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**恒基兆業地產有限公司**

**HENDERSON LAND DEVELOPMENT COMPANY LIMITED**

Incorporated in Hong Kong with limited liability

(Stock Code : 12)

## **CONTINUING CONNECTED TRANSACTIONS RELATING TO TENANCY AGREEMENTS**

Smart Bright, a wholly-owned subsidiary of the Company, as licensor/landlord (by itself or through its agent HLAL) and Union Medical as the licensee/tenant entered into: (i) the First Offer to Licence and the First Tenancy Agreement dated 23 October 2019 and 25 October 2019 respectively in relation to the licensing/leasing of the First Premises for a total period of nine years commencing on 9 September 2019; (ii) the Second Offer to Licence and the Second Tenancy Agreement dated 10 June 2020 in relation to the licensing/leasing of the Second Premises for a total period of nine years commencing on a date between 1 August 2020 and 30 September 2020 (both days inclusive); and (iii) the Third Offer to Licence and the Third Tenancy Agreement dated 10 June 2020 in relation to the licensing/leasing of the Third Premises for a total period of ten years four months and fifteen days commencing on a date between 1 September 2020 and 31 October 2020 (both days inclusive).

Dr Lee is a Director and a deemed controlling shareholder of the Company, and Union Medical is a company ultimately controlled by the private family trusts of Dr Lee. Accordingly, Union Medical is a connected person of the Company under the Listing Rules and the transactions under the Tenancy Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The entering into of the First Offer to Licence and the First Tenancy Agreement, being the initial standalone tenancy, fell within the de minimis threshold and was then exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. However, the entering into of the other Tenancy Agreements is required to be aggregated with the First Offer to Licence and the First Tenancy Agreement and treated as if they were one transaction pursuant to Chapter 14A of the Listing Rules, as they are entered into between the same parties in relation to the same building within a 12-month period. As one or more of the applicable percentage ratios in respect of the highest annual cap for the transactions under the Tenancy Agreements exceed 0.1% but all of them are less than 5%, those transactions 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.

Pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed the IFA to explain why it is necessary for the term of the tenancy (including the licence period) for each of the Premises under the Tenancy Agreements to exceed three years, and the IFA has confirmed that it is normal business practice for tenancy agreements of this type to be of such duration.

## 1. TENANCY AGREEMENTS

The Group as licensor/landlord entered into the Tenancy Agreements with Union Medical as licensee/tenant, the principal terms of which are summarised below:

### (I) First Premises

#### *First Offer to Licence*

By the First Offer to Licence dated 23 October 2019, HLAL as agent of the licensor, Smart Bright granted to a wholly-owned subsidiary of Union Medical as licensee a licence for a period of three months commencing on 9 September 2019 in respect of the First Premises at a nominal fee of HK\$1.00 to access the First Premises for renovation and fitting out purpose, during which period the subsidiary was responsible for the Government rates, management fees, air-conditioning charges, etc (which are the same as that stated in the First Tenancy Agreement as described below, except for the Government rates which is HK\$54,215.50 per month). All past, present and future rights and obligations of such subsidiary of Union Medical under the First Offer to Licence were transferred to Union Medical by way of novation on 28 May 2020.

#### *First Tenancy Agreement*

<b>Parties</b>	: Smart Bright (as landlord); and Union Medical (as tenant) (The First Tenancy Agreement was originally entered into by a wholly-owned subsidiary of Union Medical and all past, present and future rights and obligations of that subsidiary thereunder were transferred to Union Medical by way of novation on 28 May 2020).
<b>Date</b>	: 25 October 2019.
<b>First Premises</b>	: The whole of 9th Floor, H Zentre, No. 15 Middle Road, Tsim Sha Tsui, Kowloon, Hong Kong.
<b>Term</b>	: Eight years and nine months commencing from 9 December 2019 to 8 September 2028.
<b>Gross Floor Area</b>	: 15,287 square feet.
<b>Monthly Rental</b>	: (i) 1 <sup>st</sup> – 33 <sup>rd</sup> month: HK\$1,005,885.00 per month.  (ii) 34 <sup>th</sup> – 69 <sup>th</sup> month: HK\$1,077,705.00 per month.  (iii) 70 <sup>th</sup> – 105 <sup>th</sup> month: At open market rent, which shall be not less than 85% and not more than 125% of the rent of the 69 <sup>th</sup> month, to be agreed between the landlord and

the tenant or, in the event that no agreement is reached, to be determined by an independent qualified surveyor to be appointed and agreed by both parties.

