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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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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)

MAJOR TRANSACTION

OFFER TO LEASE

Capitalised terms used on this cover page have the same meaning as defined in the section headed “Definitions” in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 3 to 8 of this circular.

The Offer to Lease and the transaction contemplated thereunder have been approved by written shareholders’ approval obtained from the Closely Allied Group, pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

23 February 2022

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DEFINITIONS

In this circular, unless the context requires otherwise, the expressions as stated below have the following meanings:

“Board”	the board of Directors;
“Closely Allied Group”	has the meaning as ascribed thereto in the section headed “6. LISTING RULES IMPLICATIONS” in the letter from the Board in this circular;
“Company”	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);
“Director(s)”	the director(s) of the Company;
“Existing Tenancy Agreement”	the tenancy agreement dated 27 June 2013 entered into between Unicorn as tenant and the Landlord as landlord in respect of the leasing of the Premises for a term of 96 months commenced on 1 March 2014, as supplemented by the memorandum of agreement dated 16 November 2017;
“Government”	the government of Hong Kong;
“Gross Takings”	the gross amount without deduction of all sums billed or received from all sources in the course of Unicorn’s business conducted on or from the Premises;
“Group”	the Company and its subsidiaries;
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HLD”	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) and being an intermediate holding company of the Company;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

DEFINITIONS

“Landlord”	Cityplaza Holdings Limited (太古城中心控股有限公司), a company incorporated in Hong Kong with limited liability;
“Latest Practicable Date”	17 February 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Offer to Lease”	the offer to lease issued by Unicorn as tenant and accepted by the Landlord as landlord on 28 January 2022 in respect of the leasing of the Premises for a term of 96 months commencing on and from 1 March 2022;
“Premises”	all those portions of the first basement to ground floor of the retail and shopping center and podium known as Cityplaza forming part of the entire development of the commercial center located at Taikoo Shing, Hong Kong Island;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong);
“Share(s)”	the share(s) of the Company;
“Shareholder”	holder of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tenancy Agreement”	has the meaning as ascribed thereto in the section headed “THE OFFER TO LEASE” in the letter from the Board in this circular;
“Term”	has the meaning as ascribed thereto in the section headed “THE OFFER TO LEASE” in the letter from the Board in this circular;
“Unicorn”	Unicorn Stores (HK) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company; and
“%”	per cent.

LETTER FROM THE BOARD



恒基兆業發展有限公司 HENDERSON INVESTMENT LIMITED

Incorporated in Hong Kong with limited liability
(Stock Code: 97)

Executive Directors:

Lee Ka Shing
(Chairman and Managing Director)
Dr. Lee Ka Kit (Vice Chairman)
Dr. Lam Ko Yin, Colin (Vice Chairman)
Li Ning

Independent Non-executive Directors:

Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong
Au Siu Kee, Alexander

Registered Office:

72-76/F., Two International Finance Centre
8 Finance Street, Central
Hong Kong

23 February 2022

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

OFFER TO LEASE

1. INTRODUCTION

The Company announced on 28 January 2022 that Unicorn (being a wholly-owned subsidiary of the Company) as tenant received the Offer to Lease, accepted by the Landlord as landlord, in respect of the leasing of the Premises for a term of 96 months commencing on and from 1 March 2022. The Premises is occupied by Unicorn for operating Unicorn's department store cum supermarket in the name of "APITA" under the Existing Tenancy Agreement which will expire on 28 February 2022.

The purpose of this circular is to provide you with, among other things, further information on the Offer to Lease and the transaction contemplated thereunder and other information as required under the Listing Rules.

2. THE OFFER TO LEASE

The principal terms of the Offer to Lease are summarized as follows:

Parties : Landlord (as landlord); and
Unicorn (as tenant).

Date : 28 January 2022.

