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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)

### **MAJOR TRANSACTION SUCCESSFUL TENDER OF LAND BY JOINT VENTURE**

#### **THE TENDER AND THE ACQUISITION**

The Board is pleased to announce that on 12 May 2021, the Tenderer received the Acceptance Letter from the Lands Department confirming that its tender for the Land situated at Caroline Hill Road, Causeway Bay, Hong Kong at the Land Premium of HK\$19,778 million has been accepted.

#### **JOINT VENTURE**

The Tenderer was incorporated pursuant to the terms of a memorandum of agreement (i.e. the JV MOA) solely for the Acquisition and the development of the Land, and is indirectly held by the Company and Chime (a member of Chinachem group) as to 60% and 40%, respectively. Pursuant to the JV MOA, tender commitments shall be contributed by the Company and Chime on a pro-rata basis. Therefore, the Hysan Group's commitment for the Transactions is HK\$11,867 million.

#### **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 25% but all of the applicable percentage ratios are less than 100%, the Acquisition constitutes a major transaction of the Company.

The Acquisition is regarded as a Qualified Property Acquisition (as defined in Rule 14.04(10C) of the Listing Rules), and is subject to reporting, announcement and circular requirements but is exempt from (i) the shareholders' approval requirement pursuant to Rule 14.33A of the Listing Rules; and (ii) the requirement to include a valuation report in the circular pursuant to Rule 14.33B of the Listing Rules.

#### **GENERAL**

A circular containing, among other things, (i) details of the Transactions; and (ii) financial information of the Hysan Group, will be despatched to the Shareholders on or before 3 June 2021.

## **INTRODUCTION**

The Board is pleased to announce that on 12 May 2021, the Tenderer received the Acceptance Letter from the Lands Department confirming that its tender for the Land at the Land Premium of HK\$19,778 million has been accepted.

## **THE TENDER AND THE ACQUISITION**

### **Parties**

- (1) The Government of Hong Kong as vendor; and
- (2) The Tenderer as purchaser.

The Tenderer is held by Patchway BVI (an indirect wholly-owned subsidiary of the Company) and Coastday Limited (an indirectly wholly-owned subsidiary of Chime) as to 60% and 40%, respectively. For further details of the Tenderer and the JV MOA, please refer to the section headed “The Joint Venture” in this announcement.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Government of Hong Kong is a third party independent of the Company and its connected persons.

### **Information on the Land**

Location :	Inland Lot No.8945, located at Caroline Hill Road, Causeway Bay, Hong Kong
Site area:	Approximately 14,802 sq. m.
Maximum gross floor area:	100,000 sq. m.
Minimum gross floor area:	60,000 sq. m.
Term:	50 years from the date of the Memorandum of Agreement
Permitted use:	Non-industrial (excluding residential, godown and petrol filling station) purposes

Under the terms of the Conditions of Sale, the Tenderer shall enter into the Memorandum of Agreement with the Government of Hong Kong in respect of the Acquisition within 14 days of the date of the Acceptance Letter.

### **Land Premium and the payment terms**

The Land Premium payable is HK\$19,778 million and shall be settled by the Tenderer in the following manner:

- (i) a deposit of HK\$50 million, paid at the time when the Tender was submitted, has been applied in part payment of the Land Premium;

- (ii) a further deposit of HK\$1,928 million shall be paid within seven working days of the date of the Acceptance Letter, which shall also be applied towards partial payment of the Land Premium; and
- (iii) the remaining balance of HK\$17,800 million shall be paid within 28 days of the date of the Acceptance Letter.

The Land Premium, being the bidding price submitted by the Tenderer under the Tender, was determined by the JV Partners on arm's length basis, taking into account various factors including development prospects and the potential of the Land and the overall prospect of the property market in Hong Kong.

The Land Premium will be settled by the Tenderer with the capital contributed by the JV Partners in proportion to their respective shareholdings in the Tenderer. For the Hysan Group's portion of the capital commitment, please refer to the section headed "The Joint Venture – Capital commitment and project financing" in this announcement.

### **THE JOINT VENTURE**

Pursuant to the terms of the JV MOA, the JV Partners have set up the Tenderer solely for the Acquisition and the development of the Land.

#### **Parties to the JV MOA**

- (1) The Company; and
- (2) Chime.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Chime and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

#### **Capital commitment and project financing**

Pursuant to the JV MOA, the JV Partners shall contribute to the Tenderer's Tender commitment (i.e. the Land Premium) in proportion to their respective shareholdings therein. As the Land Premium is HK\$19,778 million and Patchway BVI owns 60% interest in the Tenderer, the capital commitment of Patchway BVI shall be HK\$11,867 million. It is intended that the capital commitment of Patchway BVI under the JV MOA and the Acquisition will be financed by the Hysan Group's internal resources and bank borrowings.

The amount of capital commitment of the JV Partners under the JV MOA was determined after arm's length negotiation between the JV Partners with reference to, among other factors, the Land Premium (i.e. the bidding price submitted by the Tenderer) and the JV Partners' respective shareholdings in the Tenderer.

Funding for developing the Land shall be funded by way of a combination of shareholders' loans of the JV Partners to the Tenderer and external financing in the manner to be set out in a shareholders' agreement to be entered into between the JV Partners, and any guarantee, indemnity or security to be provided by the JV Partners in favour of lenders of external financing shall be made on several basis in proportion to their shareholdings in the Tenderer.

### **Management of the Tenderer**

The board of directors of the Tenderer shall consist of not more than four directors, and each of the Company and Chime is entitled to nominate two directors. The chairman of the board of director of the Tenderer, who shall be nominated by the Company, shall have a casting vote.

### **Distribution policy**

The JV Partners shall be entitled to share the profits of the Tenderer in proportion to their respective equity interest.