The rentals stated above are payable monthly in advance on the first day of each calendar month and exclusive of Government rates, management fees, air-conditioning charges and all other outgoings.

- Rental Deposit** : HK\$3,233,115.00.
- Premises Damage and Reinstatement Deposit** : HK\$538,852.50.
- Rent-Free Period** : Three months from 9 December 2019 to 8 March 2020 (both days inclusive) during which the tenant was responsible for the Government rates, management fees, air-conditioning charges and all other outgoings.
- Government Rates** : HK\$50,294.50 per month (subject to Government's assessment).
- Management Fees** : HK\$145,226.50 per month (subject to review from time to time).
- Air-conditioning Charges** : HK\$45,861.00 per month (subject to review from time to time).
- Fitting Out Works** : The tenant shall be responsible for fitting out the interior of the First Premises at its own costs and expenses and in accordance with such plans and specifications approved by the landlord, save that the landlord agrees to construct part of the tenant's fitting out works subject to a total cost ceiling of HK\$1,400,000.00.

## **(II) Second Premises**

### ***Second Offer to Licence***

By the Second Offer to Licence dated 10 June 2020, HLAL as agent of the licensor, Smart Bright granted to Union Medical as licensee a licence for a period of three months commencing on 1 August 2020 (subject to Union Medical giving Smart Bright seven days' prior notice in writing to defer commencement to a date no later than 30 September 2020) in respect of the Second Premises at a nominal fee of HK\$1.00 to access the Second Premises for renovation and fitting out purpose, during which period Union Medical shall be responsible for the Government rates, management fees, air-conditioning charges, etc (which are the same as that stated in the Second Tenancy Agreement as described below).

### ***Second Tenancy Agreement***

- Parties** : Smart Bright (as landlord); and  
Union Medical (as tenant).
- Date** : 10 June 2020.
- Premises** : The whole of 12<sup>th</sup> Floor and including Flat Roof on  
12<sup>th</sup> Floor, H Zentre, No. 15 Middle Road, Tsim Sha Tsui,  
Kowloon, Hong Kong.
- Term** : Eight years and nine months commencing on the first day  
immediately following the date of expiration of the  
licence term of the Second Offer to Licence.
- Gross Floor Area** : 17,234 square feet.
- Monthly Rental** : (i) 1<sup>st</sup> – 33<sup>rd</sup> month :  
HK\$822,192.00 per month.
- (ii) 34<sup>th</sup> – 69<sup>th</sup> month :  
HK\$880,896.00 per month.
- (iii) 70<sup>th</sup> – 105<sup>th</sup> month :  
At open market rent, which shall be not less than  
85% and not more than 125% of the rent of the  
69<sup>th</sup> month, to be agreed between the landlord and  
the tenant or, in the event that no agreement is  
reached, to be determined by an independent  
qualified surveyor to be appointed and agreed by  
both parties.
- The rentals stated above are payable monthly in advance  
on the first day of each calendar month and exclusive of  
Government rates, management fees, air-conditioning  
charges and all other outgoings.
- Rental Deposit** : HK\$2,642,688.00.
- Premises Damage  
and Reinstatement  
Deposit** : HK\$440,448.00.
- Rent-Free Period** : Eight months starting from the commencement date of  
the term of tenancy during which the tenant shall be  
responsible for the Government rates, management fees,  
air-conditioning charges and all other outgoings.
- Government Rates** : HK\$41,110.00 per month (subject to Government's  
assessment).

**Management Fees** : HK\$163,723.00 per month (subject to review from time to time).

**Air-conditioning Charges** : HK\$51,702.00 per month (subject to review from time to time).

### **(III) Third Premises**

#### ***Third Offer to Licence***

By the Third Offer to Licence dated 10 June 2020, HLAL as agent of the licensor, Smart Bright granted to Union Medical as licensee a licence for a period of four months and fifteen days commencing on 1 September 2020 (subject to Union Medical giving Smart Bright seven days' prior notice in writing to defer commencement to a date no later than 31 October 2020) in respect of the Third Premises at a nominal fee of HK\$1.00 to access the Third Premises for renovation and fitting out purpose, during which period Union Medical shall be responsible for the Government rates, management fees, air-conditioning charges, etc (which are the same as that stated in the Third Tenancy Agreement as described below).