LETTER FROM THE BOARD

- Premises** : All those portions of the first basement to ground floor of the retail and shopping center and podium known as Cityplaza forming part of the entire development of the commercial center located at Taikoo Shing, Hong Kong Island with a total lettable area of approximately 118,691 square feet.
- Term** : 96 months commencing on and from 1 March 2022 (the “**Term**”).
- Basic rent** : From 1 March 2022 and ending on 28 February 2023, the total basic rent per calendar month is HK\$5,872,350. From 1 March 2023 and ending on 28 February 2026, the total basic rent per calendar month is HK\$6,224,690. From 1 March 2026 and ending on 28 February 2030, the total basic rent per calendar month is HK\$6,598,170.
- Turnover rent** : The amount (if any) by which 7% and 10% of the Gross Takings of the first basement and the ground floor of the Premises respectively in aggregate in any calendar year exceeds the basic rent for the respective first basement and ground floor for that calendar year.
- Other charges** : Other charges, including chilled water charge, service charge, promotional levy and refuse compactor charge, payable to the Landlord for the entire Term amounted to a total of approximately HK\$235 million, but they are subject to review from time to time (but not more than once each in a calendar year). The Tenant is also responsible for payment of Government rates and other outgoings of an annual or recurring nature attributable to the Premises.
- Payment terms** : The basic rent and other charges shall be paid in advance on the first day of each calendar month.
- The turnover rent calculated based on the Gross Takings in a month (if any) shall be paid in arrear by the 15th day of the immediately following month, and reconciled after the end of each calendar year.

LETTER FROM THE BOARD

- Deposit** : HK\$19,625,126, subject to increase from time to time to a sum equal to two months' basic rent, rates, chilled water charge, service charge and promotional levy at the highest ascertainable rates payable by Unicorn during the Term.
- Rent free period** : A rent free period is granted such that rent (including both basic rent and turnover rent), chilled water charge, service charge and promotional levy will only commence to be payable on 1 June 2022. Government rates and all other outgoings payable by Unicorn will commence to be payable on commencement of the Term.
- Restriction against alienation** : Unicorn shall not assign, underlet or otherwise part with the possession of the Premises or any part thereof whether by way of subletting, lending, sharing or other means without the Landlord's approval, failing which the Tenancy Agreement will be terminated. Takeover, reconstruction, amalgamation, merger, voluntary liquidation or change in the person or persons who owns or own a majority of the voting shares or who otherwise has or have effective control of Unicorn are deemed to be breaches of such restriction.
- Tenancy Agreement** : The Landlord and Unicorn shall enter into a formal tenancy agreement of the Premises (the "**Tenancy Agreement**") on or before 18 March 2022 (or such other date as may be agreed by them). If the Landlord and Unicorn fail to enter into the Tenancy Agreement, the Offer to Lease shall remain binding and in full force and effect and the Landlord and Unicorn shall continue to fulfill their respective obligations as stipulated in the Offer to Lease.

The consideration payable under the Offer to Lease was determined after arm's length negotiations between Unicorn and the Landlord with reference to the prevailing market rental value of comparable properties, market rent valuation of the Premises performed by an independent property valuer (a copy of its valuation report is set out in Appendix II to this circular) and the rent and other charges payable under the Existing Tenancy Agreement, and will be satisfied by internal resources of the Group.

LETTER FROM THE BOARD

3. INFORMATION ON THE PARTIES

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 Unicorn is the operation of supermarkets and department stores in the name of “UNY” and “APITA”.

The Landlord is a wholly-owned subsidiary of Swire Properties Limited, which is a company listed on the Main Board of the Stock Exchange (stock code: 1972). The principal business activity of the Landlord is property investment.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Landlord and its ultimate beneficial owner are third parties independent of the Company and connected persons (as defined in Chapter 14A of the Listing Rules) of the Company.

4. REASONS FOR AND BENEFITS OF THE OFFER TO LEASE

Unicorn, which was acquired by the Group in May 2018, has been operating the department store cum supermarket in the name of “APITA” at Cityplaza, Taikoo Shing, Hong Kong Island for decades. The Board considers that it is in the commercial interest of the Group to enter into the Offer to Lease so as to continue the operation of the “APITA” store at Cityplaza and maintain the Group’s scale of operations.

The Directors believe that the terms of the Offer to Lease and the transaction contemplated thereunder are fair and reasonable and in the interests of the Shareholders as a whole.

5. ACCOUNTING TREATMENT AND FINANCIAL EFFECTS OF THE TRANSACTION CONTEMPLATED UNDER THE OFFER TO LEASE

In accordance with HKFRS 16 *Leases*, the Group is required to recognise the fixed basic rent payments for the entire term under the Offer to Lease as a right-of-use asset in relation to the Premises in its consolidated statement of financial position in the way as described below.

Effect on assets of the Group

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 (see the sub-paragraph “Effect on liabilities of the Group” below) plus any lease payments made at or before the lease commencement and any initial direct costs incurred, and where applicable, 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, on a straight-line basis, taking into consideration any renewal options attaching thereto (if any).

