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**HENDERSON INVESTMENT LIMITED**

恒基兆業發展有限公司

Incorporated in Hong Kong with limited liability

(Stock Code : 97)

**MAJOR TRANSACTION,  
DISCLOSEABLE TRANSACTIONS AND  
CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO  
NEW LEASING AND LICENSING FRAMEWORK AGREEMENT**

**AND**

**OTHER CONTINUING CONNECTED TRANSACTIONS**

**THE NEW LEASING AND LICENSING FRAMEWORK AGREEMENT**

Reference is made to the announcement and circular of the Company dated 17 October 2014 in respect of, inter alia, the Existing Leasing and Licensing Framework Agreement entered into between the Company and HLD on 15 October 2014, pursuant to which the parties agreed that the members of the Group may lease and/or license various premises from HLD and/or its subsidiaries from time to time during the period from 1 December 2014 to 30 September 2023.

As the Existing Leasing and Licensing Framework Agreement is due to expire, the Company and HLD on 19 April 2023 entered into the New Leasing and Licensing Framework Agreement pursuant to which members of the Group (as tenants or licensees) and members of the HLD Group (as landlords or licensors) may enter into the Leasing and Licensing Transactions during the period from 1 October 2023 to 30 September 2026.

**THE NEW MASTER CLEANING SERVICES AGREEMENT**

Reference is made to the announcement of the Company dated 9 June 2020 in respect of, inter alia, the Existing Master Cleaning Services Agreement entered into between the Company and Broad Capital (a wholly-owned subsidiary of HLD) on 9 June 2020, pursuant to which Broad Capital agreed to provide Cleaning Services to members of the Group during the period from 1 December 2020 to 30 November 2023.

As it is anticipated that members of the Group will continue to obtain Cleaning Services from Broad Capital from time to time after the expiration of the Existing Master Cleaning Services Agreement, the Company and Broad Capital on 19 April 2023 entered into the New Master Cleaning Services Agreement for Cleaning Services Transactions during the period from 1 December 2023 to 30 November 2026.

## **THE MASTER GOODS AND GIFT CERTIFICATES SALES AGREEMENT**

Reference is made to the announcement of the Company dated 9 June 2020 in respect of, inter alia, the Existing Master Gift Certificates Sales Agreement entered into between the Company and HLD on 9 June 2020, pursuant to which members of the Group may sell the Gift Certificates to members of the HLD Group from time to time during the period from 1 July 2020 to 30 June 2023.

As it is anticipated that (i) members of the Group will continue to sell the Gift Certificates to members of the HLD Group from time to time after the expiration of the Existing Master Gift Certificates Sales Agreement, and (ii) members of the Group will also sell Goods to members of the HLD Group from time to time, the Company and HLD on 19 April 2023 entered into the Master Goods and Gift Certificates Sales Agreement for the Sale Transactions during the period from 1 July 2023 to 30 June 2026.

### **LISTING RULES IMPLICATIONS**

As HLD is the controlling shareholder of the Company interested in approximately 69.27% of the issued Shares, members of the HLD Group are connected persons of the Company under the Listing Rules. Accordingly, the entering into of each of the New Leasing and Licensing Framework Agreement, the New Master Cleaning Services Agreement and the Master Goods and Gift Certificates Sales Agreement constitutes continuing connected transactions of the Company.

#### ***The New Leasing and Licensing Framework Agreement - Major transaction, discloseable transactions, non-exempt continuing connected transactions and partially exempt continuing connected transactions***

As the highest applicable percentage ratio in respect of the 2023 Right-of-Use Assets Cap exceeds 25% but is less than 100%, the 2023 Right-of-Use Assets Acquisitions constitute a major transaction of the Company subject to the disclosure and shareholders' approval requirements under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio in respect of each of the 2024-2026 Right-of-Use Assets Caps exceeds 5% but is less than 25%, the 2024-2026 Right-of-Use Assets Acquisitions during each 2024-2026 Annual Cap Period constitute a discloseable transaction of the Company subject to the disclosure requirements under Chapter 14 of the Listing Rules. As non-exempt continuing connected transactions, the acquisitions of the above right-of-use assets by the Company are also subject to the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the 2023-2026 Rental Expenses Transactions exceeds 5%, those transactions also constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the 2027-2029 Rental Expenses Transactions exceeds 0.1% but is less than 5%, and those transactions are conducted on normal commercial terms, they are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Circular containing, among other things, (i) further information on the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction Caps; (ii) a letter of advice from the Independent Financial Adviser to the Independent Shareholders; and (iii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 16 May 2023, which is more than 15 business days after the publication of this announcement as the Company expects additional time will be required

to prepare and finalise the relevant information (including valuations of relevant properties) in the Circular.

***The New Master Cleaning Services Agreement and the Master Goods and Gift Certificates Sales Agreement - Partially exempt continuing connected transactions***

As the highest applicable percentage ratio in respect of each of the highest annual cap amounts for the respective transactions contemplated under the New Master Cleaning Services Agreement and the Master Goods and Gift Certificates Sales Agreement each exceeds 0.1% but is less than 5%, and those transactions are conducted on normal commercial terms, they are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

**CLOSURE OF REGISTER OF MEMBERS**

In order to determine the Independent Shareholders who are entitled to attend and vote at the EGM (or any adjournment or postponement thereof), the Register of Members of the Company will be closed from Wednesday, 31 May 2023 to Monday, 5 June 2023, both days inclusive, during which period no transfer of Shares will be registered. All transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Tuesday, 30 May 2023. The record date for determining entitlements of Shareholders to attend and vote at the EGM is Monday, 5 June 2023.

