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VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

PROPOSED ACQUISITION OF COMPANIES IN RETAILING BUSINESS

Financial adviser to the Company



On 5 September 2014, HLD entered into the Acquisition Agreement with the Purchaser (a wholly-owned subsidiary of the Company), pursuant to which HLD agreed to sell, and the Purchaser agreed to purchase, the Sale Share for a consideration of HK\$934,500,000. Subject to the fulfilment of the Conditions Precedent, under the Acquisition the Group will acquire the Target Group which is principally engaged in the operation of department stores in Hong Kong under the name “Citistore”.

The Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. Further, as HLD is the controlling shareholder and holding company of the Company and thus its connected person, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Acquisition is therefore subject to the reporting, announcement and independent shareholders’ approval requirements under Chapters 14 and 14A of the Listing Rules.

A circular containing, among other things, further information on the Acquisition, a letter of advice from an independent financial adviser to the Independent Shareholders and a notice of the EGM to be convened to approve, among other things, the Acquisition, is expected to be despatched by the Company to the Shareholders on or before 17 October 2014.

Completion of the Acquisition is conditional upon all the Conditions Precedent being fulfilled (or waived, if applicable), and the Acquisition may or may not proceed. In particular, the approval of the Acquisition by the Independent Shareholders at the EGM may or may not be obtained. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE ACQUISITION AGREEMENT

Date

5 September 2014

Parties

Vendor : HLD, the controlling shareholder and holding company of the Company

Purchaser : the Purchaser, a wholly-owned subsidiary of the Company

Interest to be acquired by the Group

The Acquisition comprises the acquisition by the Purchaser of the Sale Share from HLD. The Sale Share represents the entire issued share capital of Camay, and the Target Group comprises Camay and its subsidiaries as at Completion, namely, Citistore HK and Puretech.

Consideration

The Consideration for the acquisition of the Sale Share, in the sum of HK\$934,500,000, will be payable by the Purchaser to HLD at Completion. The Consideration will be payable in cash, or if elected by the Purchaser, all or part of the Consideration may also be settled by the Purchaser by way of issuing at Completion a promissory note in favour of HLD for such part of the Consideration elected to be so settled, such promissory note to be unsecured and repayable by 31 December 2014 (or such other dates as may be agreed between the parties) and bearing interest at the rate of HIBOR for one-month period plus 0.84% per annum.

The Consideration was determined after arm's length negotiations between HLD and the Purchaser, taking into consideration the historical financial performance of the Target Group. The Consideration is expected to be financed by internal resources of the Group and/or bank financing.

Conditions Precedent

Completion is conditional upon the fulfilment (or waiver, in certain cases as stated below) of the following conditions precedent:

- (a) the approval by the Independent Shareholders at an EGM of:
 - (i) the Acquisition Agreement and the transactions contemplated under the Acquisition Agreement; and
 - (ii) the continuing connected transactions of the Company that may arise as a result of the Completion and the annual caps for such transactions as may be required under Chapter 14A of the Listing Rules;

- (b) there having been no material breach of the representations, warranties and undertakings in or any term of the Acquisition Agreement by HLD; and
- (c) the obtaining of all other relevant third party consents, permits, approvals, authorisations and waivers as are necessary or appropriate for the entering into and consummation of the transactions contemplated under the Acquisition Agreement.

The Purchaser may at any time waive the Conditions Precedent set out in (b) and (c) above either in whole or in part, and such waiver may be made subject to such terms and conditions as the Purchaser may require.

If any Condition Precedent has not been fulfilled (or waived, if applicable) on or before 31 March 2015 (or such later date as otherwise agreed between the parties in writing), the Acquisition Agreement will terminate and be of no further effect, and no party will have any liability to the other party under or in connection with the Acquisition Agreement, save in respect of any antecedent breach.

Warranties and indemnities

Representations and warranties in respect of the Target Group (including those in relation to title to assets and inventories, financial and tax matters, record keeping, business operations, compliance with laws and certain other representations and warranties commonly included in similar transactions) have been given by HLD under the Acquisition Agreement.

