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興勝創建控股有限公司

HANISON CONSTRUCTION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 896)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
THE DISPOSAL OF 50% INTEREST IN
EXCESS WONDER LIMITED**

THE DISPOSAL

The Board is pleased to announce that on 30 July 2021, the Vendor (a direct wholly-owned subsidiary of the Company) and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which (a) the Vendor agreed to sell and the Purchaser agreed to purchase 50% of all the issued shares of the Target Company (i.e. the Sale Share), the Target Company being a wholly-owned subsidiary of the Vendor prior to Completion, and (b) the Purchaser agreed to procure the repayment of 50% of the shareholder's loan(s) owing by the Target Company to the Vendor as at the Completion Date (i.e. the Shareholder's Loan), at the aggregate consideration of HK\$305,000,000 (subject to adjustment).

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio for the Company in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

The joint venture arrangement in respect of the Target Company, being a single purpose vehicle to indirectly hold and develop the Property for sale, was, among other things, made on an arm's length basis on normal commercial terms and accordingly, the formation of joint venture is exempt from reporting, announcement and shareholders' approval requirements under Rule 14.04(1)(f) of the Listing Rules.

Completion of the Disposal is subject to the satisfaction or waiver of various Conditions Precedent and therefore the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

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The Board is pleased to announce that on 30 July 2021, the Vendor (a direct wholly-owned subsidiary of the Company) and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which (a) the Vendor agreed to sell and the Purchaser agreed to purchase 50% of all the issued shares of the Target Company (i.e. the Sale Share), the Target Company being a wholly-owned subsidiary of the Vendor prior to Completion, and (b) the Purchaser agreed to procure the repayment of 50% of the shareholder's loan(s) owing by the Target Company to the Vendor as at the Completion Date (i.e. the Shareholder's Loan), at the aggregate consideration of HK\$305,000,000 (subject to adjustment).

The Sale and Purchase Agreement

Date

30 July 2021

Parties

- (i) the Vendor, a direct wholly-owned subsidiary of the Company, as the vendor
- (ii) the Purchaser, an indirect wholly-owned subsidiary of AEW Value Investors Asia IV, LP. (a closed-end private equity fund established in Luxembourg), as the purchaser

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, each of the Purchaser, AEW Value Investors Asia IV, LP., its investment manager and general partner is a third party independent of the Company and its connected persons.

Subject Matter

The Sale Share represents 50% of all the issued shares of the Target Company prior to Completion. The Target Company indirectly holds 100% legal and beneficial ownership of the Property. The Property shall be delivered on an "as-is" basis.

The Purchaser also agreed to procure the repayment of the Shareholder's Loan.

Consideration

The Consideration payable by the Purchaser under the Sale and Purchase Agreement is HK\$305,000,000 (subject to adjustment) plus 50% of such amount of all professional fees (other than those incurred in connection with obtaining the approval from the Town Planning Board) paid to consultants and all construction costs paid to contractors in respect of the redevelopment of the Property already or to be expended by the Target Group up to Completion and shall be apportioned as follows:

- (a) an amount equal to the face value of the Shareholder's Loan shall be applied for the repayment of the Shareholder's Loan; and
- (b) the remaining balance of the Consideration (after adjustment) shall be applied as cash consideration for the Sale Share.

The Consideration has been/shall be paid in the following manner:

- (a) an amount equal to HK\$30,500,000 being the deposit has been paid to the Vendor's solicitors as escrow agent upon execution of the Sale and Purchase Agreement; and
- (b) the remaining balance of the Consideration (after adjustment) plus 50% of such amount of all professional fees (other than those incurred in connection with obtaining the approval from the Town Planning Board) paid to consultants and all construction costs paid to contractors in respect of the redevelopment of the Property already or to be expended by the Target Group up to Completion shall be paid at Completion.

Adjustment to the Consideration

For the purpose of carrying out the Completion, the initial Consideration shall be adjusted upward by 50% of the amount of the NAV as set out in the pro forma Completion Accounts (if it is a positive amount) or downward by 50% of the amount of the NAV as set out in the pro forma Completion Accounts (if it is a negative amount).

Subject to and following Completion, the Vendor shall deliver the provisional Completion Accounts audited by the auditor to the Purchaser not later than 45 business days after Completion Date. The final adjustment of the Consideration shall be paid by the Purchaser or the Vendor (as the case may be) within 15 business days after agreement or determination of the Completion Accounts:

- (a) there shall be added to the Consideration 50% of the amount (if any) by which the NAV (determined by reference to the Completion Accounts) is more than the NAV (determined by reference to the pro forma Completion Accounts); or
- (b) there shall be deducted from the Consideration 50% of the the amount (if any) by which the NAV (determined by reference to the Completion Accounts) is less than the NAV (determined by reference to the pro forma Completion Accounts).

The Consideration was determined and arrived at after arm's length negotiation between the Vendor and the Purchaser, having taken into account the offer prices of comparable industrial properties in nearby locations and the face value of the Shareholder's Loan.

