiary of Shun Ho Property which is majority-controlled and held indirectly by Mr. Cheng, each of Shun Ho Property and the Purchaser is deemed to be a connected person of the Company pursuant to Rule 14A.21 of the Listing Rules. The Sale and Purchase Agreement is regarded as a connected transaction of the Company under Chapter 14A of the Listing Rules.

As some of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Sale and Purchase Agreement are more than 0.1% but all of the applicable percentage ratios are less than 5%, the Sale and Purchase Agreement is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A. INTRODUCTION AND BACKGROUND

The Board would like to announce that on 17 February 2017, the Vendor (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Purchaser (a wholly-owned subsidiary of Shun Ho Property) and Shun Ho Property, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase

the Sale Shares, representing the entire issued share capital of the Target Company, together with the Sale Loan. The Consideration shall be HK\$1,000,000,000, subject to the Adjustment, which shall be satisfied in cash by the Purchaser to the Vendor at Completion. The Target Company owns 100% interest in Conradion which is the legal and beneficial owner of the Property, known as Newton Inn at No.88 Chun Yeung Street, North Point, Hong Kong.

The major terms of the Sale and Purchase Agreement are as follows:

B. THE SALE AND PURCHASE AGREEMENT

1. Date

17 February 2017

2. Parties

- (i) the Vendor, a wholly-owned subsidiary of the Company (as vendor);
- (ii) the Purchaser, a wholly-owned subsidiary of Shun Ho Property (as purchaser); and
- (iii) Shun Ho Property (as Purchaser's guarantor).

3. Subject matter of the Disposal

- (i) the Sale Shares; and
- (ii) the Sale Loan.

The Target Company owns 100% interest in Conradion, being the legal and beneficial owner of the Property, which is operated as a hotel located at No.88 Chun Yeung Street, North Point, Hong Kong and known as Newton Inn.

4. Consideration

The Consideration payable by the Purchaser to the Vendor for the transfer of the Sale Shares and the assignment of the Sale Loan, shall be the Agreed Acquisition Value, i.e. HK\$1,000,000,000 (subject to the Adjustment), out of which, the consideration for the Sale Loan will be equal to the amount of the Sale Loan and the consideration for the Sale Shares will be equal to the amount arrived at by deducting the consideration for the Sale Loan from the Consideration.

The Consideration will be payable by the Purchaser to the Vendor in cash in the following manner:

- (i) HK\$100,000,000 as the deposit upon signing of the Sale and Purchase Agreement (the "**Deposit**"); and
- (ii) the remaining balance will be paid at Completion.

The Consideration was determined after arm's length negotiation between the parties to the Sale and Purchase Agreement, and the Vendor took into account, among other things, the current state of the Property and an independent valuation of the Property as at 31 December 2016 in the amount of HK\$1,000,000,000.

The initial amount of the Consideration, being the Agreed Acquisition Value, will be subject to the following adjustment (the “**Adjustment**”):

- (i) *plus* the amount of the Completion NAV, if the Completion NAV is a positive figure;
or
- (ii) *minus* the absolute value of the amount of the Completion NAV, if the Completion NAV is a negative figure.

The Completion NAV will be an amount equal to the consolidated current assets less the consolidated current liabilities of the Target Company as at Completion, without taking into account the following non-current assets / liabilities:-

- (i) the amount of any deferred tax assets;
- (ii) the amount of any deferred tax liabilities relating to the clawback of commercial building allowances and depreciation allowances; and
- (iii) the value of the Property and the amount of the Sale Loan as at the Completion Date.

5. *Conditions precedent to Completion*

Completion is conditional upon the following Conditions being satisfied:

- (i) the independent shareholders of Shun Ho Property having approved the entering into and the performance of the Sale and Purchase Agreement by the Purchaser and Shun Ho Property and the transactions contemplated thereunder (collectively the “**Transaction Matters**”); and
- (ii) the independent shareholders of Shun Ho Holdings having approved the Transaction Matters.

The Purchaser undertakes to use all reasonable endeavours to procure the fulfillment of the Conditions at the Purchaser's own costs and expenses by 5:30 p.m. on the Long Stop Date. Shun Ho Property shall procure that shareholders’ meeting of each of Shun Ho Property and Shun Ho Holdings be convened as soon as reasonably practicable after the date of the Sale and Purchase Agreement and in any event no later than the Long Stop Date for the purposes of seeking approval from the independent shareholders of each of Shun Ho Property and Shun Ho Holdings with respect to the Transaction Matters. None of the Conditions can be waived by any party to the Sale and Purchase Agreement.

If on or before 5:30 p.m. on the Long Stop Date, any of the Conditions have not been fulfilled, then the Vendor may at any time thereafter, in addition to and without prejudice to all other accrued rights or remedies available to it, terminate the Sale and Purchase Agreement by so notifying the other parties to the Sale and Purchase Agreement in writing, in which case, the Deposit (without interest thereon) will be returned to the Purchaser.

6. *Completion*

Completion shall take place on the date falling on the expiry of 2 months after all the Conditions are fulfilled (or such other date as the Vendor and the Purchaser may agree in writing).

