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**新鴻基地產發展有限公司**

**Sun Hung Kai Properties Limited**

*(Incorporated in Hong Kong with limited liability)  
(Stock Code : 16)*

## **CONNECTED TRANSACTION DISPOSAL OF 25% INTEREST IN A SUBSIDIARY**

On 16 December 2019, the Shares Vendor and the Loan Vendor (both being wholly-owned subsidiaries of the Company) entered into the Sale Agreement with the Purchaser, under which (a) the Shares Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing 25% of the issued share capital of the Target Company, for a consideration of HK\$19,500.00 (equivalent to US\$2,500.00); and (b) the Loan Vendor agreed to assign and the Purchaser agreed to take an assignment of the Sale Loan in the amount of HK\$939,446,530.61, representing 25% of the loans owed by Max Century to the Loan Vendor immediately before Completion, for a consideration of HK\$939,946,694.92.

The Target Company will effectively enjoy all economic rights and benefits, and will effectively be responsible for all obligations and liabilities, in relation to the ownership, development and operation of only the office towers to be erected on the Land. Upon Completion, the Target Company remains as a subsidiary of the Company and is owned by the Shares Vendor and the Purchaser as to 75% and 25% respectively. The Company (through its wholly-owned subsidiaries) will continue to solely and effectively enjoy all economic rights and benefits, and will be solely and effectively responsible for all obligations and liabilities, in relation to the ownership, development and operation of the commercial/retail portion to be erected on the Land.

The Purchaser is a company owned by the Kwok Family Companies each of which owns a one-third interest in the Purchaser. The Kwok Family Companies are owned by certain discretionary trusts of which Madam KWONG Siu-hing is a founder and a beneficiary. Each of Mr. KWOK Ping-luen, Raymond, Mr. KWOK Kai-fai, Adam, Mr. KWOK Kai-wang, Christopher, Mr. KWOK Kai-chun, Geoffrey and Mr. KWOK Ho-lai, Edward (each being a Director or alternate Director) is a beneficiary of one of such discretionary trusts. The trustee of such discretionary trusts is a substantial shareholder of the Company holding shares in the Company through the Kwok Family Companies and other companies. Accordingly, the Purchaser is an associate of a substantial shareholder of the Company and is therefore a connected person of the Company, and the entering into of the Transaction constitutes a connected transaction for the Company. As one or more of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the Transaction exceed 0.1%, but all of the applicable percentage ratios are less than 5%, the Transaction 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.

The major terms of the Sale Agreement and some other information relating to the Transaction are set out below.

## **THE SALE AGREEMENT**

### **Date**

16 December 2019

### **The parties**

- (1) The Shares Vendor (a wholly-owned subsidiary of the Company), as vendor of the Sale Shares;
- (2) the Loan Vendor (a wholly-owned subsidiary of the Company), as vendor of the Sale Loan; and
- (3) the Purchaser, as the purchaser of the Sale Shares and the Sale Loan.

### **Sale Shares and Sale Loan**

The Shares Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing 25% of the issued share capital of the Target Company.

The Loan Vendor agreed to assign and the Purchaser agreed to take an assignment of the Sale Loan in the amount of HK\$939,446,530.61, representing 25% of the loans owed by Max Century to the Loan Vendor immediately before Completion.

### **Completion**

Completion took place simultaneously with the signing of the Sale Agreement.

The Shares Vendor and the Purchaser have agreed to negotiate in good faith for a shareholders' agreement in respect of the Target Company to be entered into between them, the Company (as guarantor of the Shares Vendor) and the Kwok Family Companies (as several guarantors of the Purchaser in proportion to their respective shareholding in the Purchaser).

### **Consideration**

The consideration for the Sale Shares, being HK\$19,500.00 (equivalent to US\$2,500.00) (which was equivalent to the aggregate par value of the Sale Shares), was paid in cash by the Purchaser to the Shares Vendor at Completion.

The consideration for the Sale Loan, being HK\$939,946,694.92, was paid in cash by the Purchaser to the Loan Vendor at Completion.