**1. THE NEW LEASING AND LICENSING FRAMEWORK AGREEMENT**

**1.1 INTRODUCTION**

Reference is made to the announcement and circular of the Company dated 17 October 2014 in respect of, inter alia, the Existing Leasing and Licensing Framework Agreement entered into between the Company and HLD on 15 October 2014, pursuant to which the parties agreed that the members of the Group may lease and/or license various premises from HLD and/or its subsidiaries from time to time during the period from 1 December 2014 to 30 September 2023.

As the Existing Leasing and Licensing Framework Agreement is due to expire, the Company and HLD on 19 April 2023 entered into the New Leasing and Licensing Framework Agreement pursuant to which members of the Group (as tenants or licensees) and members of the HLD Group (as landlords or licensors) may enter into the Leasing and Licensing Transactions during the period from 1 October 2023 to 30 September 2026.

**1.2 PRINCIPAL TERMS**

The principal terms of the New Leasing and Licensing Framework Agreement are summarised below:

**Date** : 19 April 2023.

**Parties** : (1) The Company; and  
(2) HLD.

**Term** : The term of 3 years commencing on 1 October 2023 and ending on 30 September 2026 (unless terminated by either party giving not less

than one month's written notice of termination to the other party).

**Condition** : The New Leasing and Licensing Framework Agreement is conditional upon approval of the same and the transactions contemplated thereunder (including the 2023-2026 Leasing and Licensing Transaction Caps) by the Independent Shareholders. If such condition is not satisfied on or before 1 October 2023 (or such other date as the parties may agree in writing), the New Leasing and Licensing Framework Agreement shall forthwith be automatically terminated.

**Subject matter** : HLD shall and shall procure the relevant members of the HLD Group to, and the Company shall and shall procure the relevant members of the Group to, enter into the Leasing and Licensing Transactions on a non-exclusive basis, as and when reasonably requested by members of the Group from time to time.

**Leasing and Licensing Individual Agreements** : In relation to the Leasing and Licensing Transactions, relevant members of the Group and relevant members of the HLD Group shall enter into the Leasing and Licensing Individual Agreements, which shall be in such forms and on such terms and conditions (including but not limited to, where applicable, term of the lease or licence, amounts, calculations and adjustments of rent or licence fees, security deposits, air conditioning charges, management fees, promotion levies and other contributions, charges and fees, payment terms, rent-free period, option terms and provisions for early termination for cause or for convenience) to be agreed upon between the relevant parties from time to time using reasonable endeavours.

The term of each such lease or licence shall not exceed 3 years (excluding any extension or further extension thereof at the option of the Group, provided that each such extension or further extension shall not exceed 3 years).

As the existing leases and licences (other than ad hoc licences and licences for pop-up stores) of premises granted by HLD and/or its subsidiaries under the Existing Leasing and Licensing Framework Agreement are due to expire on 30 September 2023 or have option term commencing on 1 October 2023, it is expected that the relevant members of the Group and the relevant members of the HLD Group will enter into Leasing and Licensing Individual Agreements in respect of those premises with the terms thereof commencing on 1 October 2023 (i.e. the commencement date of the New Leasing and Licensing Framework Agreement). A summary of the indicative principal terms of such Leasing and Licensing Individual Agreements will be set out in the Circular.

Leasing and Licensing Individual Agreements in respect of other Leasing and Licensing Transactions may also be entered into from time to time during the term of the New Leasing and Licensing Framework Agreement.

**Basis of determination of the terms of each Leasing and Licensing Transaction (including the pricing basis of the rent/licence fees)**

- : (a) Each Leasing and Licensing Transaction shall be subject to the provisions of the New Leasing and Licensing Framework Agreement and the relevant Leasing and Licensing Individual Agreement(s) (the provisions of the New Leasing and Licensing Framework Agreement shall prevail in case of inconsistencies);
- (b) the terms of the Leasing and Licensing Transactions shall be fair and reasonable; and the Leasing and Licensing Transactions shall be on normal commercial terms or better to the Group; and
- (c) the rent or licence fees and other terms of each Leasing and Licensing Transaction shall be determined by arm's length negotiations taking into account, among others, the following main factors (where applicable):
- (i) the district and vicinity of the property concerned;
  - (ii) the business to be carried on at the property concerned;
  - (iii) the size, location (within the relevant building or shopping mall) and condition of the property concerned;
  - (iv) the length of the term of the lease or licence; and
  - (v) the possible contribution, if any, of the tenant or licensee, to the building or shopping mall in which the property concerned is located,

including with reference to, where applicable, terms offered by the HLD Group to existing or potential tenants or licensees of premises within the relevant building or shopping mall or premises similar to the property concerned and market comparables as may be obtained from the Land Registry of Hong Kong or from enquiries with valuers or property agencies.

The amount payable by the Group under the Leasing and Licensing Individual Agreements will be funded by internal resources of the Group.