A deed of tax covenant will be entered into among HLD, the Purchaser and the Target Group at Completion, pursuant to which HLD will indemnify the Purchaser and the Target Group in respect of certain tax liabilities of the Target Group, including those tax liabilities relating to events occurring on or before Completion.

Completion

Completion is to take place on the third Business Day after the fulfilment (or, where applicable, waiver) of all the Conditions Precedent (or such other date as agreed between the parties in writing). Subject to the Conditions Precedent having been fulfilled (or, where applicable, waived), Completion is expected to take place before the end of December 2014.

INFORMATION ON THE TARGET GROUP

The principal business activity of Camay is investment holding. Camay is the holding company of Citistore HK and certain other subsidiaries.

Citistore HK is principally engaged in the retailing business in Hong Kong, with an emphasis on department store operations. Currently, it operates six department stores under the name “Citistore” and a specialty store under the name “id:c” in Hong Kong. The six department stores are located in Tsuen Wan, Yuen Long, Ma On Shan, Tseung Kwan O, Tai Kok Tsui and Tuen Mun, and the specialty store is located in Tsim Sha Tsui. Certain trademarks registered in Hong Kong and in the PRC related to the retailing business of Citistore HK are held by Citistore HK and Puretech.

The principal business activity of Puretech is the holding of trademark.

Set out below is certain financial information in relation to the Target Group based on the unaudited combined accounts of the Target Group:

	For the year ended	
	31 December 2013	31 December 2012
	HK\$ million	HK\$ million
Net profit before tax and extraordinary items	160	148
Net profit after tax and extraordinary items	133	123

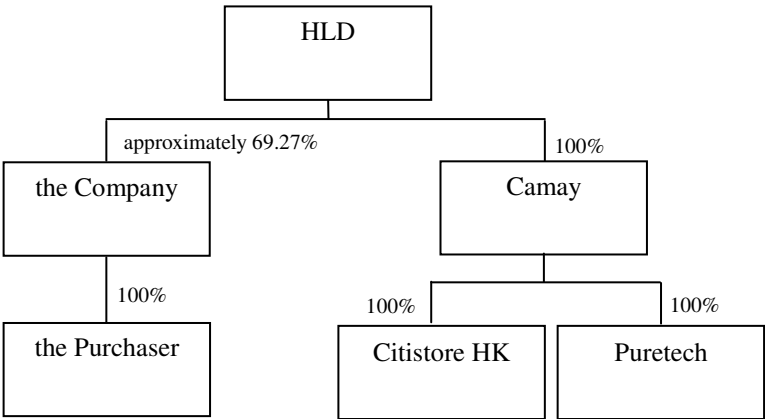
The net asset value of the Target Group as at 30 June 2014 (based on the unaudited combined accounts of the Target Group for the six months ended 30 June 2014) amounted to approximately HK\$15.8 million.

Under the Acquisition Agreement, HLD may arrange for Camay and Citistore HK to declare and pay dividends out of their respective retained earnings prior to Completion.

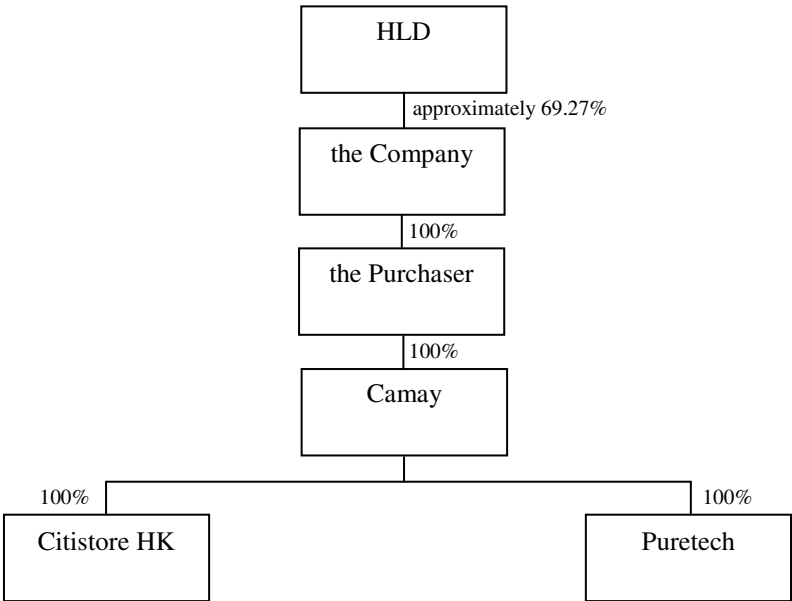
Upon Completion, members of the Target Group will become subsidiaries of the Company and the financial results of the Target Group will be consolidated into the Group’s financial statements.