#### ***Third Tenancy Agreement***

**Parties** : Smart Bright (as landlord); and  
Union Medical (as tenant).

**Date** : 10 June 2020.

**Premises** : The whole of B1 Floor, H Zentre, No. 15 Middle Road, Tsim Sha Tsui, Kowloon, Hong Kong.

**Term** : Ten years commencing on the first day immediately following the date of expiration of the licence term of the Third Offer to Licence.

**Gross Floor Area** : 12,452 square feet.

**Monthly Rental** : (i) 1<sup>st</sup> – 3<sup>rd</sup> year:  
HK\$1,169,293.00 per month.

(ii) 4<sup>th</sup> – 6<sup>th</sup> year:  
HK\$1,203,167.00 per month.

(iii) 7<sup>th</sup> – 10<sup>th</sup> year:  
At open market rent, which shall be not less than 85% and not more than 125% of monthly rent of the 6<sup>th</sup> year, to be agreed between the landlord and the tenant or, in the event that no agreement is reached, to be determined by an independent qualified surveyor to be appointed and agreed by both parties.

The rentals stated above are payable monthly in advance on the first day of each calendar month and exclusive of

Government rates, management fees, air-conditioning charge and all other outgoings.

<b>Rental Deposit</b>	: HK\$3,609,501.00.
<b>Premises Damage and Reinstatement Deposit</b>	: HK\$601,583.50.
<b>Rent-Free Period</b>	: Three months starting from the commencement date of the term of tenancy during which the tenant shall be responsible for the Government rates, management fees, air-conditioning charges and all other outgoings.
<b>Government Rates</b>	: HK\$58,465.00 per month (subject to Government's assessment).
<b>Management Fees</b>	: HK\$118,294.00 per month (subject to review from time to time).
<b>Air-conditioning Charges</b>	: HK\$37,356.00 per month (subject to review from time to time).
<b>Fitting Out Works</b>	: An amount of approximately HK\$81,300,000.00 paid by the landlord as gross capital expenses on improvement of the property is incurred as part of the landlord's provision and such gross capital expenses are to be amortized on a straight line basis over the 10 year fixed term and incorporated into the monthly rent.

The terms of the respective Tenancy Agreements were negotiated and arrived at on an arm's length basis with reference to prevailing market leasing terms and conditions, and the above rentals were determined with reference to the market rental value of the Premises as assessed by an independent third party property valuer.

## 2. ANNUAL CAPS

The Company estimates that the aggregate amounts of rentals, management fees, air-conditioning charges and other miscellaneous charges (exclusive of Government rates) payable by Union Medical under the Tenancy Agreements on an annual basis will not exceed the following maximum figures:

<b><u>Financial year ending 31 December</u></b>	<b><u>Annual caps (HK\$ million)</u></b>
2020	17
2021	41
2022	53
2023	54
2024	55
2025	57
2026	61

<b><u>Financial year ending 31 December</u></b>	<b><u>Annual caps (HK\$ million)</u></b>
2027	67
2028	61
2029	37
2030	25
2031	6

The above annual caps were arrived at based on the maximum amounts estimated to be payable under the Tenancy Agreements as described above, together with a buffer for adjustments to the amounts payable, and on the assumption that Union Medical will not exercise its right to defer commencement of the licence periods under the Second Offer to Licence and the Third Offer to Licence.

### **3. REASONS FOR AND BENEFITS OF ENTERING INTO THE TENANCY AGREEMENTS**

The Premises is located at H Zentre, Tsim Sha Tsui, Hong Kong which is a commercial development designed as a wellness and healthcare hub, complemented by dining, retail and car parking facilities, with purpose-built medical floors equipped with an array of advanced facilities to meet the various medical requirements. Union Medical (trading as Union Hospital), provides a full range of medical services including the provision of medical imaging and healthchecking, in-vitro fertilization and radiotherapy services. The Company aims at attracting more renowned medical service providers, like Union Hospital, to reinforce the image of H Zentre as a wellness and healthcare hub and further strengthening its medical services related tenant mix. The Board considers that it is in the commercial interest of the Group to enter into the Tenancy Agreements.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Tenancy Agreements are fair and reasonable, and the transactions thereunder are on normal commercial terms and are arrived at after negotiation on an arm's length basis and such transactions are in the ordinary and usual course of business of the Group. The Directors (including the independent non-executive Directors) also consider that such transactions are in the interests of the Company and its shareholders as a whole.