Upon Completion, the Vendor will cease to have any equity interest in the Target Group and each of the Target Group Company will cease to be a subsidiary of the Company. Accordingly, the assets, liabilities and the financial results of the Target Group will no longer be consolidated into the financial statements of the Group after Completion.

7. *Representations, warranties, undertakings and indemnities*

The Sale and Purchase Agreement contains provisions on indemnity (including a tax indemnity to be given at Completion), representations, warranties and undertakings given by the Vendor in respect of the Target Company, the Property and the Sale Loan which are usual and customary for a transaction of this nature and scale.

8. *Limitation on Vendor's liabilities*

The limitation period for the Vendor's liability in respect of all claims under the Sale and Purchase Agreement (including the representations and warranties given by the Vendor under the Sale and Purchase Agreement and indemnities) and all other documents executed in connection with the Sale and Purchase Agreement is (a) 24 months following the Completion Date in case of a claim relating to a matter other than taxation; and (b) 72 months following the Completion Date in case of a claim relating to matter relating to taxation. Except for breach of certain fundamental warranties, the Vendor shall have no liability unless the aggregate amount of all claims is equal to or exceeds HK\$1,000,000. The aggregate maximum liability of the Vendor (i) in respect of all claims other than those relating to the title to the Sale Shares, Sale Loan or the Property (the "**Non-title Claims**") is subject to a maximum amount equal to 50% of the amount of the Consideration, and (ii) in respect of all claims relating to the title to the Sale Shares, Sale Loan or the Property, when aggregated with all Non-title Claims, is subject to a maximum amount equal to 100% of the amount of the Consideration.

9. *Guarantee*

Shun Ho Property has agreed to unconditionally, irrevocably and absolutely guarantee to the Vendor the due and punctual performance by the Purchaser of its obligations under and pursuant to the Sale and Purchase Agreement and the transactions contemplated thereunder.

C. Information on the Target Group and the Property

The Target Company is an investment holding company incorporated in the British Virgin Islands whose principal asset is its 100% interest in Conradion. The principal asset of Conradion is the Property.

Set out below is the unaudited consolidated financial information of the Target Company for the years ended 31 December 2015 and 2016 (assuming that the members of the Target Group were consolidated throughout the relevant periods):

	For the year ended 31 December	
	2016	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Revenue	18,000	18,000
(Loss)/ Profit before tax	(78,376)	250,270
(Loss)/ Profit after tax	(80,325)	248,431

The unaudited consolidated profit or loss before tax and after tax of the Target Company for each of the two years ended 31 December 2015 and 2016 was arrived at after taking into account the increase in fair value of the Property of approximately HK\$239,302,100 in 2015 and the decrease in fair value of the Property of approximately HK\$90,348,300 in 2016, respectively.

According to the unaudited financial information of the Target Group as at 31 December 2016, the adjusted net asset value of the Target Group (excluding the amount due from Conradion which will be treated as the Sale Loan and deferred tax liabilities) was approximately HK\$999,900,000 as at 31 December 2016.

D. REASONS AND BENEFITS OF THE DISPOSAL

The Board considers that the Disposal gives a good opportunity of the Group to realise its investment in the Property.

As a result of the Disposal, subject to the audit to be performed by the auditors of the Company, the Board estimates that the Group will record an estimated gain on disposal of the Target Group of approximately HK\$696,000,000, based on, inter alia, the unaudited consolidated financial statements of the Target Group for the year ended 31 December 2016. Subject to Completion having taken place on or before 31 December 2017, the gain on Disposal will be recognised in the Group's accounts for the year ending 31 December 2017. The net proceeds from the Disposal (after expenses) are intended to be used by the Group as general working capital.

The Board (including the independent non-executive Directors) considers that the transactions contemplated under the Sale and Purchase Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the shareholders of the Company as a whole, and that the terms and conditions were arrived at after negotiations on an arm's length basis, and are fair and reasonable to the shareholders of the Company as a whole after taking into account various factors, including (i) the reasons for the Disposal as mentioned above; (ii) the current financial position of the Target Group; and (iii) the basis of determining the Consideration as mentioned in the section headed "4. Consideration" above.

E. LISTING RULES IMPLICATIONS

Since (i) Dr. Lee is a Director and is a controlling shareholder of the Company; (ii) Mr. Cheng is the son-in-law of Dr. Lee and the brother-in-law of both Dr. Lee Ka Kit and Mr. Lee Ka Shing, both of whom are sons of Dr. Lee and Directors; and (iii) the Purchaser is a wholly-owned subsidiary of Shun Ho Property which is majority-controlled and held indirectly by Mr. Cheng, each of Shun Ho Property and the Purchaser is deemed to be a connected person of the Company pursuant to Rule 14A.21 of the Listing Rules. The Sale and Purchase Agreement is regarded as a connected transaction of the Company under Chapter 14A of the Listing Rules. As each of Dr. Lee, Dr. Lee Ka Kit, Mr. Lee Ka Shing, Madam Fung Lee Woon King (sister of Dr. Lee) and Mr. Lee Tat Man (brother of Dr. Lee), might be regarded as having a material interest in the Disposal, all of them did not participate in the board meeting of the Company at which the Sale and Purchase Agreement was approved.

