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Hysan Development Company Limited

希慎興業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code : 00014)

Discloseable Transaction Subscription of Share in and Setting Up of a Joint Venture in relation to the Target Company

The Board is pleased to announce that on 7 February 2022 (after trading hours), the Company and Hysan Subscriber (an indirect wholly-owned subsidiary of the Company) entered into the Shareholders' Agreement with, among other parties, the Target Company to subscribe for one share in the Target Company and to acquire the Hysan Shareholder Loan. Upon Completion, Hysan Subscriber will hold one share in the Target Company, representing 25% of the enlarged issued share capital of the Target Company. Hysan Group's maximum capital commitment for the Investment (inclusive of consideration payable for the Hysan Subscription and the Acquisition of Hysan Shareholder Loan, and estimated additional capital which may be required from Hysan Subscriber) shall be approximately HK\$3,047,000,000.

The Target Company won the tender for the development of the Land and has entered into the Development Agreement with the URA in October 2021. Upon completion of the Hysan Subscription, the financial results of the Target Company will not be consolidated into the accounts of Hysan Group.

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of Hysan Subscriber's maximum capital commitment for the Investment exceeds 5% but is less than 25%, the Investment constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 7 February 2022 (after trading hours), the Company and Hysan Subscriber (an indirect wholly-owned subsidiary of the Company) entered into the Shareholders' Agreement with, among other parties, the Target Company to subscribe for one share in the Target Company and to acquire the Hysan Shareholder Loan. Upon Completion, Hysan Subscriber will hold one share in the Target Company, representing 25% of the enlarged issued share capital of the Target Company. The Target Company has previously won the tender for the development of the Land. Upon Completion, the financial results of the Target Company will not be consolidated into the accounts of Hysan Group.

SHAREHOLDERS' AGREEMENT

Date

7 February 2022

Parties

- (1) Hysan Subscriber, an indirect wholly-owned subsidiary of the Company
- (2) the Company, being the guarantor for Hysan Subscriber's obligations under the Shareholders' Agreement
- (3) Henderson Subsidiary
- (4) Henderson, being the guarantor for Henderson Subsidiary's obligations under the Shareholders' Agreement
- (5) Empire Subscriber
- (6) Empire Holdings, being the guarantor for Empire Subscriber's obligations under the Shareholders' Agreement
- (7) the Target Company

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of Henderson, Henderson Subsidiary, Empire Holdings, Empire Subscriber, the Target Company and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject Matter

Pursuant to the Shareholders' Agreement,

- (1) Hysan Subscriber and Empire Subscriber shall each subscribe for, and the Target Company shall allot and issue to each of Hysan Subscriber and Empire Subscriber, one ordinary share in the Target Company (each representing 25% of the enlarged issued share capital of the Target Company) for the subscription price of HK\$1; and simultaneously
- (2) Hysan Subscriber and Empire Subscriber shall purchase from Henderson Group and Henderson Group shall sell to Hysan Subscriber and Empire Subscriber, the Hysan Shareholder Loan and the Empire Shareholder Loan respectively (each representing 25% of the aggregate shareholder loans owing by the Target Company to Henderson Group immediately before Completion) on a dollar for dollar basis.

Consideration

The aggregate consideration payable by Hysan Subscriber for the Hysan Subscription and the Acquisition of Hysan Shareholder Loan shall be such amount representing 25% of the aggregate shareholder loans owing by the Target Company to Henderson Group immediately before Completion (the aggregate amount of which, is approximately HK\$2,061,000,000 as at the date of the Shareholders' Agreement, and is expected to amount to approximately HK\$2,063,000,000 immediately before Completion). The consideration is payable at Completion and will be funded by internal resources and available banking facilities of Hysan Group.

The consideration was determined after arm's length negotiations between the parties to the Shareholders' Agreement with reference to (i) the tender amount paid by the Target Company pursuant to the Development Agreement; and (ii) the amount of shareholder loans provided by Henderson Group to the Target Company in connection with the Development Agreement.

The Directors consider that the consideration payable for the Hysan Subscription and the Acquisition of Hysan Shareholder Loan is fair and reasonable.

Completion

Completion shall, subject to fulfilment of the URA Conditions, take place on 24 February 2022 or such other date as the parties to the Shareholders' Agreement may agree.

Guarantors

The Company has agreed to guarantee the performance by Hysan Subscriber of its obligations under the Shareholders' Agreement.

Henderson has agreed to guarantee the performance by Henderson Subsidiary of its obligations under the Shareholders' Agreement.

Empire Holdings has agreed to guarantee the performance by Empire Subscriber of its obligations under the Shareholders' Agreement.

Business

The Target Company is principally engaged in the performance of the Development Agreement and its ancillary documents, and the development of the Land in accordance with the Development Agreement.