### 1.3 HISTORICAL TRANSACTION AMOUNTS

***The aggregate historical fixed rents or fixed licence fees***

The historical fixed dollar amounts of periodic rents or licence fees paid by members of the Group to HLD and/or its subsidiaries for the Leasing and Licensing Transactions (after taking into account rent-free periods and rental concessions) for each of the three years ended 31 December 2022 and the 2 months ended 28 February 2023 under the Existing Leasing and Licensing Framework Agreement are set out below:

<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>	<b>For the 2-month period commencing on 1 January 2023 and ended on 28 February 2023</b>
<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>
136.16	152.24	153.24	26.22

***The aggregate historical variable lease or licence payments, short term lease or license payments and other fees and expenses***

The historical variable amounts of lease or licence payments linked to revenue generated from the leased or licensed properties, short term lease or license payments and other fees and expenses (including service charges, air conditioning charges, management fees, promotion levies and other contributions, charges and fees) paid by members of the Group to HLD and/or its subsidiaries in relation to the Leasing and Licensing Transactions for each of the three years ended 31 December 2022 and the 2 months ended 28 February 2023 under the Existing Leasing and Licensing Framework Agreement are set out below:

<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>	<b>For the 2-month period commencing on 1 January 2023 and ended on 28 February 2023</b>
<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>
57.61	64.65	70.56	11.44

#### **1.4 THE LEASING AND LICENSING TRANSACTION CAPS**

##### ***Accounting implications***

In relation to the Leasing and Licensing Transactions, in accordance with HKFRS 16 “Leases”, except for certain recognition exemptions (being short-term leases that have lease term of 12 months or less and leases of low-value assets), where any member of the Group acts as a tenant or licensee, the Group is required to recognise a right-of-use asset and a lease liability at the lease commencement date.

When a lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest rate method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

When a lease is capitalised, the right-of-use asset recognised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the lease commencement, and any initial direct costs incurred. Where applicable, the cost of the right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset on the site at which it is located, discounted to their present value and less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses. Depreciation on the right-of-use asset is determined over the period from the commencement date of the lease to the end of the term of the lease, taking into consideration any renewal options attaching thereto. The Group presents the right-of-use asset separately from the lease liabilities in the consolidated statement of financial position.

##### ***The Right-of-Use Assets Caps***

The proposed Right-of-Use Assets Caps in respect of the Leasing and Licensing Transactions to be entered into during the term of the New Leasing and Licensing Framework Agreement are set out below:

<b>Period</b>	<b>Right-of-Use Assets Cap HK\$ (million)</b>
<b>For the 3-month period commencing on 1 October 2023 and ending on 31 December 2023</b>	538
<b>For the year ending 31 December 2024</b>	122
<b>For the year ending 31 December 2025</b>	122
<b>For the 9-month period commencing on 1 January 2026 and ending on 30 September 2026</b>	122

### ***The Rental Expense Caps***

The proposed Rental Expense Caps in respect of the Leasing and Licensing Transactions to be entered into during the term of the New Leasing and Licensing Framework Agreement are set out below:

<b>Period</b>	<b>Rental Expense Cap HK\$ (million)</b>
<b>For the 3-month period commencing on 1 October 2023 and ending on 31 December 2023</b>	30
<b>For the year ending 31 December 2024</b>	115
<b>For the year ending 31 December 2025</b>	140
<b>For the year ending 31 December 2026</b>	128
<b>For the year ending 31 December 2027</b>	26
<b>For the year ending 31 December 2028</b>	25
<b>For the 9-month period commencing on 1 January 2029 and ending on 30 September 2029</b>	18

Notwithstanding the term of the New Leasing and Licensing Framework Agreement is only for three years, setting of Rental Expense Caps for six years is required since the term of a Leasing and Licensing Individual Agreement (which may have a fixed term of up to three years) entered into towards the end of the term of the New Leasing and Licensing Framework Agreement (i.e. on or before 30 September 2026) may not expire until towards the end of the three year period after expiry of the term of the New Leasing and Licensing Framework Agreement (i.e. on or before 30 September 2029).

### ***Basis for determining the Leasing and Licensing Transaction Caps***

The proposed Leasing and Licensing Transaction Caps have been determined after taking into account:

- (a) the historical fixed dollar amount of periodic rents or licence fees and historical turnover rents and other fees and expenses paid by members of the Group to HLD and/or its subsidiaries for the Leasing and Licensing Transactions under the Existing Leasing and Licensing Framework Agreement and to independent third party landlords for similar transactions;
- (b) the expected renewal of the existing leases and licences granted under the Existing Leasing and Licensing Framework Agreement which are due to expire on 30 September 2023, and the preliminary views of an independent valuer on the market rents and licence fees of the relevant premises;
- (c) the estimated turnover for the relevant premises in respect of which turnover rents may be payable;

- (d) the current business development and expansion plan of the Group in the forthcoming years involving the opening of new supermarkets, department stores and household specialty stores, and the corresponding possibility of the entering into of new leases and licences with the HLD Group in relation thereto;
- (e) the premises and potential premises of the HLD Group which could be available for leasing or licensing to the relevant members of Group in the future;
- (f) market comparables obtained from the Land Registry of Hong Kong, enquiries with valuers or property agencies; and
- (g) a reasonable buffer not exceeding 15% to cater for rent reviews and adjustments, taking into account estimated increase in other fees and expenses (allowing for inflation and increase of labour and other costs) as well as market improvement in the future which might result in year-on-year increase in sales and hence turnover rents.

## **1.5 INTERNAL CONTROL PROCEDURES**

The terms of each Leasing and Licensing Individual Agreement made under the New Leasing and Licensing Framework Agreement will be determined according to the following procedures:

- (a) the relevant members of the Group and the relevant members of the HLD Group shall enter into arms' length negotiations with respect to each Leasing and Licensing Transaction, with due regard to the pricing policy as set out in the New Leasing and Licensing Framework Agreement, including the rents or licence fees, and other terms being subject to the particular circumstances of the proposed transactions; and
- (b) in respect of renewal of an existing lease or licence by the exercise of option, unless agreed otherwise by the relevant parties and subject to the provisions of the New Leasing and Licensing Framework Agreement, the terms and conditions for the exercise of the option will be followed.

