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**恒基兆業發展有限公司**  
**HENDERSON INVESTMENT LIMITED**  
Incorporated in Hong Kong with limited liability  
(Stock Code : 97)

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO TENANCY RENEWAL OFFER LETTER AND  
MASTER CLEANING SERVICES AGREEMENT  
AND  
MASTER GIFT CERTIFICATES SALES AGREEMENT**

Reference is made to the 2017 Announcement relating to, among other things, the continuing connected transactions under the 2017 Tenancy Renewal Offer Letter and the 2017 Master Cleaning Services Agreement. As the term of the Existing Tenancy Agreement will expire on 30 June 2020, HREAL as agent of the landlords (HPI and LF, both being subsidiaries of HK Ferry) and Citistore HK (a wholly-owned subsidiary of the Company) entered into the 2020 Tenancy Renewal Offer Letter on 9 June 2020 to renew the tenancy of the HKF Premises at Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong. Further, in view of the term of the 2017 Master Cleaning Services Agreement expiring on 30 November 2020, the Company and Broad Capital (a wholly-owned subsidiary of HLD) entered into the 2020 Master Cleaning Services Agreement on 9 June 2020 to make arrangements in advance for continuing provision of the Cleaning Services by Broad Capital to members of the Group.

In addition, the Company and HLD entered into the Master Gift Certificates Sales Agreement on 9 June 2020 to regulate the transactions for the sale of the Gift Certificates by members of the Group to the HLD Group.

HLD is the controlling shareholder of the Company and interested in approximately 33.41% of the issued shares of HK Ferry. Accordingly, the entering into of the 2020 Tenancy Renewal Offer Letter by Citistore HK (a wholly-owned subsidiary of the Company) with HPI and LF (both being subsidiaries of HK Ferry), the 2020 Master Cleaning Services Agreement by the Company with Broad Capital (a wholly-owned subsidiary of HLD) and the Master Gift Certificates Sales Agreement by the Company with HLD constitutes continuing connected transactions of the Company.

Given that (i) one or more of the applicable percentage ratios in respect of the 2020 Tenancy Renewal Offer Letter on the basis of the value of the right-of-use asset, being the aggregate discounted amount of the basic rent, exceed 0.1% but are all less than 5%; and (ii) one or more of the applicable percentage ratios in respect of the 2020 Tenancy Renewal Offer Letter on the basis of the highest annual cap amount of the aggregate of turnover rent, management fee, air-conditioning charges and other miscellaneous charges (exclusive of Government rates) exceed 0.1% but are all less than 5%, the 2020 Tenancy Renewal Offer Letter and the transactions contemplated thereunder 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 one or more of the applicable percentage ratios in respect of the highest annual cap amount for the transactions contemplated under each of (i) the 2020 Master Cleaning Services Agreement and (ii) the Master Gift Certificates Sales Agreement exceed 0.1% but are all less than 5%, and those transactions are conducted on normal commercial terms, the transactions contemplated thereunder 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.

## 1. INTRODUCTION AND BACKGROUND

Reference is made to the 2017 Announcement relating to, among other things, the continuing connected transactions under the 2017 Tenancy Renewal Offer Letter and the 2017 Master Cleaning Services Agreement. As the terms of the Existing Tenancy Agreement and the 2017 Master Cleaning Services Agreement will expire on 30 June 2020 and 30 November 2020 respectively, the respective parties thereto have entered into the 2020 Tenancy Renewal Offer Letter to renew the tenancy of the HKF Premises and the 2020 Master Cleaning Services Agreement to make arrangements in advance for continuing provision of the Cleaning Services. In addition, the Company and HLD have entered into the Master Gift Certificates Sales Agreement to regulate the transactions for the sale of the Gift Certificates.

This announcement provides details of the 2020 Tenancy Renewal Offer Letter, the 2020 Master Cleaning Services Agreement and the Master Gift Certificates Sales Agreement, and the annual cap amounts set for the transactions contemplated thereunder.

