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恒隆地產有限公司
HANG LUNG PROPERTIES LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 00101)

CONNECTED TRANSACTIONS FORMATION OF JOINT VENTURE

The Board announces that on April 2, 2019, Infinite Harvest and Eagle Century, among others, entered into the JV Agreement pursuant to which Infinite Harvest and Eagle Century agreed to establish the JV Company on a 2:1 basis for re-development of the Land at Electric Road, Hong Kong.

Infinite Harvest is a wholly-owned subsidiary of the Company; and Eagle Century is a wholly-owned subsidiary of HLG which is the holding company of the Company. Accordingly, Eagle Century and HLG are connected persons of the Company and the JV Transactions constitute connected transactions for the Company under the Listing Rules.

As certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the JV Transactions are more than 0.1% but less than 5%, the JV Transactions are subject to the reporting and announcement requirements set out under Chapter 14A of the Listing Rules, and are exempt from the approval by the independent shareholders of the Company.

FORMATION OF JOINT VENTURE

The Board announces that on April 2, 2019, Infinite Harvest and Eagle Century, among others, entered into the JV Agreement, pursuant to which Infinite Harvest and Eagle Century agreed to establish the JV Company on a 2:1 basis for re-development of the Land. Subsequent to the signing of the JV Agreement, Infinite Harvest and Eagle Century respectively holds 2 and 1 share(s) representing 66.67% and 33.33% interest in the JV Company.

THE JV AGREEMENT

Major terms of the JV Agreement are summarized as follows:

Date

April 2, 2019

Parties

1. Infinite Harvest, an indirect wholly-owned subsidiary of the Company;
2. Eagle Century, an indirect wholly-owned subsidiary of HLG;

3. Newhart, holding company of Infinite Harvest and a direct wholly-owned subsidiary of the Company; and
4. the JV Company.

Formation of JV Company

Infinite Harvest and Eagle Century shall establish the JV Company on a 2:1 basis for re-development of the Land.

Immediately after signing the JV Agreement, the 2:1 shareholding ratio shall be achieved via the following arrangements:

1. Infinite Harvest and Eagle Century shall respectively hold 2 and 1 share(s) in the JV Company representing 66.67% and 33.33% interest in the JV Company;
2. Newhart shall transfer the entire interest in Joyful Master (which indirectly owns the HLP Land Parcel) to the JV Company; and Eagle Century shall transfer the entire interest in True Treasure (which indirectly owns the HLG Land Parcel) to the JV Company (collectively, the "**PropCo Transactions**"). Please refer to the paragraph headed "Transactions in relation to Joyful Master and True Treasure" for details of the PropCo Transactions; and
3. each of Infinite Harvest and Eagle Century shall advance a shareholder's loan to the JV Company on a 2:1 basis (the "**PropCo Shareholder's Loans**") to settle the consideration for PropCo Transactions.

Purpose of the JV Company and its Subsidiaries

Infinite Harvest and Eagle Century have agreed to establish the JV Company to redevelop the Land with a view to maximizing the redevelopment potential thereof.

JV Company Board Composition

JV Company Board shall consist of not more than 6 directors. At the time of establishment of the JV Company, Infinite Harvest and Eagle Century shall nominate 2 directors and 1 director respectively.

Financing

The aggregate funding requirement is estimated to be approximately HK\$2,560 million, after taking into account, among other things, the estimated project costs (including land costs, construction costs, project management costs and their respective interest; but excluding sales and marketing expenses) for the redevelopment of the Land.

The funding requirement is intended to be met by obtaining external bank loans so far as available on a prudent and commercially reasonable basis, and as appropriate, shareholder's and intra-group loans. Each of Infinite Harvest and Eagle Century shall contribute or guarantee on a pro-rata and several basis (as appropriate), the funding requirement in proportion to their respective shareholding percentages in the JV Company (i.e. 66.67% and 33.33%).

It is agreed that, immediately after the signing of the JV Agreement, Infinite Harvest and Eagle Century shall advance the PropCo Shareholder's Loans to the JV Company.