Financing

Pursuant to the Shareholders' Agreement, taking into account, among other factors, the future capital requirement of the Target Company and the estimated construction costs in developing the Land, it is expected that the aggregate capital required by the Target Company shall be HK\$12,189,000,000 (inclusive of the shareholder loans already provided to the Target Company as at Completion). Working capital of the Target Company will be funded by loan facilities from banks and financial institutions, and/or additional shareholder loans, out of which, it is expected that Hysan Subscriber's additional capital commitment shall be approximately HK\$984,000,000 (being 25% of the estimated additional capital which may be required by the Target Company). Hysan Subscriber's maximum capital commitment (inclusive of the Hysan Shareholder Loan to be acquired and provided to the Target Company on Completion) shall therefore be approximately HK\$3,047,000,000, which will be funded by internal resources and available banking facilities of Hysan Group.

Management of the Target Company

The Shareholders' Agreement also regulates the conduct of the affairs, including the objectives, ownership, management and business operation of the Target Company. The board of directors of the Target Company shall consist of not more than four directors, two of which shall be nominated by Henderson Subsidiary while each of Hysan Subscriber and Empire Subscriber has the right to nominate one director.

According to the Shareholders' Agreement, the Target Company may not, without the unanimous consent of all of its shareholders, decide and conduct various major decisions and actions typical of its kind, which shall include:

- (1) changing the nature or scope of the business of the Target Company or entering into any new business not related to the business of the Target Company or ceasing any part of its existing business; and
- (2) entering into transactions outside the ordinary course of business or not on arm's length basis with any person.

Restriction on Transfer

Shareholders of the Target Company (and their respective guarantors) shall not dispose of their interests in the Target Company unless with the prior written consents of the URA and the other shareholders.

REASONS FOR AND BENEFITS OF THE INVESTMENT

Hysan Group's principal businesses are property investment, management and development.

The Board considers the Investment a suitable investment opportunity for the Company. The URA's Bailey Street / Wing Kwong Street Development Project is well located at the centre of To Kwa Wan, a traditional core Kowloon residential area, where active rejuvenation has been undergoing for almost ten years. With a convenient access to To Kwa Wan Mass Transit Railway (MTR) Station and an ongoing robust revitalization, the area is an up-and-coming commercial and residential hub in Hong Kong. The Board considers that the Investment is in line with Hysan Group's strategy relating to residential development business.

The Directors consider that the Investment, the terms of the Shareholders' Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interests of Hysan Group and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of Hysan Subscriber's maximum capital commitment for the Investment (inclusive of the consideration payable for the Hysan Subscription and the Acquisition of Hysan Shareholder Loan, and estimated additional capital which may be required from Hysan Subscriber) exceeds 5% but is less than 25%, the Investment constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

INFORMATION ON THE PARTIES

Hysan Group's principal businesses are property investment, management and development. Hysan Group has a sizeable property portfolio in Hong Kong with one of its core businesses in property leasing.

Hysan Subscriber is an indirect wholly-owned subsidiary of the Company and is principally engaged in property investment.

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

Henderson Subsidiary is an indirect wholly-owned subsidiary of Henderson and is principally engaged in investment holding.

Empire Holdings is an investment holding company and its subsidiaries are principally engaged in property development and investment, project management, finance, hotel operation and investment holding.

Empire Subscriber is a wholly-owned subsidiary of Empire Holdings and is principally engaged in investment holding.

INFORMATION ON THE TARGET COMPANY AND THE LAND

The Target Company won the tender for the development of the Land and has entered into the Development Agreement with the URA in October 2021. Pursuant to the Development Agreement, the Target Company has the contractual right to co-ordinate and supervise the process of designing, planning, constructing, fitting out, completing, operating and marketing the development of the Land. The Land is situated at Bailey Street / Wing Kwong Street in To Kwa Wan with a site area of approximately 7,406 square metres, and the development will provide a maximum total gross floor area of 66,654 square metres upon completion. Existing buildings and structures situated at the Land, excluding any buildings and structures required to be preserved under the relevant land grant, will be demolished and redeveloped into a development with residential units, commercial properties and public vehicle park.

At Completion, as per industry practice, shareholders of the Target Company and/or the holding companies of the shareholders of the Target Company are required to act as the guarantors of the Target Company and execute, among other documents, a guarantee in favour of the URA to guarantee the performance by the Target Company of its obligations under the Development Agreement (provided that the respective liability of each guarantor shall not exceed their respective percentage of beneficial ownership in the entire issued share capital of the Target Company) (the “URA Conditions”).

As mentioned above, the Target Company is principally engaged in the performance of the Development Agreement and the development of the Land in accordance with the Development Agreement. Prior to the Subscriptions, the Target Company was indirectly wholly owned by Henderson. Upon Completion, the Target Company will be owned as to 50%, 25% and 25% by Henderson Subsidiary, Hysan Subscriber and Empire Subscriber respectively.