SHAREHOLDING STRUCTURE BEFORE AND AFTER COMPLETION

Under the Acquisition Agreement, Camay and its subsidiaries will undergo a restructuring prior to Completion, under which all subsidiaries of Camay except Citistore HK and Puretech will be transferred out of Camay so as to form the shareholding structure immediately prior to Completion as shown in the simplified shareholding structure chart below:



The shareholding structure of the Target Group immediately after Completion is expected to be as set out in the simplified chart below:



REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board believes the reasons for and the benefits of the Acquisition are as follow:

1. Diversification of the existing portfolio of the Group

Infrastructure investment in the PRC currently represents the only business of the Group. Due to the on-going arbitration case as mentioned below, the Group has not been recognising revenue since 20 March 2012. The Acquisition will enable the Group to diversify its business and revenue sources, thereby enhancing its resilience to fluctuations in the business environment.

2. Acquisition of a business with established market position

The business of Citistore HK comprises a Hong Kong-based retail chain with six department stores operating under the name “Citistore” and one specialty store operating under the name “id:c”.

All six “Citistore” department stores are located in established residential districts and focus on daily household needs. These stores offer a diversified range of apparel, furniture, appliances and household products, which enable customers to enjoy the convenience of a one-stop shopping experience for a wide variety of products at reasonable and competitive prices.

The “id:c” specialty store of Citistore HK offers an attractive collection of apparel brands from Japan. With the strategic store location at the heart of Tsim Sha Tsui, a key tourists shopping area, the store is well-positioned to target demand from local shoppers and tourists.

With almost 20 years of operating track record, the retailing business of the Target Group has built a strong brand that is trusted among the consuming public in Hong Kong.

3. *Strategically located retail network with a proven track record of stable growth and profitability*

Leveraging on almost 20 years of retail operating experience and in-depth understanding of the consumer spending habits as well as characteristics of each of the districts that they serve, the stores of the Target Group are strategically located to balance convenience to their customers and cost efficiency. Many of the product offerings are affordable household necessities for which demand does not fluctuate significantly regardless of changes in the overall market conditions. The Target Group has therefore been able to achieve sustained growth in sales, with year-on-year growth rate of 7.7% and 5.6% for the financial years ended 31 December 2012 and 2013 respectively.

By optimizing the merchandize mix to best serve the daily household needs of the target consumers and launching targeted marketing campaigns, the Target Group has been able to achieve consistent improvements in profitability, with EBITDA margins of 20.5%, 21.0% and 22.1% for the financial years ended 31 December 2011, 2012 and 2013 respectively.

The Acquisition is therefore made with a view to bringing in incremental stable earnings and cashflow stream for the Group.

4. *Well-positioned to capture future growth opportunities through the Group's listed platform*

After the Completion, the Target Group will represent the largest business of the Group and is expected to benefit from renewed management focus. With access to capital markets financing through its listed platform, the Group intends to continue to leverage the recognition of the names "Citistore" and "id:c" and the strong relationship with brand owners to continue rolling out new stores to solidify Citistore HK's presence in the Hong Kong retail market. The Group will also continue to introduce new products and product categories at the stores in order to capture additional market opportunities and to expand its customer base.