The consideration for the Sale Shares and the Sale Loan was arrived at after arm's length negotiations between the parties with reference to the aggregate par value of the Sale Shares, the face value of the Sale Loan and the funding costs of the Sale Loan to the Group. Immediately before Completion, the loans owed by Max Century to the Loan Vendor amounted to HK\$3,757,786,122.45 (of which the Sale Loan constituted 25%), and were advanced mainly to fund the payment by Max Century of its portion (being approximately 88.98%) of the 10% deposit for the land premium of HK\$42,232,000,000.00 for the grant of the Land. The proportion of 88.98% represents the percentage interest of Max Century in the Land, being the ratio of the currently intended gross floor area of approximately 261,600 square metres of the office towers to be erected on the Land to the maximum gross floor area of 294,000 square metres permitted under the land grant to be developed on the Land, and Max Century's portion of the land premium is in the amount of HK\$37,577,861,224.49. At Completion, the Purchaser gave an undertaking to Max Century that it would advance a loan in the amount of HK\$8,455,018,775.51 (representing 25% of the balance being 90% of Max Century's portion of the land premium referred to above) to Max Century on or before 24 December 2019.

The original acquisition costs of the Sale Shares and the Sale Loan to the Group were HK\$19,500.00 (equivalent to US\$2,500.00) and HK\$939,446,530.61 respectively. As the consideration for the disposal of the Sale Shares and the Sale Loan was approximately equal to their book values, the Group expects gain or loss, if any, arising from the disposal to be negligible. The Group intends to use the proceeds from the disposal for recouping part of the deposits for the land premium paid for acquiring the Land.

## **INFORMATION ON THE TARGET COMPANY AND MAX CENTURY**

As stated in the announcement of the Company dated 27 November 2019, the Group has successfully tendered for the grant by the Government of Hong Kong of the Land situated at the junction of Lin Cheung Road and Austin Road West, Kowloon, Hong Kong.

The development on the Land will comprise, among others, a commercial/retail portion and an office portion, including their respective designated parking spaces and ancillary accommodation and facilities. The gross floor area of the office portion is currently intended to be approximately 261,600 square metres.

Max Century is one of the two successful tenderers for the grant of the Land. The Target Company, through its direct and indirect equity interests in and contractual arrangements with various companies (including Max Century), will effectively enjoy all economic rights and benefits, and will effectively be responsible for all obligations and liabilities, in relation to the ownership, development and operation of only the office towers to be erected on the Land and to be owned by Max Century. A wholly-owned subsidiary of the Company, through its direct and indirect equity interests in and contractual arrangements with various companies (including the other successful tenderer for the grant of the Land), will continue to solely and effectively enjoy all economic rights and benefits, and will be solely and effectively responsible for all obligations and liabilities, in relation to the ownership, development and operation of the commercial/retail portion to be erected on the Land and to be owned by the other successful tenderer for the grant of the Land.

The Target Company was incorporated in November 2019 and was indirectly wholly-owned by the Company before Completion.

Based on the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, (a) as at the date of the Sale Agreement, the unaudited consolidated net assets of the Target Group were HK\$17,584.50; and (b) the unaudited consolidated net loss of the Target Group (both before and after taxation) for the period from the date of incorporation of the Target Company to the date of the Sale Agreement was HK\$60,415.50.

Upon Completion, the Target Company remains as a subsidiary of the Company and is owned by the Shares Vendor and the Purchaser as to 75% and 25% respectively.

The principal activities of Max Century are the development of and investment in the office towers to be erected on the Land.

## **INFORMATION ON THE PARTIES INVOLVED**

The principal activity of the Purchaser is investment holding. The Purchaser is owned by the Kwok Family Companies each of which owns a one-third interest in the Purchaser. The principal activity of each of the Kwok Family Companies is investment holding for long term.

The principal activity of the Shares Vendor is investment holding. The principal activity of the Loan Vendor is the provision of asset management and project management services for the Group.

The Company is an investment holding company and its subsidiaries are principally engaged in the development of and investment in properties for sale and rent, hotel operations, telecommunications, transport infrastructure and logistics, and data centre operations.

## **REASONS FOR AND BENEFITS OF THE SALE AGREEMENT**

As stated in the announcement of the Company dated 27 November 2019, the Group intends to invite other long term strategic investors to participate in undertaking this landmark project in relation to the Land. The Kwok Family Companies had been holding substantial interests in the shares of the Company as long term investments for many years and, over the years, have also acquired additional interests in the shares of the Company. This makes the Kwok Family Companies suitable strategic partners of the Group for this landmark project which is intended to be held by the Group as a long term investment.

## **IMPLICATIONS UNDER THE LISTING RULES**

The Kwok Family Companies are owned by certain discretionary trusts of which Madam KWONG Siu-hing is a founder and a beneficiary. Each of Mr. KWOK Ping-luen, Raymond, Mr. KWOK Kai-fai, Adam, Mr. KWOK Kai-wang, Christopher, Mr. KWOK Kai-chun, Geoffrey and Mr. KWOK Ho-lai, Edward (each being a Director or alternate Director) is a beneficiary of one of such discretionary trusts. The trustee of such discretionary trusts is a substantial shareholder of the Company holding shares in the Company through the Kwok Family Companies and other companies. Accordingly, the Purchaser (which is owned as to one-third by each of the Kwok Family Companies) is an associate of a substantial shareholder of the Company and is therefore a connected person of the Company, and the entering into of the Transaction constitutes a connected transaction for the Company.