LETTER FROM THE BOARD

Based on the above, the Group's total consolidated assets are estimated to increase by approximately HK\$485 million upon initial recognition of the right-of-use asset as a result of the Offer to Lease.

Effect on liabilities of the Group

When a lease is capitalised, the lease liability is initially recognized at the present value of the lease payments payable over the term, discounted using the Group's estimated incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and finance cost is calculated using the effective interest rate method, based on the Group's estimated incremental borrowing rate.

Based on the above, the Group's total consolidated liabilities are estimated to increase by approximately HK\$485 million upon initial recognition of the lease liability as a result of the Offer to Lease.

Effect on earnings of the Group

The annual depreciation charge on the right-of-use asset during the term amounts to approximately HK\$61 million per annum.

Finance cost on the lease liability is determined and recognised on the basis of the Group's estimated incremental borrowing rate of 4.8% per annum on the carrying balance of the lease liability, adjusted for lease modification/reassessment of the term (if any) and after deducting the periodic lease payments.

Both the depreciation charge on the right-of-use asset and the finance cost on the lease liability will have the aggregate effect of decrease in the Group's earnings.

6. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the acquisition of right-of-use asset under the Offer to Lease is 25% or more but are all less than 100%, the entering into of the Offer to Lease constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval may be accepted in lieu of holding a general meeting if (i) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the transaction under the Offer to Lease; and (ii) written approval has been obtained from a Shareholder who holds or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting of the Company to approve such transaction.

LETTER FROM THE BOARD

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Offer to Lease. As such, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Offer to Lease and the transaction contemplated thereunder.

Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited (all being wholly-owned subsidiaries of HLD) and (where applicable) their respective nominees (collectively, “**Closely Allied Group**”), together hold 2,110,868,943 Shares, representing approximately 69.27% of the total issued Shares having the right to attend and vote at a general meeting of the Company, details of which are set out below:

Name of beneficial owners	Name of registered owners	No. of Shares
Banshing Investment Limited	Banshing Investment Limited	843,249,284
Markshing Investment Limited	Markshing Investment Limited	342,705,418
	Arsenton Nominees Limited	259,693,000
Covite Investment Limited	Covite Investment Limited	363,328,900
Gainwise Investment Limited	Gainwise Investment Limited	167,750,000
	Superb Nominees Limited	49,500,000
Darnman Investment Limited	Darnman Investment Limited	34,955,000
	Superb Nominees Limited	49,687,341
	Total:	<u>2,110,868,943</u>

The Company has obtained a written approval from the Closely Allied Group on the Offer to Lease and the transaction contemplated thereunder in lieu of holding a general meeting of the Company. Accordingly, pursuant to Rule 14.44 of the Listing Rules, no general meeting of the Company will be convened for the purpose of approving the Offer to Lease and the transaction contemplated thereunder.

7. RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Offer to Lease and the transaction contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

8. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Lee Ka Shing
Chairman and Managing Director

1. SUMMARY OF FINANCIAL INFORMATION

The financial information of the Group for the three years ended 31 December 2020 and the six months ended 30 June 2021 are disclosed in the Company's annual reports for the years ended 31 December 2018, 2019 and 2020 and the Company's interim report for the six months ended 30 June 2021 respectively, which are incorporated by reference into this circular. The said annual reports and interim report of the Company are available on the Company's website at www.hilhk.com and the website of the Stock Exchange at www.hkexnews.hk.

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 December 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this statement of indebtedness prior to the printing of this circular, the lease liabilities recognized under HKFRS 16 *Leases* were approximately HK\$502 million and comprised the following:

- (i) an amount of HK\$213 million having contractual maturity within one year, as classified under current liabilities; and
- (ii) an amount of HK\$289 million having contractual maturity after one year, as classified under non-current liabilities.

Save as aforesaid and apart from normal trade and other payables in the ordinary course of business, the Group did not have any debt securities, term loans, outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances, or similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other contingent liabilities.

3. WORKING CAPITAL STATEMENT

Taking into account the Offer to Lease and the financial resources available to the Group, including but not limited to funds generated from operations and cash and bank balances, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

References are made to the profit warning announcement of the Company dated 19 January 2022 and the interim report regarding the performance of the Group for the six months ended 30 June 2021 together with the related information included therein. In addition, the fifth wave of COVID-19 in Hong Kong and the tightened social-distancing rules may also affect the retail business of the Group. As at the Latest Practicable Date, save as disclosed, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated accounts of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Following the lease renewal of Premises, Unicorn is planning for a new renovation for APITA in Year 2022 and Year 2023, in order to provide a modern design and fresh look to our customers. Furthermore, the Group will continue with its store development plan, six new stores were already opened in last year, including a new UNY supermarket opened in MCP Central, Tseung Kwan O, and 5 new household specialty stores “Citilife” in Kowloon and New Territories.