### **Restriction on transfer of shares in the Tenderer**

The JV Partners shall not dispose of their interests in the Tenderer within the first eight years of the date of the last occupation permit in relation to the development of the Land. Any JV Partner wishing to dispose of its interest in the Tenderer shall grant the other JV Partner a right of first refusal.

### **Reserved matters**

According to the JV MOA, the Tenderer may not, without the unanimous consent of both of the JV Partners, decide and conduct various major decisions and actions typical of its kind, which shall include:

- (i) changing the nature or scope of its business, and if there are changes then they must still be consistent with the scope or purpose specified in the tender document; or
- (ii) entering into any transactions which are not on an arm's length basis.

It is expected that the JV Partners will enter into a shareholders' agreement within three months after the date of the Acceptance Letter or at such other date to be mutually agreed by the JV Partners.

### **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

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

The Board considers the Acquisition a strategic long-term investment for the Company. The project significantly expands the scale of Lee Gardens portfolio and reinforces Hysan's leading position in Causeway Bay. The potential value of the project will be enhanced by the proposed connectivity scheme, which offers a weatherproof and pleasant walking journey between Causeway Bay Mass Transit Railway station and the project.

The Company believes Hong Kong will remain as a major international city and benefit from the Government's favorable Greater Bay Area policy and China's strong economic momentum. The Board considers that the Acquisition is in line with the business strategy to strengthen the investment property portfolio which will generate additional stable recurring rental income for the Hysan Group.

The terms of the JV MOA have been arrived at after arm's length negotiations between the JV Partners. Based on the above, the Board considers that the Transactions are conducted in the Hysan Group's ordinary and usual course of business, and that the Acquisition (including the terms of the Conditions of Sale and the Memorandum of Agreement) and the JV MOA (including the joint venture arrangement, and the financing and profit distribution arrangements contemplated thereunder) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **INFORMATION ON THE TENDERER AND THE HYSAN GROUP**

The Tenderer, a special purpose vehicle owned as to 60% and 40% by Patchway BVI and Coastday Limited respectively, was incorporated pursuant to the terms of the JV MOA solely for the Acquisition and the development of the Land. The Tenderer constitutes a non-wholly owned subsidiary which will be accounted for on a consolidated basis in the accounts of the Hysan Group.

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

Coastday Limited is an indirect wholly-owned subsidiary of Chime and is principally engaged in property investment.

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

#### **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 25% but all of the applicable percentage ratios are less than 100%, the Acquisition constitutes a major transaction of the Company.

The Acquisition is regarded as a Qualified Property Acquisition (as defined in Rule 14.04(10C) of the Listing Rules). The Board has confirmed that the Transactions are in the Hysan Group's ordinary and usual course of business, and that the Acquisition (including the terms of the Conditions of Sale and the Memorandum of Agreement) and the JV MOA (including the joint venture arrangement, and financing and profit distribution arrangements contemplated thereunder), are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Acquisition is subject to reporting, announcement and circular requirements but is exempt from (i) the shareholders' approval requirement pursuant to Rule 14.33A of the Listing Rules; and (ii) the requirement to include a valuation report in the circular pursuant to Rule 14.33B of the Listing Rules.

#### **GENERAL**

A circular containing, among other things, (i) details of the Transactions; and (ii) financial information of the Hysan Group, will be despatched to the Shareholders on or before 3 June 2021.

## DEFINITIONS

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

“Acceptance Letter”	the letter of acceptance dated 12 May 2021 issued by the Lands Department to the Tenderer confirming the acceptance of the Tender submitted by the Tenderer;
“Acquisition”	the acquisition of the Land under the terms of the Conditions of Sale;
“Board”	the board of Directors of the Company;
“Chime”	Chime Corporation Limited, a company incorporated in Hong Kong with limited liability and a member of the Chinachem group;
“Conditions of Sale”	the agreement and conditions of sale of the Land as set out in the Tender documents;
“Directors”	the directors of the Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hysan” or “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);
“Hysan Group”	Hysan and its subsidiaries;
“JV MOA”	the binding memorandum of agreement dated 7 May 2021 entered into between the Company and Chime in relation to the formation of the Tenderer for the Acquisition and the development of the Land;
“JV Partners”	the two joint venture partners, the Company and Chime, being parties to the JV MOA;
“Land”	a piece of land known as Inland Lot No.8945, situated at Caroline Hill Road, Causeway Bay, Hong Kong;
“Land Premium”	the land premium of HK\$19,778 million, being the bidding price submitted by the Tenderer under the Tender and the consideration of the Acquisition;
“Lands Department”	the Lands Department of the Government of Hong Kong;

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Memorandum of Agreement”	the memorandum of agreement to be entered into between the Government of Hong Kong and the Tenderer in respect of the Acquisition;
“Patchway BVI”	Patchway (BVI) Limited, a company incorporated in British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company;
“Shareholder(s)”	holder(s) of the ordinary share(s) of the Company;
“sq. m.”	square metre, unit of area;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tender”	the sale of the Land by the Government of Hong Kong by way of public tender;
“Tenderer”	Patchway Holdings (HK) Limited, a company incorporated in Hong Kong with limited liability and owned by Patchway BVI and Coastday Limited as to 60% and 40%, respectively;
“Transactions”	the Acquisition and the joint venture arrangement contemplated under the JV MOA; and
“%”	per cent.

By Order of the Board  
**Lee Irene Yun-Lien**  
*Chairman*

Hong Kong, 12 May 2021

*As at the date of this announcement, the Board comprises: Lee Irene Yun-Lien (Chairman), Churchouse Frederick Peter\*\*, Fan Yan Hok Philip\*\*, Poon Chung Yin Joseph\*\*, Wong Ching Ying Belinda\*\*, Jebsen 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).*