As one or more of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the Transaction exceed 0.1%, but all of the applicable percentage ratios are less than 5%, the Transaction 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.

Each of Mr. KWOK Ping-luen, Raymond (and Mr. KWOK Ho-lai, Edward as his alternate), Mr. KWOK Kai-fai, Adam, Mr. KWOK Kai-wang, Christopher and Mr. KWOK Kai-chun, Geoffrey has a material interest in the Transaction as a result of his connection with the Purchaser as described above. Accordingly, they have all abstained from voting on the relevant Board resolutions of the Company for approving the Transaction. None of the other Directors has a material interest in the Transaction.

The Directors (including the independent non-executive Directors), save for Mr. KWOK Ping-luen, Raymond (and Mr. KWOK Ho-lai, Edward as his alternate), Mr. KWOK Kai-fai, Adam, Mr. KWOK Kai-wang, Christopher and Mr. KWOK Kai-chun, Geoffrey (who have all abstained from voting on the relevant Board resolutions of the Company as referred to above), consider that the terms of the Transaction are fair and reasonable, that the Transaction is on normal commercial terms and in the ordinary and usual course of business of the Group, and that the Transaction is in the interests of the Company and its shareholders as a whole.

## **DEFINITIONS**

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Sun Hung Kai Properties Limited 新鴻基地產發展有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 16)
“Completion”	completion of the Sale Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China

“Kwok Family Companies”	Adolfa Limited, Bertana Limited and Cyric Limited, each of which is a company incorporated in the BVI with limited liability
“Land”	the land located at the junction of Lin Cheung Road and Austin Road West, Kowloon, Hong Kong and registered or to be registered in the Land Registry as Kowloon Inland Lot No. 11262
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan Vendor”	Sun Hung Kai Real Estate Agency Limited 新鴻基地產代理有限公司, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Max Century”	Max Century (H.K.) Limited 信明(香港)有限公司, a company incorporated in Hong Kong with limited liability and a subsidiary of the Company
“Purchaser”	Somerpath International Limited, a company incorporated in the BVI with limited liability
“Sale Agreement”	the sale and purchase agreement dated 16 December 2019 entered into among the Shares Vendor, the Loan Vendor and the Purchaser in relation to the sale and purchase of the Sale Shares and the assignment of the Sale Loan
“Sale Loan”	the loan in the amount of HK\$939,446,530.61 owing by Max Century to the Loan Vendor, representing 25% of the loans owed by Max Century to the Loan Vendor immediately before Completion
“Sale Shares”	2,500 shares of US\$1.00 each in the capital of the Target Company, representing 25% of the issued share capital of the Target Company
“Shares Vendor”	Solar Windmill Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Vivid Synergy Limited, a company incorporated in the BVI with limited liability
“Target Group”	the Target Company and its subsidiaries
“Transaction”	the sale and purchase of the Sale Shares and the assignment of the Sale Loan as contemplated under the Sale Agreement

“US\$” United States dollar, the lawful currency of the United States of America

By order of the Board  
**YUNG Sheung-tat, Sandy**  
Company Secretary

Hong Kong, 16 December 2019

*As at the date hereof, the Board of the Company comprises eight Executive Directors, being KWOK Ping-luen, Raymond (Chairman and Managing Director)(KWOK Ho-lai, Edward being his Alternate Director), WONG Chik-wing, Mike (Deputy Managing Director), LUI Ting, Victor (Deputy Managing Director), KWOK Kai-fai, Adam, KWOK Kai-wang, Christopher, KWONG Chun, TUNG Chi-ho, Eric and FUNG Yuk-lun, Allen; three Non-Executive Directors, being LEE Shau-kee (Vice Chairman), KWAN Cheuk-yin, William and KWOK Kai-chun, Geoffrey; and nine Independent Non-Executive Directors, being YIP Dicky Peter, WONG Yue-chim, Richard, LI Ka-cheung, Eric, FUNG Kwok-lun, William, LEUNG Nai-pang, Norman, LEUNG Kui-king, Donald, LEUNG KO May-yee, Margaret, FAN Hung-ling, Henry and WU Xiang-dong.*

*This announcement is made in English and Chinese. In case of any inconsistency, the English version shall prevail.*