Over the years, efforts have been made to strengthen the information technology infrastructure and to integrate the businesses of Citistore and UNY, so as to enhance their operational synergies and efficiency. A new point of sale (POS) system with self-service cashiers was introduced for UNY in the second half of 2021, which provides greater convenience to customers and shorten the payment process. Moreover, a new centralised distribution centre is expected to commence operation in the first quarter of 2022. This centre will integrate the warehouse and logistic functions for both Citistore and UNY, thereby saving the Group’s logistics costs and enhancing overall efficiency.

The Group’s profit attributable to equity shareholders for the year ended 31 December 2021 is expected to record a substantial decrease as more particularly described in the profit warning announcement of the Company dated 19 January 2022. Despite the local consumption sentiment took a big hit amid the fifth wave of COVID-19 in Hong Kong, the Group will continue to roll out various measures to promote customers’ spending and enhance its operations.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Prudential Surveyors (Hong Kong) Limited, an independent property valuer, in connection with its opinion of market rent of the Premises as at 28 January 2022.



Prudential Surveyors (Hong Kong) Limited
測建行香港有限公司

28 January 2022

The Board of Directors

Henderson Investment Limited

72-76/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Dear Sirs,

Re: All those portions of the first basement to ground floor of the retail and shopping center and podium known as Cityplaza forming part of the development located at Taikoo Shing, Hong Kong Island (the “Property”)

INSTRUCTION

In accordance with the instruction of **Henderson Investment Limited** (the “Company”) for us to carry out market rental valuation of the Property on existing use basis as at 28 January 2022 (“Date of Valuation”) for the purpose of inclusion in a circular to be issued by the Company as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in connection with the leasing of the Property by the Company or its subsidiary, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion on the market rental value of the Property as at the Date of Valuation.

This letter, forming part of our valuation report, identifies the Property being valued, explains the basis and methodology of our valuation and lists out the assumptions and the title investigation we have made in the course of our valuation, as well as the limiting conditions.

BASIS OF VALUATION

Unless otherwise stated, our valuation has been prepared in accordance with the HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council in 2020 and our General Principles of Valuation, and complies with the requirements set out in Chapter 5 of the Listing Rules.

Unless otherwise stated, our valuation is undertaken as External Valuers as defined in the relevant Valuation Standards.

Our valuation of the property interest in the Property is our opinion of the market rent which we would define as intended to mean “the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

The market rent is the best price reasonably obtained in the market by the lessee and the most advantageous price reasonably obtainable in the market by the lessor. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

We have valued the Property by using the Direct Comparison Method assuming leasing of the Property in its existing state with vacant possession. Comparable properties with similar characteristics, facing aspect, size, floor level, location, building facilities and so on are analyzed and carefully weighed against all respective advantages and disadvantages of the Property in order to arrive at a fair comparison of market rent.

VALUATION ASSUMPTIONS AND CAVEATS

Our valuation has also been made on the assumption that the Property are to be leased in the open market without the benefit of deferred terms contracts, joint ventures, management agreements or any similar arrangements that would serve to affect its value. No account has been taken of any option or right of pre-emption concerning or affecting the letting of the Property is assumed in our valuation.

We have assumed that the length of the tenancy agreements is a fixed term of eight years.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation that may be incurred in effecting a sale or letting. Unless otherwise stated, it is assumed that the Property are free from encumbrances, restrictions, and outgoings of an onerous nature that could adversely affect its value.

TITLE INVESTIGATION

We have been shown copies of various documents relating to the property interests and, we have caused searches to be made at the Land Registry. We have not, however, searched the original documents to verify ownership or to verify the existence of any lease amendments. All documents and leases have been used for reference only.

We have not been provided with any legal opinion regarding to the titles to the property interest.

NO CONFLICT OF INTEREST

We hereby confirm that we have neither present nor prospective interests in the Company, the Property and the value reported herein.

INSPECTION OF PROPERTY

An external inspection of the Property was conducted by Mr. Michael C K Lee and Mr. Ng Sai Hee on 30 November 2021.