INFORMATION REGARDING THE LAND

The Land comprises the HLP Land Parcel and the HLG Land Parcel, and is situated at Nos. 226, 228, 230, 232, 234, 236, 238 and 240 Electric Road, Hong Kong and has a site area of approximately 7,000

square feet. The HLP Land Parcel (indirectly held by Joyful Master) is situated at Nos. 228, 230, 232, 236, 238 and the ground, 2nd, 3rd and 4th floors of 240 Electric Road, Hong Kong and the HLG Land Parcel (indirectly held by True Treasure) is situated at Nos. 226, 234 and the 1st floor of 240 Electric Road, Hong Kong.

The Land will be redeveloped into a commercial and office tower of gross floor area of 105,000 square feet.

TRANSACTIONS IN RELATION TO JOYFUL MASTER AND TRUE TREASURE

Acquisition

Prior to Completion, neither the Group nor the JV Company held any interest in True Treasure, which in turn indirectly owned the HLG Land Parcel. Immediately after Completion, the JV Company and True Treasure became indirect 66.67%-owned subsidiaries of the Company. As such, the JV Transactions constitute an acquisition of True Treasure by the Company (via the JV Company).

True Treasure was acquired by Eagle Century at a consideration of approximately HK\$7.8 on March 19, 2019. The HLG Land Parcel (via a special purpose vehicle) was then acquired by True Treasure at a consideration of approximately HK\$600 million on March 27, 2019.

Disposal

Prior to Completion, the Company (through Newhart) owned the entire interest in Joyful Master, which in turn indirectly owned the HLP Land Parcel. Immediately after Completion, Joyful Master became an indirect 66.67%-owned subsidiary of the Company. As such, the JV Transactions constitute a disposal of 33.33% of the interest in Joyful Master by the Group.

Joyful Master was acquired by Newhart at a consideration of approximately HK\$7.8 on October 5, 2018. The HLP Land Parcel (via a special purpose vehicle) was then acquired by Joyful Master at a consideration of approximately HK\$1,200 million on December 28, 2018.

There will be no material financial effect resulting from the above disposal of Joyful Master by the Group.

Consideration for the acquisition and the disposal

Joyful Master and True Treasure are intermediate holding companies for the HLP Land Parcel and the HLG Land Parcel, respectively.

The following considerations for the acquisition and the disposal are determined by the parties after arm's length negotiations, with reference to an independent valuation in relation to the HLP Land Parcel and the HLG Land Parcel respectively:

1. the consideration of HK\$1,204 million (being the agreed value of the HLP Land Parcel (in the sum of HK\$1,200 million) as adjusted by the consolidated net asset value of Joyful Master and its subsidiaries at the time of Completion) for the transfer of the entire interest of Joyful Master to the JV Company; and
2. the consideration of HK\$601 million (being the agreed value of the HLG Land Parcel (in the sum of HK\$600 million) as adjusted by the consolidated net asset value of True Treasure and its subsidiary as at Completion) for the transfer of the entire interest of True Treasure to the JV Company.

INFORMATION ON JOYFUL MASTER

Joyful Master was incorporated on September 11, 2018 in the British Virgin Islands. The principal activity of Joyful Master is investment holding, and as part of such investment holding activity, Joyful Master indirectly holds the HLP Land Parcel.

Joyful Master was only recently established and does not have any audited or consolidated accounts for the past two financial years. As at March 31, 2019, the unaudited net asset value of Joyful Master, which reflects the investment cost of the HLP Land Parcel, was approximately HK\$1,204 million.

INFORMATION ON TRUE TREASURE

True Treasure was incorporated on March 6, 2019 in the British Virgin Islands. The principal activity of True Treasure is investment holding, and as part of such investment holding activity, True Treasure indirectly holds the HLG Land Parcel.

True Treasure was only recently established and does not have any audited or consolidated accounts for the past two financial years. As at March 31, 2019, the unaudited net asset value of True Treasure, which reflects the investment cost of the HLG Land Parcel, was approximately HK\$601 million.

REASONS FOR AND BENEFITS OF THE JV TRANSACTIONS

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

The Company is the property arm of its holding company, HLG, being one of the largest property development and investment companies in Hong Kong in terms of its market capitalization. The principal activities of the Company 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 PRC.