## 2. 2020 TENANCY RENEWAL OFFER LETTER

### 2.1 PRINCIPAL TERMS

<b>Parties</b>	: HREAL as agent of the landlords (HPI and LF); and Citistore HK as tenant.
<b>Date</b>	: 9 June 2020.
<b>HKF Premises</b>	: Shop Nos. 127-161 and corridors and toilets on Level 1, Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong.
<b>Term</b>	: One year commencing on 1 July 2020 and ending on 30 June 2021.
<b>Gross floor area</b>	: 39,955 square feet.
<b>Monthly rental</b>	: Basic rent and turnover rent (both as described below).
<b>Basic rent</b>	: HK\$318,000.00 per month (payable in advance on the 1st day of each calendar month; and exclusive of Government rates, management fee, air-conditioning charge and other miscellaneous charges).
<b>Turnover rent</b>	: If the annual gross turnover of the business of Citistore HK conducted at the HKF Premises without any deduction exceeds HK\$70,000,000.00, the turnover rent shall be 7% of the excess

of such annual gross turnover over HK\$70,000,000.00. If the gross turnover of the business of Citistore HK conducted at the HKF Premises does not exceed HK\$5,833,333.33 in any month, no turnover rent shall be payable for that month but the deficit shall not be carried over to the next month. The turnover rent shall be payable monthly in arrears and reconciled on an annual basis.

- Government rates** : HK\$14,750.00 per month (subject to Government's review) will be paid by Citistore HK.
- Management fee** : HK\$120,664.10 per month, subject to periodic review.
- Air-conditioning charge** : HK\$141,041.20 per month, subject to periodic review.
- Formal agreement** : A formal tenancy renewal agreement shall be executed by the parties pursuant to the terms and conditions of the 2020 Tenancy Renewal Offer Letter. If the formal tenancy renewal agreement is not executed by Citistore HK within 14 days upon notification by HREAL as agent of the landlords (HPI and LF) that the formal tenancy renewal agreement is ready for execution, HREAL as agent of the landlords (HPI and LF) shall be entitled to treat the terms of the 2020 Tenancy Renewal Offer Letter and such terms and conditions of the Existing Tenancy Agreement (other than the break clause) so far as they are applicable as a final tenancy agreement binding on the parties.

The terms of the 2020 Tenancy Renewal Offer Letter were negotiated and arrived at on an arm's length basis with reference to prevailing market leasing terms and conditions and the basic rent of the HKF Premises was determined with reference to the market rental value of the HKF Premises as assessed by a third party property valuer.

## **2.2 ACCOUNTING IMPLICATION AND TREATMENT UNDER LISTING RULES**

In accordance with the HKFRS 16 applicable to the Group, different accounting treatments will apply to different components of the payments to be made by the Group under the 2020 Tenancy Renewal Offer Letter, i.e. fixed payments and variable payments. The Group will recognise the basic rent (being fixed payments) as an acquisition of right-of-use asset of capital in nature taking into account the carrying amount of such right-of-use asset, i.e. HK\$3.8 million to be recognised by the Group at 1 July 2020 (being the commencement date of the lease term under the 2020 Tenancy Renewal Offer Letter), having been initially measured on the basis of the discounted present value of the fixed basic rent payable by the Group under the 2020 Tenancy Renewal Offer Letter. Such right-of-use asset accounting treatment is made on the ground that the 2020 Tenancy Renewal Offer Letter is, for accounting purposes, regarded as in substance an extension of the term of the Existing Tenancy Agreement in relation to the same premises, for which the recognition exemption for short-term leases under the HKFRS 16 does not apply. Such acquisition of right-of-use asset will constitute a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. The turnover rent, management fee, air-conditioning charges and other miscellaneous charges to be paid by the Group under the 2020 Tenancy Renewal Offer Letter (being variable payments) will

be recognised as expenses in the Group's profit and loss accounts in the periods in which they are incurred, and the payment of such expenses will be regarded as a continuing connected transaction of the Company under Chapter 14A.31 of the Listing Rules.