The relevant department of the Company will periodically review the Leasing and Licensing Individual Agreements and the Leasing and Licensing Transactions and monitor the utilisation of the annual caps to ensure compliance with the terms of the New Leasing and Licensing Framework Agreement.

## **1.6 REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE NEW LEASING AND LICENSING FRAMEWORK AGREEMENT**

The Group has been operating supermarkets, department stores and household specialty stores including Citistore, UNY and Citilife at premises owned by the HLD Group for many years. Those premises are all located in prime locations of various districts in Hong Kong, bringing great convenience to the local community. Relocation of such supermarkets and stores would impact adversely upon the stability of the business of the Group, and also lead to the incurring of significant costs for renovation of new premises.

It is believed that the entering into of the New Leasing and Licensing Framework Agreement is in the best interest of the Company, given that the New Leasing and Licensing Framework Agreement would, after having been approved by the Independent Shareholders, accommodate the existing and future Leasing and Licensing Transactions between the Group and the HLD Group under a common framework agreement, allowing members of the Group to enter into Leasing and Licensing Transactions with members of the HLD Group from time to time within such



framework without the need for the Company to further comply with announcement and/or independent shareholders' approval requirements (as applicable) on each occasion when a Leasing and Licensing Individual Agreement is entered into. This would provide the Group with the flexibility and cost effectiveness to make use of opportunities to lease or take up licence of commercial premises of the HLD Group for its operations as and when necessary.

The Directors (including the independent non-executive Directors) consider that the New Leasing and Licensing Framework Agreement and the transactions contemplated thereunder are and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and their terms and the Leasing and Licensing Transaction Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **2. THE NEW MASTER CLEANING SERVICES AGREEMENT**

### **2.1 INTRODUCTION**

Reference is made to the announcement of the Company dated 9 June 2020 in respect of, inter alia, the Existing Master Cleaning Services Agreement entered into between the Company and Broad Capital (a wholly-owned subsidiary of HLD) on 9 June 2020, pursuant to which Broad Capital agreed to provide Cleaning Services to members of the Group during the period from 1 December 2020 to 30 November 2023.

As it is anticipated that members of the Group will continue to obtain Cleaning Services from Broad Capital from time to time after the expiration of the Existing Master Cleaning Services Agreement, the Company and Broad Capital on 19 April 2023 entered into the New Master Cleaning Services Agreement for Cleaning Services Transactions during the period from 1 December 2023 to 30 November 2026.

### **2.2 PRINCIPAL TERMS**

The principal terms of the New Master Cleaning Services Agreement are summarised below:

<b>Date</b>	: 19 April 2023.
<b>Parties</b>	: (1) The Company; and (2) Broad Capital.
<b>Term</b>	: The period commencing on 1 December 2023 and ending on 30 November 2026 (unless earlier terminated by either party giving not less than one month's written notice of termination to the other party).
<b>Subject matter</b>	: Broad Capital shall, and the Company shall and/or shall procure the relevant members of the Group to, enter into the Cleaning Services Transactions on a non-exclusive basis, as and when reasonably requested by members of the Group from time to time.
<b>Cleaning Services Individual Agreements</b>	: In relation to the Cleaning Services Transactions, relevant members of the Group and Broad Capital shall enter into Cleaning Services Individual Agreements, which shall be in such forms and on such terms and conditions to be agreed between the relevant parties from time to time using reasonable endeavours.

The term of each Cleaning Services Individual Agreement shall not exceed 3 years.

**Basis of determination of the terms of each Cleaning Services Transaction (including the pricing basis)**

- : (a) Each Cleaning Services Transaction shall be (i) subject to the provisions of the New Master Cleaning Services Agreement and the relevant Cleaning Services Individual Agreement(s) (the provisions of the New Master Cleaning Services Agreement shall prevail in case of inconsistencies); (ii) on normal commercial terms or better to the relevant member of the Group; and (iii) on terms no less favourable to the Group than those made available by Broad Capital to independent third parties for similar services; and
- (b) the pricing and terms for the Cleaning Services Transactions will be determined by the following procedure:
  - (i) quotations from Broad Capital and independent third party service providers shall be obtained by relevant member(s) of the Group for the provision of the Cleaning Services;
  - (ii) the price and terms, historical working relationship, experience and the quality of services offered by such independent third party service providers and Broad Capital respectively shall be considered; and
  - (iii) Broad Capital may be engaged on terms similar to or better than those offered by such independent third party service providers.

The amount payable by the Group under the Cleaning Services Individual Agreements will be funded by internal resources of the Group.

**Payment term**

- : The service fees for the provision of the Cleaning Services pursuant to the Cleaning Services Individual Agreements shall be settled on a monthly basis.