LIMITING CONDITIONS

No structural survey has been made nor have any tests been carried out on any of the services provided in the Property. We are, therefore, not able to report that the Property are free from rot, infestation or any other structural defects. In the course of our inspection, we did not note any serious defects.

No detailed on-site measurements have been made during our inspection. Dimensions, measurements and areas included in the valuation report attached are based on information contained in the documents available to us and are therefore approximations only.

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, completion dates of buildings, particulars of occupancy, site and floor plans, site and floor areas and other relevant matters in the identification of the Property in which the Company has valid interest. We have not seen original planning consents and have assumed that the Property have been erected and are being occupied and used in accordance with such consents.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information supplied. We considered that we have been provided with sufficient information to reach an informed view and have no reason to suspect that any information has been withheld.

PLANT AND MACHINERY

Our valuation normally includes all plant and machinery that form part of the building services installations. However, processing plant, machinery and equipment which may have been installed wholly in connection with the occupiers' industrial and/or commercial processes, together with furniture and furnishings, tenants' fixtures and fittings are excluded in our valuation.

DECLARATION

We hereby certify, to the best of our knowledge and belief, that:–

- We are an external valuer, independent from the Company and the property owners, their subsidiaries and their jointly controlled entities (collectively, the “Group”) and their respective directors and controlling shareholder and that we do not have any direct or indirect material interests in the securities or assets of the Group, its connected persons, or any associate of the Group and we have no bias with respect to the parties involved.
- We have previous and current involvement with the Company in respect of the Property in the past 24 months from the date of instruction or date of agreement of the engagement, whichever is earlier.

VALUER

This valuation report is prepared by Mr. Michael C K Lee, MRICS, MHKIS(GP), RPS(GP), Associate Director of Prudential Surveyors (Hong Kong) Limited and Mr. Ng Sai Hee, FHKIS, RPS(GP), Chief Consultant of Prudential Surveyors (Hong Kong) Limited.

We confirmed that Mr. Michael C K Lee and Mr. Ng Sai Hee are in the position to provide an objective and unbiased valuation and are competent to undertake the valuation assignment.

REPORT

Our valuation report is attached hereto.

Yours faithfully,

For and on behalf of

PRUDENTIAL SURVEYORS (HONG KONG) LIMITED

Michael C K Lee

MRICS MHKIS(GP) RPS(GP)

Associate Director

Ng Sai Hee

FHKIS RPS(GP)

Chief Consultant

Mr. Michael C K Lee is a Registered Professional Surveyor (GP) with more than 7 years post-qualification experience in valuation of properties in the HKSAR, Macau and mainland China and land matters advisory in Hong Kong. Mr. Lee is also a Member of The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors.

Mr. Ng Sai Hee is a Registered Professional Surveyor (GP) with more than 40 years of post-qualification experience in valuation of properties in the HKSAR, Macau, mainland China and the Asia Pacific Region. Mr. Ng is a Fellow of The Hong Kong Institute of Surveyors.

The address of the Valuer is 3rd Floor, Tung Hip Commercial Building, Nos. 244-252 Des Voeux Road Central, Hong Kong

VALUATION REPORT OF THE PROPERTY

Property	Description and Tenure	Particulars of Occupancy	Market Rent in existing state as at 28 January 2022
<p>All those portions of the first basement to ground floor of the retail and shopping center and podium known as Cityplaza forming part of the development located at Taikoo Shing, Hong Kong Island erected on The Remaining Portion of Subsection 7 of Section Q, The Remaining Portion of Section A of Subsection 2 of Section Q, Section A of Subsection 1 of Section R, The Remaining Portion of Section J, The Remaining Portion of Section R and Subsection 5 of Section K, all of Quarry Bay Marine Lot No. 2 and the Extension thereto</p>	<p>Cityplaza which was completed in 1987 is situated at 18 Taikoo Shing Road, Taikoo Shing, Hong Kong. The subject shopping arcade comprising 6-storey (B1, G/F-5/F) in height has been partitioned into different sizes of retail shops which cater for different kinds of business activities such as accessories, jewellery & optical, banks & services, beauty & personal care, children's wear & kids' accessories, electronic appliances & gadgets, fashion, apparel & shoes, lifestyle & entertainment, major stores, sportswear & equipment, travel & travel accessories, restaurants as well as cinema.</p>	<p>Tenanted and occupied as a department store under the trade name of "APITA", as per our external inspection.</p>	<p>HK\$5,959,000.00 (Hong Kong Dollars Five Million Nine Hundred Fifty-Nine Thousand) per month, (exclusive of government rent, rates, management fee, air-conditioning charges, water, electricity, gas, telephone and other similar charges payable (if any) and the turnover rent).</p>
	<p>MTR Tai Koo Station is accessible via the connecting footbridges on 2/F of the podium to Cityplaza and Cityplaza One.</p>		
	<p>The Property occupies a large portion of an irregular-shaped retail/commercial area on B1/F and G/F having a total lettable area of approximately 118,691 s.f. or thereabouts as advised by the Company.</p>		
	<p>The Property is situated at the Sub-Section 5 of Section K of Quarry Bay Marine Lot No. 2 and the Extension thereto which is held under a Government Lease for a term of 999 years commencing from 18 April 1900. The government rent is HK\$15,123.60 per annum for the Remainder of QBML 2 R.P. & Ext.</p>		