As some of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Sale and Purchase Agreement are more than 0.1% but all of the applicable percentage ratios are less than 5%, the Sale and Purchase Agreement is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

F. GENERAL INFORMATION

The Company is an investment holding company and its subsidiaries are principally engaged in the businesses of property development and investment, construction, hotel operation, finance, department store operation, project management, investment holding and property management.

Based on the information provided by the Purchaser, the Shun Ho Property is principally an investment holding company. Through its major subsidiary, Shun Ho Property group is principally engaged in property investment, property development and leasing, investment in and operation of hotels.

Based on the information provided by the Purchaser, the Purchaser is a limited liability company established in the British Virgin Islands and a direct wholly-owned subsidiary of Shun Ho Property, and is principally engaged in investment holding.

G. DEFINITIONS

“Adjustment”	the adjustment to be made to the Agreed Acquisition Value based on the Completion NAV, as further described in the section headed “4. Consideration” of this announcement
“Agreed Acquisition Value”	HK\$1,000,000,000, being the value attributed to the Property (and all those fixtures and fittings affixed to and plants and equipment in the Property which shall be free from encumbrances) as agreed between the Vendor and the Purchaser
“Board”	the board of Directors
“Company”	Henderson Land Development Company Limited (恒基兆業地產有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares and assignment of the Sale Loan pursuant to the Sale and Purchase Agreement
“Completion Date”	the date falling on the expiry of 2 months after all the Conditions are fulfilled (or such other date as the Vendor and the Purchaser may agree in writing)
“Completion NAV”	the adjusted consolidated net asset value of the Target Company as at the Completion Date derived from the pro forma completion accounts or the audited completion accounts (as the case may be), as at the Completion Date, prepared in accordance with the Sale and Purchase Agreement
“Conditions”	the conditions precedent to Completion as referred to in the section headed “5. Conditions precedent to Completion” of this announcement

“Conradion”	Conradion Limited, a limited liability company incorporated in Hong Kong and owned as to 100% by the Target Company
“Consideration”	the total consideration payable by the Purchaser to the Vendor for the sale and purchase of the Sale Shares and the Sale Loan pursuant to the Sale and Purchase Agreement, which shall be the Agreed Acquisition Value (subject to the Adjustment)
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement
“Dr. Lee”	Dr. Lee Shau Kee, the chairman of the Board, an executive Director and a controlling shareholder of the Company
“Group”	the Company and its subsidiaries
“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”	17 August 2017 (or such later date(s) as may be agreed in writing between the Vendor and the Purchaser)
“Mr. Cheng”	Mr. William Cheng Kai Man, the chairman, a director and controlling shareholder of each of Shun Ho Holdings and Shun Ho Property
“Property”	the property known as Newton Inn, No.88 Chun Yeung Street, North Point, Hong Kong, which is indirectly owned by the Target Company
“Purchaser”	Houston Venture Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Shun Ho Property
“Sale and Purchase Agreement”	the agreement for sale and purchase dated 17 February 2017 entered into between the Vendor, the Purchaser and Shun Ho Property in respect of the Disposal, further details of which are set out in the section headed “ <i>B. The Sale and Purchase Agreement</i> ” of this announcement
“Sale Loan”	the aggregate amount then outstanding and owing by Conradion to the Vendor as at Completion, and which will be assigned from the Vendor to the Purchaser at Completion

“Sale Shares”	two shares of US\$1.00 each in the Target Company, representing the entire issued share capital of the Target Company
“Shun Ho Holdings”	Shun Ho Holdings Limited, a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange (Stock Code: 253)
“Shun Ho Property”	Shun Ho Property Investments Limited, a public limited company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange (Stock Code: 219)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Enhance Invest Inc., a company incorporated in the British Virgin Islands with limited liability, and an indirect wholly-owned subsidiary of the Company prior to Completion
“Target Group”	collectively, the Target Company and Conradion, and "Target Group Company" means any of them
“Vendor”	Kingslee S.A., a company incorporated in the Republic of Panama and a wholly-owned subsidiary of the Company
“%”	per cent
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 17 February 2017

As at the date of this announcement, the board of directors of the Company comprises: (1) executive directors: Lee Shau Kee (Chairman), Lee Ka Kit, Lam Ko Yin, Colin, Lee Ka Shing, Yip Ying Chee, John, Suen Kwok Lam, Fung Lee Woon King, Lau Yum Chuen, Eddie, Kwok Ping Ho and Wong Ho Ming, Augustine; (2) non-executive directors: Lee Pui Ling, Angelina and Lee Tat Man; and (3) independent non-executive directors: Kwong Che Keung, Gordon, Ko Ping Keung, Wu King Cheong, Woo Ka Bui, Jackson, Leung Hay Man and Poon Chung Kwong .