The establishment of the JV Company for redevelopment of the Land is in line with the current activities of the Group, and helps to maximize and leverage the potential of the Land to the fullest extent. The JV Company can also leverage on the Company's extensive experience in property development and management. The Directors (including the Independent Non-Executive Directors) are of the view that the terms of the JV Transactions are on normal commercial terms, fair and reasonable, and in the interest of the Company and its shareholders as a whole.

None of the Directors had any material interest in the transactions nor was any of them required to abstain from voting on the resolutions which have been passed by the Board approving the JV Transactions.

LISTING RULES IMPLICATIONS

Infinite Harvest is an indirect wholly-owned subsidiary of the Company; and Eagle Century is an indirect wholly-owned subsidiary of HLG which is the holding company of the Company. Accordingly, Eagle Century and HLG are connected persons of the Company and the JV Transactions constitute connected transactions for the Company under the Listing Rules.

As certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the JV Transactions are more than 0.1% but less than 5%, the JV Transactions are subject to the reporting and announcement requirements set out under Chapter 14A of the Listing Rules, and are exempt from the approval by the independent shareholders of the Company.

DEFINITIONS

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

“Board”	the board of directors of the Company
“Company”	Hang Lung Properties Limited, a company incorporated in Hong Kong with limited liability whose issued shares are listed on the main board of the Stock Exchange
"Completion"	completion of the PropCo Transactions;
“connected person(s)”; “connected transaction(s)”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	the directors of the Board
"Eagle Century"	Eagle Century Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HLG”	Hang Lung Group Limited, a company incorporated in Hong Kong with limited liability whose issued shares are listed on the main board of the Stock Exchange (stock code: 00010), and the holding company of the Company
“HLG Land Parcel”	the pieces or parcels of the land known as Inland Lot No. 1618 and which street address is situated at Nos. 226, 234 and the 1st floor of 240 Electric Road, Hong Kong on which the existing buildings are erected
“HLP Land Parcel”	the pieces or parcels of the land known as Inland Lot No. 1618 and which street address is situated at Nos. 228, 230, 232, 236, 238 and the ground, 2nd, 3rd and 4th floors of 240 Electric Road, Hong Kong on which the existing buildings are erected
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Infinite Harvest"	Infinite Harvest Developments Limited, a company incorporated in the British Virgin Islands with limited liability
"Joyful Master"	Joyful Master Group Limited, a company incorporated in the British Virgin Islands with limited liability
“JV Agreement”	the joint venture agreement dated April 2, 2019 entered into between Infinite Harvest, Eagle Century, Newhart and the JV Company
“JV Company”	Hang Top Limited, a company incorporated in Hong Kong, with limited liability
“JV Company Board”	the board of directors of the JV Company to be constituted pursuant to the JV Agreement

“JV Transactions”	the transactions contemplated under the JV Agreement, including but not limited to the formation of the JV Company and the PropCo Transactions
“Land”	the HLG Land Parcel and the HLP Land Parcel
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Newhart”	Newhart Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“PRC”	the People’s Republic of China (for the purpose of disclosure in this announcement, excluding Hong Kong, Macau and Taiwan)
"PropCo Shareholder's Loans"	means, collectively, the shareholder's loans advanced by Infinite Harvest and Eagle Century to the JV Company to settle the consideration for the PropCo Transactions
"PropCo Transactions"	means, collectively, the transfer of the entire interest in Joyful Master by Newhart and the transfer of the entire interest in True Treasure by Eagle Century, both to the JV Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
"True Treasure"	True Treasure Developments Limited, a company incorporated in the British Virgin Islands with limited liability
“%”	per cent

By Order of the Board
Margaret Ka Man YAN
Company Secretary

Hong Kong, April 2, 2019

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors: Mr. Ronnie C. CHAN, Mr. Weber W.P. LO, Mr. H.C. HO and Mr. Adriel W. CHAN

Non-Executive Director: Mr. Philip N.L. CHEN

Independent Non-Executive Directors: Mr. Ronald J. ARCULLI, Mr. Nelson W.L. YUEN, Mr. Dominic C.F. HO, Dr. Andrew K.C. CHAN, Prof. H.K. CHANG and Ms. Anita Y.M. FUNG