Notes:

1. The registered owner of the Property is Cityplaza Holdings Limited (formerly known as Taikoo Shing Developments Limited) by Re-registration of assignment Memorial No.16012802240234 dated 29 December 2015 vide Memorial No.17030802420357 for a consideration of HK\$250,647,895.00 (PT.).
2. The Property is subject to various incumbrances as follows:–
 - i. Temporary Occupation Permit No. H.K. 20/87 dated 7 July 1987 vide Memorial No. UB3443879 (Remarks: Re-opened area and covered area in commercial centre).
 - ii. Occupation Permit No. H64/89 dated 25 May 1989 vide Memorial No. UB4111210.
 - iii. No-objection letter dated 28 November 2008 vide Memorial No. 09011600540035 (Remarks: from District Lands Office, Hong Kong East, Lands Department).
3. The Property lies within an area zoned “Residential (Group A)1” under Approved Quarry Bay Outline Zoning Plan No. S/H21/28 dated on 17 September 2010. It is stated in the said Outline Zoning Plan that the planning intention of “Residential (Group A)” zone is primarily for high-density residential developments. Commercial uses are always permitted on the lowest three or four floors of a building or in the purpose-designed non-residential portion of an existing building.
4. The Property refers to the coloured Pink area on the floor plan annexed to the Tenancy Agreement dated 27 June 2013, as provided by the Company.
5. The Breakdown of the market rental value of the Property assessed as at the Date of Valuation are as follows:

Shop Unit No.	Saleable Area (sq.ft.)	Market Rental Value as at 28 January 2022
Portion of the B1/F	94,470	HK\$4,903,000
Portion of the G/F	25,510	HK\$1,056,000
	Total:	HK\$5,959,000

6. As advised by the Company, the current lease term and basic rent per month of the shop units are as follows:

Shop Unit No.	Current Lease Term	Basic Rent per month
Portion of the B1/F	1/3/2020-28/2/2022	HK\$4,864,400
Portion of the G/F	1/3/2020-28/2/2022	HK\$1,007,950
	Total:	HK\$5,872,350

7. Assuming the tenancy of the Property commences on the Date of Valuation and is freely disposable and transferable, the capitalized value of the market rent under an eight-year tenancy is HK\$481,000,000. We have adopted a capitalization rate of 4%, which is estimated by reference to the yield generally expected by the market for comparable properties of similar use type. The adopted capitalization rate implicitly reflects the type and quality of the Property, the expectation of the potential future rental growth, capital appreciation and relevant risk factors, and is, in our opinion, reasonable and in line with the market norm having regard to the analysed transactions of the relevant use type.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**(a) Directors' interests**

As at the Latest Practicable Date, other than the interests the disclosure of which have been waived by the Stock Exchange as referred to below, the interests and short positions of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO or which were notified to or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Ordinary Shares (unless otherwise specified)***Long Positions***

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
The Company	Lee Ka Kit	1				2,110,868,943	2,110,868,943	69.27
	Lee Ka Shing	1				2,110,868,943	2,110,868,943	69.27
	Li Ning	1		2,110,868,943			2,110,868,943	69.27
HLD	Lee Ka Kit	2				3,509,782,778	3,509,782,778	72.50
	Lee Ka Shing	2				3,509,782,778	3,509,782,778	72.50
	Li Ning	2		3,509,782,778			3,509,782,778	72.50
Miramar Hotel and Investment Company, Limited	Lee Ka Kit	3				345,999,980	345,999,980	50.08
	Lee Ka Shing	3				345,999,980	345,999,980	50.08
	Li Ning	3		345,999,980			345,999,980	50.08