According to the management accounts of the Target Company for the year ended 31 December 2021, the unaudited net profit before and after taxation of the Target Company for the year ended 31 December 2021 were HK\$1,196,524 and HK\$1,677,901 respectively and the unaudited net loss before and after taxation for the year ended 31 December 2020 were HK\$147,363 and HK\$147,363 respectively. The Target Company recorded an unaudited net asset value of HK\$456,580 as at 31 December 2021.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the following meanings in this announcement:

“Acquisition of Hysan Shareholder Loan”	acquisition of the Hysan Shareholder Loan by Hysan Subscriber pursuant to the Shareholders’ Agreement;
“Acquisition of Loans”	collectively, the Acquisition of Hysan Shareholder Loan and acquisition of the Empire Shareholder Loan by Empire Subscriber pursuant to the Shareholders’ Agreement;
“Board”	the board of Directors;
“Company”	Hysan Development Company Limited, a company incorporated in Hong Kong with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange (stock code: 14);
“Completion”	completion of the Subscriptions and the Acquisition of Loans pursuant to the terms and conditions of the Shareholders’ Agreement;
“connected person”	has the meaning ascribed thereto under the Listing Rules;
“Development Agreement”	the development agreement in relation to the development of the Land dated 12 October 2021 entered into between the URA and the Target Company as may from time to time be amended or supplemented;
“Director(s)”	the director(s) of the Company;
“Empire Holdings”	Empire Development Hong Kong (BVI) Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, which is founded by the late Dr. Walter Kwok and engages in property development and investment businesses;
“Empire Shareholder Loan”	25% of the shareholder loans owing by the Target Company to Henderson Group immediately prior to Completion (the aggregate amount of which, as at the date of the Shareholders’ Agreement, is approximately HK\$2,061,000,000);

“Empire Subscriber”	Brilliant Choice Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Empire Holdings;
“Empire Subscription”	subscription of one ordinary share in the Target Company (representing 25% of the enlarged issued share capital of the Target Company immediately after Completion) by Empire Subscriber pursuant to the Shareholders’ Agreement;
“Henderson”	Henderson Land Development Company Limited, a company incorporated in Hong Kong with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange (stock code: 12);
“Henderson Group”	Henderson and its subsidiaries;
“Henderson Subsidiary”	Glodtex Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Henderson;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Hysan Group”	the Company and its subsidiaries;
“Hysan Shareholder Loan”	25% of the shareholder loans owing by the Target Company to Henderson Group immediately prior to Completion (the aggregate amount of which, as at the date of the Shareholders’ Agreement, is approximately HK\$2,061,000,000);
“Hysan Subscriber”	Lucida Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability;
“Hysan Subscription”	subscription of one ordinary share in the Target Company (representing 25% of the enlarged issued share capital of the Target Company immediately after Completion) by Hysan Subscriber pursuant to the Shareholders’ Agreement;
“Investment”	collectively, the Hysan Subscription and the Acquisition of Hysan Shareholder Loan;
“Land”	the piece or parcel of land known as Kowloon Inland Lot No.11279;
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange as amended from time to time;
“PRC”	the People’s Republic of China;
“Shareholders’ Agreement”	shareholders’ agreement dated 7 February 2022 entered into between Hysan Subscriber, the Company, Henderson Subsidiary, Henderson, Empire Subscriber, Empire Holdings, and the Target Company in respect of, among other matters, the Subscriptions and the Acquisition of Loans and the respective rights and obligations of the shareholders of the Target Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriptions”	collectively, the Hysan Subscription and the Empire Subscription;

“Target Company”	Nation Star Development Limited, a company incorporated in Hong Kong with limited liability;
“URA”	Urban Renewal Authority in Hong Kong;
“URA Conditions”	has the meaning ascribed thereto under the section headed “Information on the Target Company and the Land” in this announcement; and
“%”	per cent.

By Order of the Board
Lee Irene Yun-Lien
Chairman

Hong Kong, 7 February 2022

*As at the date of this announcement, the Board comprises: Lee Irene Yun-Lien (Chairman), Lui Kon Wai (Executive Director and Chief Operating Officer), Churchouse Frederick Peter**, Fan Yan Hok Philip**, Poon Chung Yin Joseph**, Wong Ching Ying Belinda**, Jebson Hans Michael* (Yang Chi Hsin Trevor as his alternate), Lee Anthony Hsien Pin* (Lee Irene Yun-Lien as his alternate), Lee Chien* and Lee Tze Hau Michael*.*

* *Non-Executive Directors*

** *Independent Non-Executive Directors*

This announcement is published on the websites of the Company (www.hysan.com.hk) and the Stock Exchange (www.hkexnews.hk).