## 2.3 ANNUAL CAPS

The historical aggregate transaction amounts of rentals, management fees, air-conditioning charges and other miscellaneous charges (exclusive of Government rates) paid under the Existing Tenancy Agreement for each of the financial years ended 31 December 2017, 2018 and 2019 were approximately HK\$2,886,000, HK\$5,867,000 and HK\$5,993,000 respectively.

The Company estimates that the aggregate amounts of the turnover rent, management fees, air-conditioning charges and other miscellaneous charges (exclusive of Government rates) payable by Citistore HK under the 2020 Tenancy Renewal Offer Letter from 1 July 2020 to 30 June 2021 will not exceed the following maximum figures:

<u>Financial year ending 31 December</u>	<u>Annual Caps (HK\$)</u>
2020	3,500,000
2021	3,500,000

The above annual caps were arrived at based on the amounts estimated to be payable under the 2020 Tenancy Renewal Offer Letter as described above, together with a buffer for adjustments to the amounts payable.

## 3. 2020 MASTER CLEANING SERVICES AGREEMENT

### 3.1 PRINCIPAL TERMS

- Date** : 9 June 2020.
- Parties** : Broad Capital and the Company.
- Term** : From 1 December 2020 to 30 November 2023.
- Subject matter** : Broad Capital shall from time to time provide to any member of the Group (or enter into agreement with any member of the Group to provide) the Cleaning Services as may be required from time to time by the Group in its ordinary course of business and on terms no less favourable to the Group than those made available by Broad Capital to other independent third party customers for such services.

The pricing and terms for transactions and agreements made pursuant to the 2020 Master Cleaning Services Agreement will be determined in the following manner:

- (i) quotations from Broad Capital and independent third party service providers shall be obtained for the provision of the Cleaning Services by such parties;

- (ii) the price and terms, historical working relationship, experience and the quality of services offered by such independent third party 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 the other service providers.

**Payment terms** : The service fees shall be settled on monthly basis.

**Break clause** : Either party may terminate the 2020 Master Cleaning Services Agreement by giving the other party at least one month's written notice of termination.

To supervise the continuing connected transactions of the Group, the relevant business department of the Group will review and monitor the progress of the Cleaning Services provided under the terms of the relevant agreements made or to be made in accordance with the 2020 Master Cleaning Services Agreement.

### 3.2 ANNUAL CAPS

The Company estimates that the aggregate amounts payable by the Group to Broad Capital under the 2020 Master Cleaning Services Agreement from 1 December 2020 to 30 November 2023 will not exceed the following maximum figures:

<u>Financial year ending 31 December</u>	<u>Annual Caps (HK\$)</u>
2020	864,000
2021	11,700,000
2022	13,300,000
2023	13,700,000

The above annual caps were determined with reference to historical transaction amounts for the Cleaning Services provided by Broad Capital, the potential trend of the cleaning service market conditions and the increase in the number of retail stores operated by the Group, along with a buffer to account for inflation.

The historical transaction amounts paid by the Group in respect of the Cleaning Services provided by Broad Capital for each of the financial years ended 31 December 2017, 2018 and 2019 were approximately HK\$7,200,000, HK\$7,522,000 and HK\$7,660,000 respectively.

## 4. THE MASTER GIFT CERTIFICATES SALES AGREEMENT

### 4.1 PRINCIPAL TERMS

- Date** : 9 June 2020.
- Parties** : HLD and the Company.
- Term** : From 1 July 2020 to 30 June 2023.
- Subject matter** : The HLD Group may from time to time purchase, from any member of the Group, the Gift Certificates at costs not less than those offered by such relevant members of the Group to other independent third parties. The pricing of the transactions made pursuant to the Master Gift Certificates Sales Agreement shall be the prices of the Gift Certificates as from time to time quoted or offered for public purchase.
- Payment terms** : The purchase price for the Gift Certificates must be paid within three months of the relevant purchase.
- Break clause** : Either party may terminate the Master Gift Certificate Sales Agreement by giving the other party at least one month's written notice of termination.