The Board considers that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules as at least one of the percentage ratios in respect of the Acquisition exceeds 100%. Further, as HLD is the controlling shareholder and holding company of the Company, and thus a connected person of the Company, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Acquisition is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

An EGM of the Company will be convened to obtain the approval of, among other things, the Acquisition by the Independent Shareholders. An independent financial adviser will be appointed by the Company to advise the Independent Shareholders in connection with, among other things, the Acquisition. As all independent non-executive Directors are also independent non-executive directors of HLD, they are considered not to be independent to advise the Independent Shareholders on the terms of the Acquisition and on how to vote on the resolution to be proposed at the EGM for the approval of the Acquisition. Therefore, no independent board committee of the Company will be formed to make recommendations to the Independent Shareholders in connection with the Acquisition.

Leasing and licensing arrangements of Citistore HK with the HLD Group, the HK Ferry Group and the Miramar Group

The Target Group does not own any real estate. Currently, tenancy and licence agreements have been entered into between certain members of the HLD Group, the HK Ferry Group and the Miramar Group, as landlords and/or licensors, and Citistore HK, as tenant or licensee, in relation to the leasing of the stores and office spaces of the business operations of Citistore HK and the licensing of signages at the locations of its stores.

Following Completion, Citistore HK will become a subsidiary of the Company. Since HLD is the controlling shareholder and holding company of the Company and each of HK Ferry and Miramar is an associate of HLD, the existing tenancy agreements and licence agreements of Citistore HK with members of the HLD Group, the HK Ferry Group and the Miramar Group (as well as other tenancy and licence agreements which may from time to time be entered into by Citistore HK with those groups) will constitute continuing connected transactions of the Group under the Listing Rules following Completion.

It is anticipated that discussion will take place as soon as practicable between relevant parties as to the post-Completion leasing and licensing arrangements of Citistore HK. The Company intends to obtain from the Independent Shareholders the approval of the continuing connected transactions of the Company that may arise as a result of the leasing and licensing arrangements following Completion and the annual caps for such transactions as may be required under Chapter 14A of the Listing Rules, and will comply with the applicable requirements under Chapter 14A of the Listing Rules in relation to the leasing and licensing arrangements.

INTENDED LEVEL OF DIVIDENDS FOLLOWING COMPLETION

If the Acquisition becomes unconditional and is completed, the Board intends to recommend the payment of dividends amounting to no less than HK 4 cents per Share for each financial year, for a period of three financial years starting from the year during which Completion takes place (which will be the financial years ending 31 December 2014, 2015 and 2016, if Completion takes place before the end of December 2014 as currently expected).

GENERAL INFORMATION

Principal Business Activities of HLD

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

Principal Business Activities of the Group

The principal business activities of the Group are investment holding and infrastructure. The core asset of the Group is its 60% interest in Hangzhou Qianjiang Third Bridge in Zhejiang Province.

As previously announced by the Company on various occasions, commencing from 20 March 2012, payment of the toll fee in respect of Hangzhou Qianjiang Third Bridge to a joint venture company of the Group was provisionally suspended, notwithstanding that the operating right granted to the joint venture company is for a period of 30 years from 20 March 1997 and the toll fee collection agreement signed with the joint venture company in 2004. Consequential upon the failure of the relevant authority to put forward any formal proposal or compensation offer regarding the toll fee collection right, for the sake of prudence, the toll revenue commencing from 20 March 2012 has not been recognized in the accounts of the Group.

On 17 September 2012, the joint venture company filed an arbitration application with China International Economic and Trade Arbitration Commission in relation to the toll fees of Hangzhou Qianjiang Third Bridge. Arbitration proceedings commenced on 14 April 2014 but no conclusion has been reached. The arbitration tribunal considered that both parties should pursue further negotiations to seek a settlement plan and the joint venture company has written to Hangzhou Municipal People's Government accordingly. In July 2014, the arbitration tribunal requested both parties to submit their own settlement plans and a meeting was scheduled to take place in Hangzhou in mid-September 2014 for the purpose of mediation. Such meeting has now been adjourned to a date to be fixed.

For further details in relation to the toll fee collection right in respect of Hangzhou Qianjiang Third Bridge and the arbitration proceedings, please refer to the 2014 interim results announcement of the Company dated 26 August 2014, and previous annual and interim reports and relevant announcements of the Company.

The Group will follow up closely with the development of the arbitration case and continue to pursue further negotiations with the relevant PRC authority with a view to achieving a settlement that is in the interest of the Group and its shareholders as a whole.