**23 HISTORICAL TRANSACTION AMOUNTS**

The historical amounts of fees paid by the Group to Broad Capital for Cleaning Services under the Existing Master Cleaning Services Agreement are set out below:

For the month commencing on 1 December 2020 and ended on 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022	For the 2-month period commencing on 1 January 2023 and ended on 28 February 2023
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
645	7,422	7,314	1,201

**24 ANNUAL CAPS**

The Company estimates that the fees payable by the Group to Broad Capital for the Cleaning

Services Transactions to be entered into during the term of the New Master Cleaning Services Agreement will not exceed the following maximum aggregate amounts:

<b>For the month commencing on 1 December 2023 and ending on 31 December 2023</b>	<b>For the year ending 31 December 2024</b>	<b>For the year ending 31 December 2025</b>	<b>For the 11-month period commencing on 1 January 2026 and ending on 30 November 2026</b>
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1,000	12,000	15,000	16,000

The above annual caps were determined with reference to historical transaction amounts for the Cleaning Services provided by Broad Capital, after taking into consideration the potential trend of the cleaning services market conditions, the expected incremental charges upon renewal of the Cleaning Services Individual Agreements and the expected increase in the number of retail stores operated by the Group, and allowing for a reasonable buffer of 20% to cater for potential additional services to be provided by Broad Capital to the Group.

## **25 INTERNAL CONTROL PROCEDURES**

The relevant department of the Company will periodically review the Cleaning Services Individual Agreements and the Cleaning Services Transactions and monitor the utilisation of the annual caps to ensure compliance with the terms of the New Master Cleaning Services Agreement.

## **26 REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE NEW MASTER CLEANING SERVICES AGREEMENT**

The provision of the Cleaning Services by Broad Capital to the Group are transactions which are part and parcel of the operations of the Group. The Directors consider that it would be in the commercial interest of the Group to continue to engage Broad Capital to provide the Cleaning Services. The requirements as to pricing and terms of the Cleaning Services Transactions will ensure that such transactions will be on normal commercial terms (or better) and not prejudicial to the Group as compared to similar transactions entered into by the Group with independent third parties.

The Directors (including the independent non-executive Directors) consider that the New Master Cleaning Services Agreement and the transactions contemplated thereunder are and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and their terms and the annual caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **3. THE MASTER GOODS AND GIFT CERTIFICATES SALES AGREEMENT**

### **3.1 INTRODUCTION**

Reference is made to the announcement of the Company dated 9 June 2020 in respect of, inter alia, the Existing Master Gift Certificates Sales Agreement entered into between the Company and HLD on 9 June 2020, pursuant to which members of the Group may sell the Gift Certificates to members of the HLD Group from time to time during the period from 1 July 2020 to 30 June 2023.

As it is anticipated that (i) members of the Group will continue to sell the Gift Certificates to members of the HLD Group from time to time after the expiration of the Existing Master Gift Certificates Sales Agreement, and (ii) members of the Group will also sell Goods to members of the HLD Group from time to time, the Company and HLD on 19 April 2023 entered into the Master

Goods and Gift Certificates Sales Agreement for the Sale Transactions during the period from 1 July 2023 to 30 June 2026.

### 3.2 PRINCIPAL TERMS

The principal terms of the Master Goods and Gift Certificates Sales Agreement are summarised below:

- Date** : 19 April 2023.
- Parties** : (1) The Company; and  
(2) HLD.
- Term** : The term of 3 years commencing on 1 July 2023 and ending on 30 June 2026 (unless earlier terminated by either party giving not less than one month's written notice of termination to the other party).
- Subject matter** : HLD shall and/or shall procure the relevant members of the HLD Group (as purchasers) to purchase the Goods and/or Gift Certificates from the relevant members of the Group, and the Company shall and/or shall procure the relevant members of the Group (as suppliers) to sell the Goods and/or Gift Certificates to the relevant members of the HLD Group, on a non-exclusive basis, as and when reasonably requested by members of the HLD Group from time to time.
- Sales Individual Agreements** : In relation to the Sale Transactions, the relevant members of the Group (as suppliers) and the relevant members of the HLD Group (as purchasers) shall enter into Sales Individual Agreements, which shall be in such forms and on such terms and conditions to be agreed between the relevant parties from time to time using reasonable endeavours.
- Basis of determination of the terms of each Sale Transaction (including the pricing basis)** : (a) Each Sale Transaction shall be (i) subject to the provisions of the Master Goods and Gift Certificates Sales Agreement and the relevant Sales Individual Agreement(s) (the provisions of the Master Goods and Gift Certificates Sales Agreement shall prevail in case of inconsistencies); (ii) on normal commercial terms or better to the relevant member of the Group; and (iii) on terms no less favourable to the Group than those between the relevant members of the Group and independent third party customers for the sale of similar goods and/or gift certificates; and  
  
(b) the pricing and terms for the Sale Transactions will be determined by arm's length negotiations and the amounts payable by the relevant members of the HLD Group to the relevant members of the Group for each of the Sale Transactions shall be at prices not less than those offered by the relevant members of the Group at their department stores/supermarkets or otherwise to their independent third party customers for the Goods and Gift Certificates.
- Payment term** : The relevant purchasers shall make payment of the consideration for

the Goods and/or Gift Certificates supplied pursuant to the Sales Individual Agreements within 3 months after the date of delivery of the Goods and/or Gift Certificates by the relevant suppliers.

### 3.3 HISTORICAL TRANSACTION AMOUNTS

The historical amounts of consideration for the Goods and Gift Certificates paid by the HLD Group to the Group (including the aggregate historical amount of consideration for the Gift Certificates paid by the HLD Group to the Group under the Existing Master Gift Certificates Sales Agreement) are set out below:

<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>	<b>For the 2-month period commencing on 1 January 2023 and ended on 28 February 2023</b>
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
2,600	1,962	3,711	1,103

Prior to the entering into of the Master Goods and Gift Certificates Sales Agreement, other than the transactions under the Existing Master Gift Certificates Sales Agreement, sale of the Gift Certificates (in the first half of 2020) and the Goods by member(s) of the Group to members of the HLD Group were conducted on normal commercial terms or better and were de minimis and fully exempt from the independent shareholders' approval, annual review and disclosure requirements under Chapter 14A of the Listing Rules.