### 4.2 ANNUAL CAPS

The Company estimates that the aggregate amounts payable by the HLD Group to the Group under the Master Gift Certificates Sales Agreement from 1 July 2020 to 30 June 2023 will not exceed the following maximum figures:

<b><u>Financial year ending 31 December</u></b>	<b><u>Annual Caps (HK\$)</u></b>
2020	3,000,000
2021	6,000,000
2022	6,000,000
2023	3,000,000

The above annual caps were determined by reference to historical transaction amounts and the potential trend of the growth for the Gift Certificates purchased by the HLD Group from members of the Group.

## 5. REASONS FOR AND BENEFITS OF ENTERING INTO 2020 TENANCY RENEWAL OFFER LETTER, 2020 MASTER CLEANING SERVICES AGREEMENT AND MASTER GIFT CERTIFICATES SALES AGREEMENT

Citistore HK has been operating the relevant "Citistore" department store at Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong for a number of years. The Board considers that it is in the commercial interest of the Group to enter into the 2020 Tenancy

Renewal Offer Letter so as to continue the operation of the “Citistore” department store at Metro Harbour Plaza.

The provision of the Cleaning Services by Broad Capital to the Group and the sales of Gift Certificates by the Group to the HLD Group are transactions which are part and parcel of the retail 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 transactions under the 2020 Master Cleaning Services Agreement and the Master Gift Certificates Sales Agreement 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 HLD Group / the Group (as the case may be) with independent third parties.

The Directors (including the independent non-executive Directors) consider that the respective terms of the 2020 Tenancy Renewal Offer Letter, the 2020 Master Cleaning Services Agreement and the Master Gift Certificates Sales Agreement have been negotiated on an arm’s length basis, the transactions thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and on terms which are fair and reasonable and in the interests of the Company and its shareholders as a whole, and that the respective annual caps for the 2020 Tenancy Renewal Offer Letter, the 2020 Master Cleaning Services Agreement and the Master Gift Certificates Sales Agreement are also fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **6. LISTING RULES IMPLICATIONS**

As HLD is the controlling shareholder of the Company and interested in approximately 33.41% of the issued shares of HK Ferry, HLD and its subsidiaries (including Broad Capital), and HK Ferry and its subsidiaries (including HPI and LF) are connected persons of the Company under the Listing Rules. Accordingly, the entering into of the 2020 Tenancy Renewal Offer Letter by Citistore HK with HPI and LF, the 2020 Master Cleaning Services Agreement by the Company with Broad Capital and the Master Gift Certificates Sales Agreement by the Company with HLD constitutes continuing connected transactions of the Company.

Since Mr. Lee Ka Shing, Dr. Lee Ka Kit and Mr. Li Ning are each regarded as having a material interest in the transactions under the 2020 Tenancy Renewal Offer Letter, the 2020 Master Cleaning Services Agreement and the Master Gift Certificates Sales Agreement by virtue of their deemed interest in shares of HLD or being a family member of Dr. Lee Chau Kee, a deemed controlling shareholder of HK Ferry, they have abstained from voting on the relevant board resolutions of the Company to approve the 2020 Tenancy Renewal Offer Letter, the 2020 Master Cleaning Services Agreement and the Master Gift Certificates Sales Agreement 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.

Given that (i) one or more of the applicable percentage ratios in respect of the 2020 Tenancy Renewal Offer Letter on the basis of the value of the right-of-use asset, being the aggregate discounted amount of the basic rent, exceed 0.1% but are all less than 5%; and (ii) one or more of the applicable percentage ratios in respect of the 2020 Tenancy Renewal Offer Letter on the basis of the highest annual cap amount of the aggregate of turnover rent, management fee, air-conditioning charges and other miscellaneous charges (excluding Government rates) exceed 0.1% but are all less than 5%, the 2020 Tenancy

Renewal Offer Letter and the transactions contemplated thereunder 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 one or more of the applicable percentage ratios in respect of the highest annual cap amount for the transactions contemplated under each of (i) the 2020 Master Cleaning Services Agreement and (ii) the Master Gift Certificates Sales Agreement exceed 0.1% but are all less than 5%, and those transactions are conducted on normal commercial terms, the transactions contemplated thereunder 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.