There is no certainty as to the final outcome of the arbitration proceedings. If the Acquisition becomes unconditional and is completed, and the arbitration proceedings confirm the joint venture company's toll fee collection right in Hangzhou Qianjiang Third Bridge, the Company intends to continue with the Group's infrastructure business in relation to the bridge,

together with the department store business of the Target Group. On the other hand, if the Group ceases to have an economic interest in Hangzhou Qianjiang Third Bridge, the Company intends to run the department store business through the Target Group after the completion of the Acquisition, and will in any event consider other investment opportunities as and when they arise, including investments in the infrastructure business if there are suitable opportunities. If and only if the joint venture company's toll fee collection right in Hangzhou Qianjiang Third Bridge is confirmed and toll fee payment is resumed, recognition of toll revenue will resume in the accounts of the Group.

Despatch of Circular

A circular containing, among other things, further information on the Acquisition, the letter of advice from the independent financial adviser to the Independent Shareholders and the notice of the EGM is expected to be despatched by the Company to the Shareholders on or before 17 October 2014. The circular is expected to be despatched more than 15 business days after the publication of this announcement as more time will be needed for the preparation of certain sections and reports to be included, including the accountants' report and certain other financial information.

Important:

Completion of the Acquisition is conditional upon all the Conditions Precedent being fulfilled (or waived, if applicable), and the Acquisition may or may not proceed. In particular, the approval of the Acquisition by the Independent Shareholders at the EGM may or may not be obtained. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the acquisition by the Purchaser of the Sale Share pursuant to the Acquisition Agreement;
“Acquisition Agreement”	the conditional agreement dated 5 September 2014 entered into between HLD and the Purchaser in relation to the Acquisition;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day”	a day (other than Saturday, Sunday, public holiday, or a day on which a tropical cyclone signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong) on which banks in Hong Kong are generally open for business;

“BVI”	the British Virgin Islands;
“Camay”	Camay Investment Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of HLD;
“Citistore HK”	Citistore (Hong Kong) Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Camay;
“Company”	Henderson Investment Limited (恒基兆業發展有限公司), a limited liability company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 97);
“Completion”	the completion of the Acquisition in accordance with the terms of the Acquisition Agreement;
“Conditions Precedent”	the conditions precedent the fulfilment (or, where applicable, waiver) of which the Acquisition is subject to, as described in the section headed “ <i>The Acquisition Agreement – Conditions Precedent</i> ” in this announcement;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the consideration payable by the Purchaser in respect of the Acquisition under the Acquisition Agreement;
“Director(s)”	the director(s) of the Company;
“EBITDA”	earnings before finance cost, income tax, depreciation and amortisation;
“EGM”	an extraordinary general meeting of the Company to be convened to approve, among other things, the Acquisition;
“Group”	the Company and its subsidiaries;
“HK Ferry”	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);
“HK Ferry Group”	HK Ferry and its subsidiaries;
“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 limited liability company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 12);
“HLD Group”	HLD and its subsidiaries (excluding the Group and the Target Group);
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Shareholders”	the Shareholders other than those that are required under the Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Miramar”	Miramar Hotel and Investment Company, Limited (美麗華酒店企業有限公司), a limited liability company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 71);
“Miramar Group”	Miramar and its subsidiaries;
“PRC”	People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan;
“Purchaser”	Newmarket International Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company;
“Puretech”	Puretech Investment Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Camay;
“Sale Share”	one share of Camay, representing the entire issued share capital of Camay;
“Shareholders”	holders of the Shares;
“Shares”	the shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Target Group” Camay and its subsidiaries as at Completion, namely, Citistore HK and Puretech;

“%” per cent.

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 5 September 2014

As at the date of this announcement, the Board comprises: (1) executive directors: Lee Shau Kee (Chairman), Lee Ka Kit, Lam Ko Yin, Colin, Lee Ka Shing and Lee Tat Man; and (2) independent non-executive directors: Kwong Che Keung, Gordon, Ko Ping Keung, Wu King Cheong and Leung Hay Man.