### 3.4 ANNUAL CAPS

The Company estimates that the consideration for the Goods and Gift Certificates payable by the HLD Group to the Group for the Sale Transactions to be entered into during the term of the Master Goods and Gift Certificates Sales Agreement will not exceed the following maximum aggregate amounts:

<b>For the 6-month period commencing on 1 July 2023 and ending on 31 December 2023</b>	<b>For the year ending 31 December 2024</b>	<b>For the year ending 31 December 2025</b>	<b>For the 6-month period commencing on 1 January 2026 and ending on 30 June 2026</b>
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
10,000	20,000	20,000	10,000

The annual caps for the aggregate amount payable by the HLD Group to the Group were determined with reference to (i) historical transaction amounts; and (ii) the estimated types and volumes of Goods and/or Gift Certificates to be sold by the Group to the HLD Group with reference to an anticipated increase in demand for the Goods and/or Gift Certificates due to potential recovery of the economy of Hong Kong.

### 3.5 INTERNAL CONTROL PROCEDURES

The relevant department of the Company will periodically review the Sales Individual Agreements and the Sale Transactions and monitor the utilisation of the annual caps to ensure compliance with the terms of the Master Goods and Gift Certificates Sales Agreement.

### **3.6 REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE MASTER GOODS AND GIFT CERTIFICATES SALES AGREEMENT**

The sales of Goods and Gift Certificates by the Group to the HLD Group are transactions which are part and parcel of the operations of the Group. The Directors consider that it would be in the commercial interest of the Group to continue with such transactions. The requirements as to pricing and terms of the Sale Transactions will ensure that such transactions will be on normal commercial terms (or better) and not prejudicial to the Group as compared to similar transactions entered into by the Group with independent third parties.

The Directors (including the independent non-executive Directors) consider that the Master Goods and Gift Certificates Sales Agreement and the transactions contemplated thereunder are and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and their terms and the annual caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### **4. LISTING RULES IMPLICATIONS**

As HLD is the controlling shareholder of the Company interested in approximately 69.27% of the issued Shares, members of the HLD Group are connected persons of the Company under the Listing Rules. Accordingly, the entering into of each of the New Leasing and Licensing Framework Agreement, the New Master Cleaning Services Agreement and the Master Goods and Gift Certificates Sales Agreement constitutes continuing connected transactions of the Company.

***The New Leasing and Licensing Framework Agreement - Major transaction, discloseable transactions, non-exempt continuing connected transactions and partially exempt continuing connected transactions***

As the highest applicable percentage ratio in respect of the 2023 Right-of-Use Assets Cap exceeds 25% but is less than 100%, the 2023 Right-of-Use Assets Acquisitions constitute a major transaction of the Company subject to the disclosure and shareholders' approval requirements under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio in respect of each of the 2024-2026 Right-of-Use Assets Caps exceeds 5% but is less than 25%, the 2024-2026 Right-of-Use Assets Acquisitions during each 2024-2026 Annual Cap Period constitute a discloseable transaction of the Company subject to the disclosure requirements under Chapter 14 of the Listing Rules. As non-exempt continuing connected transactions, the acquisitions of the above right-of-use assets by the Company are also subject to the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the 2023-2026 Rental Expenses Transactions exceeds 5%, those transactions also constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the 2027-2029 Rental Expenses Transactions exceeds 0.1% but is less than 5%, and those transactions are conducted on normal commercial terms, they are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all independent non-executive Directors are also independent non-executive directors of HLD, they are considered not to be independent to advise the Independent Shareholders on the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction Caps or on how to vote on the resolution to be proposed at the EGM. Therefore, no independent board committee of the Company has been formed to make recommendations to the Independent Shareholders in connection therewith.

Centurion has been appointed as the Independent Financial Adviser to advise the Independent Shareholders in this regard.

The Circular containing, among other things, (i) further information on the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction Caps; (ii) a letter of advice from the Independent Financial Adviser to the Independent Shareholders; and (iii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 16 May 2023, which is more than 15 business days after the publication of this announcement as the Company expects additional time will be required to prepare and finalise the relevant information (including valuations of relevant properties) in the Circular.

### ***The New Master Cleaning Services Agreement and the Master Goods and Gift Certificates Sales Agreement - Partially exempt continuing connected transactions***

As the highest applicable percentage ratio in respect of each of the highest annual cap amounts for the respective transactions contemplated under the New Master Cleaning Services Agreement and the Master Goods and Gift Certificates Sales Agreement each exceeds 0.1% but is less than 5%, and those transactions are conducted on normal commercial terms, they are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since Dr. Lee Ka Shing, Dr. Lee Ka Kit and Mr. Li Ning are each regarded as having a material interest in the transactions contemplated under the New Leasing and Licensing Framework Agreement, the New Master Cleaning Services Agreement and the Master Goods and Gift Certificates Sales Agreement by virtue of their deemed interests in the shares of HLD, they have abstained from voting on the relevant board resolutions of the Company to approve those agreements, the transactions contemplated thereunder and their respective annual caps, pursuant to the articles of association of the Company and the Listing Rules. Save as disclosed above, none of the Directors has a material interest in the transactions under those agreements.