## 7. INFORMATION ON THE PARTIES INVOLVED

HLD, being ultimately controlled by the private family trusts of Dr. Lee Shau Kee, 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.

The principal business activity of HK Ferry is investment holding, and the principal activities of its subsidiaries are property development and investment, ferry, shipyard and related businesses and securities investment.

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

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

The principal business activity of HPI is property investment.

The principal business activities of HREAL are provision of financial, management and agency services.

The principal business activities of LF are property development, investment and financing.

## 8. DEFINITIONS

<b>“2017 Announcement”</b>	the announcement of the Company dated 23 June 2017 relating to, among other things, the continuing connected transactions under the 2017 Tenancy Renewal Offer Letter and the 2017 Master Cleaning Services Agreement;
<b>“2017 Master Cleaning Services Agreement”</b>	the master agreement dated 23 June 2017 entered into between Broad Capital and the Company in relation to the provision of Cleaning Services by Broad Capital to members of the Group for a term of three years from 1 December 2017 to 30 November 2020;

<b>“2017 Tenancy Renewal Offer Letter”</b>	an offer letter dated 23 June 2017 entered into between HREAL as agent of the landlords (HPI and LF) and Citistore HK as tenant in relation to the leasing of the HKF Premises for a term of three years from 1 July 2017 to 30 June 2020;
<b>“2020 Master Cleaning Services Agreement”</b>	the master agreement dated 9 June 2020 entered into between Broad Capital and the Company in relation to the provision of Cleaning Services by Broad Capital to members of the Group for a term of three years from 1 December 2020 to 30 November 2023;
<b>“2020 Tenancy Renewal Offer Letter”</b>	an offer letter dated 9 June 2020 entered into between HREAL as agent of the landlords (HPI and LF) and Citistore HK as tenant in relation to the leasing of the HKF Premises for a term of one year from 1 July 2020 to 30 June 2021;
<b>“associate(s)”</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 a wholly-owned subsidiary of HLD;
<b>“Citistore HK”</b>	Citistore (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company principally engaged in department store operation;
<b>“Cleaning Services”</b>	cleaning services for the stores, shops and other premises operated by the Group;
<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>“Existing Tenancy Agreement”</b>	the tenancy agreement dated 15 January 2018 entered into between HPI and LF (collectively as landlord) and Citistore HK (as tenant) pursuant to the 2017 Tenancy Renewal Offer Letter;

<b>“Gift Certificate(s)”</b>	a certificate, document, code or machine-readable card issued by any member(s) 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(s) of the Group;
<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>“HK Ferry”</b>	Hong Kong Ferry (Holdings) Company Limited (香港小輪(集團)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: 50);
<b>“HKF Premises”</b>	Shop Nos. 127-161 and corridors and toilets on Level 1, Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong, being owned by HPI and LF;
<b>“HKFRS”</b>	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
<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 associates (excluding the Group);
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China;
<b>“HPI”</b>	HKF Property Investment Limited (香港小輪物業投資有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of HK Ferry;
<b>“HREAL”</b>	Henderson Real Estate Agency Limited (恒基兆業地產代理有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of HLD;
<b>“LF”</b>	Lenfield Limited (良輝有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of HK Ferry;

<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange;
<b>“Master Gift Certificates Sales Agreement”</b>	the master agreement dated 9 June 2020 entered into between HLD and the Company relating to the sale of Gift Certificates by any member of the Group to the HLD Group for a term of three years from 1 July 2020 to 30 June 2023;
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited; and
<b>“%”</b>	per cent.

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

Hong Kong, 9 June 2020

*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.*