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

Dr Lee is a Director and the deemed controlling shareholder of the Company, and Union Medical is a company ultimately controlled by the private family trusts of Dr Lee. Accordingly, Union Medical is a connected person of the Company under the Listing Rules and the transactions under the Tenancy Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Dr Lee and his associates (as defined in the Listing Rules), including Dr Lee Ka Kit and Mr Lee Ka Shing (Dr Lee's sons), Madam Fung Lee Woon King (Dr Lee's sister) and Mr Lee Tat Man (Dr Lee's brother), are each regarded as having a material interest in the transactions under the Tenancy Agreements by virtue of their deemed interests in companies controlled by such private family trusts of Dr Lee or being a family member of Dr Lee and have abstained from voting on the relevant board resolutions of the Company to approve such transactions. Save as disclosed above, none of the Directors has a material interest in such transactions.

The entering into of the First Offer to Licence and the First Tenancy Agreement, being the initial standalone tenancy, fell within the de minimis threshold and was then exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. However, the entering into of the other Tenancy Agreements is required to be aggregated with the First Offer to Licence and the First Tenancy Agreement and treated as if they were one transaction pursuant to Chapter 14A of the Listing Rules, as they are entered into between the same parties in relation to the same building within a 12-month period. As one or more of the applicable percentage ratios in respect of the highest annual cap for the transactions under the Tenancy Agreements exceed 0.1% but all of them are less than 5%, those transactions 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.

Pursuant to Rule 14A.52 of the Listing Rules, except in special circumstances where the nature of the transaction requires the agreement to be of a longer duration, the term of an agreement for continuing connected transactions must not exceed three years. As the term of the tenancy for each of the Premises under the Tenancy Agreements exceeds three years, the Company has appointed the IFA as its independent financial adviser to explain why a period of longer than three years is necessary and to confirm if it is normal business practice for tenancy agreements of this type to be of such duration.

## **5. OPINION OF THE IFA**

In formulating its opinion on the justification as to the tenancy term (including the licence period) for each of the Premises under the Tenancy Agreements exceeding three years, the IFA has taken into consideration the following principal factors:

- (a) the Premises are used for the medical related services of Union Medical as medical floors;
- (b) for the reasons set out in (a) above, the Premises have custom-made building features such as, among other things, recessed floor slab for fulfilling the requirements of or enabling the installation of medical equipment's trench, ducting and/or trunking, higher ceiling for special air-conditioning and purification system, special sewage system to eliminate contamination, clinical waste disposal arrangements and radiation safety measures;
- (c) Smart Bright as landlord has incurred considerable capital expenditures to carry out specific alterations and additions as fitting out works as mentioned above for the Third Premises to be amortized on a straight line basis and incorporated into the monthly rent payable over a ten-year tenancy period;
- (d) when determining the tenancy terms for the Premises, Smart Bright has taken into account, among other factors, (i) the high capital expenditure requirement by Union Medical, the custom-built nature of the Premises for medical floor purpose etc. which call for a longer tenancy term to avoid possible relocation upon expiry of a shorter tenancy term; and (ii) the longer tenancy term is to reduce unnecessary uncertainties and disruptions to both Smart Bright's and Union Medical's operations; and



- (e) the rents and the length of the tenancy terms for the Premises, which were fixed by reference to property rental valuation reports made by an independent third party valuer, are fair and reasonable as compared to the prevailing market rates and comparable tenancy terms based on such valuation reports.

Based on the foregoing, the IFA is of the view that the tenancy terms (including the licence periods) as set out above under the Tenancy Agreements for the Premises respectively are necessary and it is normal business practice for tenancy agreements of this type to be of such duration.

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

The Company is an investment holding company and the principal business activities of its subsidiaries are property development and investment, construction, project management, property management, finance, department store operation and investment holding.