## **5. CLOSURE OF REGISTER OF MEMBERS**

In order to determine the Independent Shareholders who are entitled to attend and vote at the EGM (or any adjournment or postponement thereof), the Register of Members of the Company will be closed from Wednesday, 31 May 2023 to Monday, 5 June 2023, both days inclusive, during which period no transfer of Shares will be registered. All transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Tuesday, 30 May 2023. The record date for determining entitlements of Shareholders to attend and vote at the EGM is Monday, 5 June 2023.

## **6. INFORMATION ON THE PARTIES INVOLVED**

### ***The Group***

The Company is an investment holding company and the principal business activities of its subsidiaries are investment holding, and supermarket, department store and household specialty store operation.

### ***The HLD Group***

HLD is a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 12). The HLD Group is principally engaged in

property development and investment, construction, project management, property management, provision of finance, hotel operation and management and investment holding.

The principal business activity of Broad Capital is the provision of cleaning services.

## 7. DEFINITIONS

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

<b>“2023 Right-of-Use Assets Acquisitions”</b>	the acquisitions of right-of-use assets by the Group in respect of the Leasing and Licensing Transactions during the period from 1 October 2023 to 31 December 2023;
<b>“2023 Right-of-Use Assets Cap”</b>	the Right-of-Use Assets Cap for the period from 1 October 2023 to 31 December 2023;
<b>“2023-2026 Leasing and Licensing Transaction Caps”</b>	the Right-of-Use Assets Caps and the 2023-2026 Rental Expense Caps;
<b>“2023-2026 Rental Expense Caps”</b>	the Rental Expense Caps in relation to the period commencing on 1 October 2023 and ending on 31 December 2026;
<b>“2023-2026 Rental Expenses Transactions”</b>	the incurring of Rental Expenses during the period commencing on 1 October 2023 and ending on 31 December 2026;
<b>“2024-2026 Annual Cap Period”</b>	any of the following periods: (a) 1 January 2024 to 31 December 2024; (b) 1 January 2025 to 31 December 2025; and (c) 1 January 2026 to 30 September 2026, and <b>“2024-2026 Annual Cap Periods”</b> means all of such periods;
<b>“2024-2026 Right-of-Use Assets Acquisitions”</b>	in relation to a 2024-2026 Annual Cap Period, the acquisitions of right-of-use assets by the Group in respect of the Leasing and Licensing Transactions during such 2024-2026 Annual Cap Period;
<b>“2024-2026 Right-of-Use Assets Caps”</b>	the Right-of-Use Assets Caps for the 2024-2026 Annual Cap Periods;
<b>“2027-2029 Rental Expenses Transactions”</b>	the incurring of Rental Expenses during the period commencing on 1 January 2027 and ending on 30 September 2029;



<b>“Annual Cap Period”</b>	<p>in relation to the Right-of-Use Assets Caps, any of the following periods:</p> <p>(a) 1 October 2023 to 31 December 2023;</p> <p>(b) 1 January 2024 to 31 December 2024;</p> <p>(c) 1 January 2025 to 31 December 2025; and</p> <p>(d) 1 January 2026 to 30 September 2026;</p> <p>in relation to the Rental Expense Caps, any of the following periods:</p> <p>(a) 1 October 2023 to 31 December 2023;</p> <p>(b) 1 January 2024 to 31 December 2024;</p> <p>(c) 1 January 2025 to 31 December 2025;</p> <p>(d) 1 January 2026 to 31 December 2026;</p> <p>(e) 1 January 2027 to 31 December 2027;</p> <p>(f) 1 January 2028 to 31 December 2028; and</p> <p>(g) 1 January 2029 to 30 September 2029,</p> <p>and <b>“Annual Cap Periods”</b> means all of such periods;</p>
<b>“associate”</b>	has the meaning ascribed to it under the Listing Rules;
<b>“Board”</b>	the board of Directors;
<b>“Broad Capital”</b>	Broad Capital Limited (寶豐環保服務有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of HLD;
<b>“Circular”</b>	the circular to be despatched to the Shareholders in respect of the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction Caps;
<b>“Cleaning Services”</b>	cleaning services for the stores, shops and other premises operated by members of the Group;
<b>“Cleaning Services Individual Agreement”</b>	an individual written agreement in respect of a Cleaning Services Transaction between any member(s) of the Group and Broad Capital that may be entered into, extended, amended or renewed from time to time;
<b>“Cleaning Services Transaction”</b>	the provision of Cleaning Services by Broad Capital to any member(s) of the Group during the term of the New Master Cleaning Services Agreement;
<b>“Company”</b>	Henderson Investment Limited (恒基兆業發展有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 97);
<b>“controlling shareholder”</b>	has the meaning ascribed to it under the Listing Rules;