*Ordinary Shares (unless otherwise specified) (continued)**Long Positions*

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Development Limited	Lee Ka Kit	4				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	4				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	5				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	4				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	4				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	5				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Li Ning	4		8,190 (Ordinary A Shares)			8,190 (Ordinary A Shares)	100.00
	Li Ning	4		3,510 (Non-voting B Shares)			3,510 (Non-voting B Shares)	100.00
	Li Ning	5		15,000,000 (Non-voting Deferred Shares)			15,000,000 (Non-voting Deferred Shares)	30.00

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), other than the interests which Dr. Lee Ka Kit, Mr. Lee Ka Shing and Mr. Li Ning were taken or deemed under Part XV of the SFO to have in unlisted associated corporations of the Company which were solely derived from their interests or deemed interests in Henderson Development Limited (“**HD**”), HLD, Miramar Hotel and Investment Company, Limited and/or the Company, in respect of which an application for waiver from strict compliance with the disclosure requirements under Rule 14.66(3) of the Listing Rules and paragraphs 38(1) and 38(1A) of Appendix 1B to the Listing Rules has been made to, and granted by, the Stock Exchange.

(b) Directors' interests in assets of the Group

As at the Latest Practicable Date, save for the interests of the Directors as described in paragraph 2(c) below, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2020 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

(c) Directors' interests in contracts of the Group

Save for the interests of the Directors in:

- (i) the framework agreement entered into between the Company and HLD as disclosed in the circular of the Company dated 17 October 2014 setting out the framework within which tenancies and licences of premises to be granted by subsidiaries of HLD to the Group and the tenancy and licence agreements entered thereunder, through their interests in the shares of HLD mentioned above;
- (ii) the master agreement entered into between the Company and a subsidiary of HLD as disclosed in the announcement of the Company dated 9 June 2020 in relation to the provision of cleaning services to members of the Group and the agreements entered into thereunder, through their interests in the shares in HLD mentioned above; and
- (iii) the master agreement entered into between the Company and HLD as disclosed in the announcement of the Company dated 9 June 2020 in relation to the purchase of gift certificates by HLD and its associates (other than the Group) from members of the Group and the agreements entered into thereunder, through their interests in the shares in HLD mentioned above,

none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

(d) Substantial shareholders' and others' interests

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (not being Directors or the chief executive of the Company), had an interest or short position in the Shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long Positions	No. of Shares in which interested	% Interest
Substantial Shareholders:		
Lee Shau Kee (<i>Note 1</i>)	2,110,868,943	69.27
Rimmer (Cayman) Limited (<i>Note 1</i>)	2,110,868,943	69.27
Riddick (Cayman) Limited (<i>Note 1</i>)	2,110,868,943	69.27
Hopkins (Cayman) Limited (<i>Note 1</i>)	2,110,868,943	69.27
HD (<i>Note 1</i>)	2,110,868,943	69.27
HLD (<i>Note 1</i>)	2,110,868,943	69.27
Kingslee S.A. (<i>Note 1</i>)	2,110,868,943	69.27
Banshing Investment Limited (<i>Note 1</i>)	843,249,284	27.67
Markshing Investment Limited (<i>Note 1</i>)	602,398,418	19.77
Covite Investment Limited (<i>Note 1</i>)	363,328,900	11.92
Person other than Substantial Shareholders:		
Gainwise Investment Limited (<i>Note 1</i>)	217,250,000	7.13

(e) Directorships and employment of the Directors with companies having discloseable interests

As at the Latest Practicable Date, so far as was known to the Directors, the Directors who were directors or employees of companies which had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Company	Name of Director	Post held
Rimmer (Cayman) Limited	Lee Ka Shing	Director
	Lee Ka Kit	Director
	Lam Ko Yin, Colin	Director
Riddick (Cayman) Limited	Lee Ka Shing	Director
	Lee Ka Kit	Director
	Lam Ko Yin, Colin	Director