Union Medical's principal business activity is to operate a private hospital in Hong Kong, namely Union Hospital, and associated clinics, which provide a full range of medical services including general operations, general and specialties outpatient, inpatient and diagnostic services.

## **7. DEFINITIONS**

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

<b>“Board”</b>	the board of Directors;
<b>“Company”</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 of Hong Kong Limited (stock code: 12);
<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>“Dr Lee”</b>	Dr Lee Shau Kee, an executive Director and a deemed controlling shareholder of the Company;
<b>“First Offer to Licence”</b>	the offer to licence dated 23 October 2019 entered into between HLAL as agent of the licensor, Smart Bright and a wholly-owned subsidiary of Union Medical as licensee in respect of the licensing of the First Premises and, where the context so requires, as novated on 28 May 2020;
<b>“First Premises”</b>	the whole of 9 <sup>th</sup> Floor, H Zentre, No. 15 Middle Road, Tsim Sha Tsui, Kowloon, Hong Kong;

<b>“First Tenancy Agreement”</b>	the tenancy agreement dated 25 October 2019 entered into between Smart Bright as landlord and a wholly-owned subsidiary of Union Medical as tenant in respect of the leasing of the First Premises and, where the context so requires, as novated on 28 May 2020;
<b>“Government”</b>	the government of Hong Kong;
<b>“Group”</b>	the Company and its subsidiaries;
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong;
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China;
<b>“HLAL”</b>	Henderson Leasing Agency Limited (恒基租務代理有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
<b>“IFA”</b>	Centurion Corporate Finance Limited, a corporation licensed to carry on 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 by the Company;
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
<b>“Premises”</b>	collectively, the First Premises, the Second Premises and the Third Premises;
<b>“Second Offer to Licence”</b>	the offer to licence dated 10 June 2020 entered into between HLAL as agent of the licensor, Smart Bright and Union Medical as licensee in respect of the licensing of the Second Premises;
<b>“Second Premises”</b>	the whole of 12th Floor and including Flat Roof on 12 <sup>th</sup> Floor, H Zentre, No. 15 Middle Road, Tsim Sha Tsui, Kowloon, Hong Kong;
<b>“Second Tenancy Agreement”</b>	the tenancy agreement dated 10 June 2020 entered into between Smart Bright as landlord and Union Medical as tenant in respect of the leasing of the Second Premises;

<b>“Smart Bright”</b>	Smart Bright Development Limited (傑耀發展有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company principally engaged in property investment;
<b>“Tenancy Agreements”</b>	collectively, the First Offer to Licence, the First Tenancy Agreement, the Second Offer to Licence, the Second Tenancy Agreement, the Third Offer to Licence and the Third Tenancy Agreement;
<b>“Third Offer to Licence”</b>	the offer to licence dated 10 June 2020 entered into between HLAL as agent of the licensor, Smart Bright and Union Medical as licensee in respect of the licensing of the Third Premises;
<b>“Third Premises”</b>	the whole of B1 Floor, H Zentre, No. 15 Middle Road, Tsim Sha Tsui, Kowloon, Hong Kong;
<b>“Third Tenancy Agreement”</b>	the tenancy agreement dated 10 June 2020 entered into between Smart Bright as landlord and Union Medical as tenant in respect of the leasing of the Third Premises;
<b>“Union Medical”</b>	Union Medical Centre Limited (仁安醫院有限公司) (trading as Union Hospital), a company incorporated in Hong Kong with limited liability; and
<b>“%”</b>	per cent.

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

Hong Kong, 10 June 2020

*As at the date of this announcement, the Board comprises: (1) executive directors: Lee Ka Kit (Chairman and Managing Director), Lee Ka Shing (Chairman and Managing Director), Lam Ko Yin, Colin, Lee Shau Kee, Yip Ying Chee, John, Fung Lee Woon King, Kwok Ping Ho, Suen Kwok Lam, Wong Ho Ming, Augustine and Fung Hau Chung, Andrew; (2) non-executive directors: Lee Tat Man and Lee Pui Ling, Angelina; and (3) independent non-executive directors: Kwong Che Keung, Gordon, Ko Ping Keung, Wu King Cheong, Woo Ka Biu, Jackson, Poon Chung Kwong and Au Siu Kee, Alexander.*