<b>“Director(s)”</b>	the director(s) of the Company;
<b>“EGM”</b>	the extraordinary general meeting of the Company to be held for considering and, if thought fit, approving the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction Caps;
<b>“Existing Leasing and Licensing Framework Agreement”</b>	the framework agreement dated 15 October 2014 entered into between the Company and HLD pursuant to which the parties agreed that the members of the Group may lease and/or license various premises from HLD and/or its subsidiaries from time to time for the period from 1 December 2014 to 30 September 2023;
<b>“Existing Master Cleaning Services Agreement”</b>	the master agreement dated 9 June 2020 entered into between the Company and Broad Capital in relation to the provision of Cleaning Services by Broad Capital to members of the Group for a term of 3 years from 1 December 2020 to 30 November 2023;
<b>“Existing Master Gift Certificates Sales Agreement”</b>	the master agreement dated 9 June 2020 entered into between the Company and HLD in relation to the sale of Gift Certificates by members of the Group to members of the HLD Group for a term of 3 years from 1 July 2020 to 30 June 2023;
<b>“Gift Certificates”</b>	certificates, documents, codes or machine-readable cards issued by any member of the Group entitling the recipient to receive goods or merchandises in a specified value from the general merchandising stores, department stores-cum-supermarkets and shops (including specialty stores or shops) operated by any member of the Group;
<b>“Goods”</b>	retail products (including food and beverage products, daily necessities, personal hygiene and cosmetics products, cleaning supplies, stationery, kitchenware, small home appliances, etc.);
<b>“Group”</b>	the Company and its subsidiaries from time to time;
<b>“HKFRS”</b>	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong;
<b>“HLD”</b>	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 Main Board of the Stock Exchange (stock code: 12);
<b>“HLD Group”</b>	HLD and its subsidiaries and associates (but excluding the Group) from time to time;
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China;

<b>“Independent Financial Adviser” or “Centurion”</b>	Centurion Corporate Finance Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Independent Shareholders in respect of the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction Caps;
<b>“Independent Shareholders”</b>	the Shareholders who are not prohibited from voting under the Listing Rules to approve the New Leasing and Licensing Framework Agreement, the transactions contemplated thereunder and the 2023-2026 Leasing and Licensing Transaction Caps at the EGM;
<b>“Leasing and Licensing Individual Agreement”</b>	the written agreement to be entered into between a relevant member of the Group (as tenant or licensee) and a relevant member of the HLD Group (as landlord or licensor) in respect of each Leasing and Licensing Transaction;
<b>“Leasing and Licensing Transaction”</b>	any tenancy or licensing transaction (including any sub-letting or sub-licensing transaction) for any real property between any member of the Group (as tenant or licensee) and any member of the HLD Group (as landlord or licensor);
<b>“Leasing and Licensing Transaction Caps”</b>	collectively, the Right-of-Use Assets Caps and the Rental Expense Caps;
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange;
<b>“Master Goods and Gift Certificates Sales Agreement”</b>	the master agreement dated 19 April 2023 entered into between the Company and HLD in relation to the sale of Goods and/or Gift Certificates by members of the Group (as suppliers) to members of the HLD Group (as purchasers) for a term of 3 years from 1 July 2023 to 30 June 2026;
<b>“New Leasing and Licensing Framework Agreement”</b>	the framework agreement dated 19 April 2023 entered into between the Company and HLD in respect of the Leasing and Licensing Transactions between members of the Group (as tenants or licensees) and members of the HLD Group (as landlords or licensors) for a term of 3 years from 1 October 2023 to 30 September 2026;
<b>“New Master Cleaning Services Agreement”</b>	the master agreement dated 19 April 2023 entered into between the Company and Broad Capital in relation to the provision of Cleaning Services by Broad Capital to members of the Group for the period from 1 December 2023 to 30 November 2026;
<b>“Rental Expenses”</b>	the variable amount of lease or licence fee payments linked to revenue generated from the leased or licensed properties, short-term or low-value assets lease payments recognised as expenses in profit or loss by the Group and other fees and expenses (including service charges, air conditioning charges, management fees, promotion levies and other

contributions, charges and fees) payable by the relevant members of the Group (as tenants or licensees) to the relevant members of the HLD Group (as landlords or licensors) under the Leasing and Licensing Individual Agreements;

<b>“Rental Expense Cap”</b>	in relation to an Annual Cap Period, the cap on the maximum aggregate amount of the Rental Expenses in respect of the Leasing and Licensing Transactions during such Annual Cap Period, and <b>“Rental Expense Caps”</b> means all such caps for all Annual Cap Periods;
<b>“Right-of-Use Assets Cap”</b>	in relation to an Annual Cap Period, the cap on the maximum aggregate value of the right-of-use assets to be acquired by the Group in respect of the Leasing and Licensing Transactions during such Annual Cap Period, and <b>“Right-of-Use Assets Caps”</b> means all such caps for all Annual Cap Periods;
<b>“Sales Individual Agreement”</b>	an individual written sale agreement in respect of a Sale Transaction between any member of the Group (as suppliers) and any member of the HLD Group (as purchasers) that may be entered into from time to time;
<b>“Sale Transaction”</b>	the particular sale of the Goods and/or Gift Certificates by member(s) of the Group (as supplier(s)) to member(s) of the HLD Group (as purchaser(s)) during the term of the Master Goods and Gift Certificates Sales Agreement;
<b>“Share(s)”</b>	share(s) in the share capital of the Company;
<b>“Shareholder(s)”</b>	the shareholder(s) of the Company;
<b>“Stock Exchange”</b>	the Stock Exchange of Hong Kong Limited;
<b>“%”</b>	per cent.

By Order of the Board  
**Timon LIU Cheung Yuen**  
Company Secretary

Hong Kong, 19 April 2023

*As at the date of this announcement, the Board comprises: (1) executive directors: Lee Ka Shing (Chairman and Managing Director), Lee Ka Kit, Lam Ko Yin, Colin and Li Ning; and (2) independent non-executive directors: Kwong Che Keung, Gordon, Ko Ping Keung, Wu King Cheong and Au Siu Kee, Alexander.*