Company	Name of Director	Post held
Hopkins (Cayman) Limited	Lee Ka Shing	Director
	Lee Ka Kit	Director
	Lam Ko Yin, Colin	Director
HD	Lee Ka Shing	Director
	Lee Ka Kit	Director
	Lam Ko Yin, Colin	Director and Alternate Director
HLD	Lee Ka Shing	Director
	Lee Ka Kit	Director
	Lam Ko Yin, Colin	Director
	Kwong Che Keung, Gordon	Director
	Ko Ping Keung	Director
	Wu King Cheong	Director
	Au Siu Kee, Alexander	Director
Banshing Investment Limited	Lee Ka Shing	Director
	Lam Ko Yin, Colin	Director
Markshing Investment Limited	Lee Ka Shing	Director
	Lam Ko Yin, Colin	Director
Covite Investment Limited	Lee Ka Shing	Director
	Lam Ko Yin, Colin	Director
Gainwise Investment Limited	Lee Ka Shing	Director
	Lam Ko Yin, Colin	Director

Notes:

- Of these Shares, 843,249,284 Shares, 602,398,418 Shares, 363,328,900 Shares, 217,250,000 Shares and 84,642,341 Shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which was 100% held by HLD which in turn was 72.44% held by HD. Hopkins (Cayman) Limited (“**Hopkins**”) as trustee of a unit trust (the “**Unit Trust**”) owned all the issued ordinary shares of HD. Rimmer (Cayman) Limited (“**Rimmer**”) and Riddick (Cayman) Limited (“**Riddick**”), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr. Lee Shau Kee. Dr. Lee Shau Kee was taken to be interested in these Shares by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these Shares by virtue of the SFO. As Director and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these Shares by virtue of the SFO.

2. Of these shares, (i) 1,450,788,868 shares were owned by HD; (ii) 475,801,899 shares were owned by Richbond Investment Limited which was a wholly-owned subsidiary of HD; (iii) 371,145,414 shares were owned by Cameron Enterprise Inc.; 797,887,933 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 152,897,653 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 140,691,961 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 117,647,005 shares were owned by Spreadral Limited which was wholly-owned by World Crest Ltd.; and Cameron Enterprise Inc., South Base Limited, Jayasia Investments Limited, Mei Yu Ltd. and World Crest Ltd. were wholly-owned subsidiaries of Yamina Investment Limited which in turn was 100% held by HD; and (iv) 2,922,045 shares were owned by Fu Sang Company Limited (“*Fu Sang*”). Hopkins as trustee of the Unit Trust owned all the issued ordinary shares of HD as set out in Note 1 and Fu Sang. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As Director and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.
3. Of these shares, 120,735,300 shares, 128,658,680 shares and 96,606,000 shares were respectively owned by Higgins Holdings Limited, Multiglade Holdings Limited and Threadwell Limited, all of which were wholly-owned subsidiaries of Aynbury Investments Limited which in turn was 100% held by HLD. As Directors and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in HLD as set out in Note 2 and these shares by virtue of the SFO. As Director and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in HLD as set out in Note 2 and these shares by virtue of the SFO.
4. These shares were held by Hopkins as trustee of the Unit Trust.
5. These shares were held by Fu Sang.

3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors and their respective close associates had any interest in a business which competes or is likely to compete, whether directly or indirectly, with the business of the Group.

5. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

Name	Qualification
Prudential Surveyors (Hong Kong) Limited	Independent property valuer

As at the Latest Practicable Date, Prudential Surveyors (Hong Kong) Limited did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Prudential Surveyors (Hong Kong) Limited did not have any direct or indirect interest in any assets which had been since 31 December 2020 (being the date to which the latest published audited consolidated accounts of the Company were made up) acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group.

Prudential Surveyors (Hong Kong) Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinions, letters or reports and the references to its name, in the form and context in which they respectively appear.

7. MATERIAL CONTRACTS

The Group did not enter into any contract which was or might be material other than those entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries within the two years immediately preceding and including the Latest Practicable Date.

8. GENERAL

- (a) The company secretary of the Company is Mr. Liu Cheung Yuen, Timon, B.Ec., F.C.P.A., C.A.(Aust.), H.K.F.C.G, F.C.G.
- (b) The registered office of the Company is situated at 72-76/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong.
- (c) The share registrar of the Company is Tricor Standard Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text to the extent of any inconsistency.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Company's website at www.hilhk.com and the website of the Stock Exchange at www.hkexnews.hk for a period of 14 days from the date of this circular:

- (a) the Offer to Lease;
- (b) the valuation report prepared by Prudential Surveyors (Hong Kong) Limited, the text of which is set out in Appendix II to this circular; and
- (c) the written consent referred to in the section headed "Expert and Consent" of this appendix.