Conditions Precedent

Completion is subject to the satisfaction or waiver of Conditions Precedent as stated in the Sale and Purchase Agreement. The Conditions Precedent include, among others, the following:

- (a) the Project Company being able to show and give title to the Property in accordance with sections 13 and 13A of the Conveyancing and Property Ordinance;
- (b) the fundamental warranties remaining true, accurate and not misleading in all respects before and on the Completion Date;
- (c) the relevant approval from the Town Planning Board for the planning permission for redevelopment of the Property remaining valid and subsisting on the Completion Date and there being no circumstance which may render such approval being revoked;

- (d) the Project Company having drawdown a tranche A bank loan in the amount of HK\$244,000,000; and
- (e) the sale and purchase contemplated under the Sale and Purchase Agreement being transacted in accordance with the requirements under the Listing Rules to the extent they apply.

Pre-closing Undertakings and Warranties

The Vendor has given certain customary pre-closing undertakings in relation to the state of affairs of the Target Group for agreement of similar nature and size in the Sale and Purchase Agreement. In addition, the Vendor has given certain customary warranties in relation to the Target Group, the Property, the Sale Share and the Shareholder's Loan for agreement of similar nature and size in the Sale and Purchase Agreement.

Completion

Subject to all of the Conditions Precedent being satisfied (or waived by the Purchaser), Completion will take place on the Completion Date, currently set on 30 December 2021. If any of the Conditions Precedent has not been satisfied by the Vendor or waived by the Purchaser on or before the Completion Date, unless the Vendor and the Purchaser otherwise agree in writing, the Sale and Purchase Agreement shall forthwith be terminated on the date originally set for Completion.

Upon Completion, each member of the Target Group will be recorded and accounted for as a joint venture in the Company's financial statements and cease to be a subsidiary of the Company.

SHAREHOLDERS' ARRANGEMENTS

Pursuant to the Sale and Purchase Agreement, the Vendor, the Purchaser and the Target Company will also enter into a shareholders' agreement with respect to the Target Group at Completion.

Shareholders' Agreement

Board composition

The board of directors of the Target Company shall comprise a maximum of four directors and each of the Vendor and the Purchaser shall nominate two directors. The right to appoint the chairman of the board of directors of the Target Company shall vest in the Vendor and the Purchaser in alternate years, with such right vesting in the Vendor for the first year. The chairman shall not be entitled to a second or casting vote in board meeting.

The principal roles of the board of directors of the Target Company are making decisions relating to the business of the Target Group and all other matters of the Target Company. All board resolutions of the Target Company shall be passed by a simple majority, save for resolutions related to certain reserved matters as set out in the shareholders' agreement (including any change in the nature or scope of the business of the Target Group, and where any member of the Target Group proposes to enter into any transactions which are not on an arm's length basis) which shall be unanimously approved.

Funding

The Target Company will finance its operation by way of external financings and/or unsecured shareholders' loan(s) provided by the Purchaser and the Vendor on a pro-rata and interest-free basis.

Restrictions on transfer and exit option

Unless otherwise provided in the shareholders' agreement, each party shall be subject to certain transfer restrictions (including a right of first offer, tag-along right and drag-along right) in a proposed transfer of its equity interests in the Target Company.

In the event of the occurrence of any events of default, including material breach, liquidation and/or insolvency events, and a change in control of any shareholder of the Target Company, the defaulting shareholder shall be deemed to have irrevocably offered to sell all of its shares in and shareholder's loan provided to the Target Company to the non-defaulting shareholder.

Other arrangements

The Target Group shall enter into services agreements with certain indirect wholly-owned subsidiaries of the Company, pursuant to which the Target Group shall engage these subsidiaries to provide project management services, marketing management services, property management services and management contractor services in respect of the development project of the Property.

INFORMATION OF THE TARGET GROUP AND THE PROPERTY

The Target Company was established in 22 March 2018 and is the holding company of the Project Company, which in turn is the registered owner of the Property, and is solely engaged in the holding and redevelopment of the Property named "MINIBOX TOWER". The Property is located at No.18 Lee Chung Street, Hong Kong with a site area of approximately 6,685 square feet. The Project Company has obtained relevant approval from the Town Planning Board for the planning permission for redevelopment of the Property at a non-domestic plot ratio not exceeding 20% more than the maximum development density permitted under the relevant statutory town plans of the Property. The maximum gross floor area allowed after the redevelopment of the Property is approximately 96,264 square feet. The Property is vacant as at the date of the announcement.

Set out below is the unaudited consolidated financial information of the Target Company as at 31 March 2020 and 31 March 2021:

	For the year ended	
	31 March	
	2020	2021
	(HK\$'000)	(HK\$'000)
Net profit/(loss) before taxation and extraordinary items	11,071	(7,180)
Net profit/(loss) after taxation and extraordinary items	11,662	(5,437)

The unaudited total consolidated asset value and the unaudited consolidated net assets of the Target Company as at 31 March 2021 are HK\$752,574,000 and HK\$6,225,000 respectively.

INFORMATION OF THE COMPANY AND THE VENDOR

The principal business activity of the Company is investment holding. Its subsidiaries are principally engaged in construction, interior and renovation works, supply and installation of building materials, property investment, property development, provision of property agency and management services, and sale of health products.

The Vendor is an investment holding company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company. Immediately before Completion, the Vendor holds the entire interest in the Target Company.

INFORMATION OF THE PURCHASER

The Purchaser is an investment holding company incorporated in the British Virgin Islands, which is an indirect wholly-owned subsidiary of AEW Value Investors Asia IV, LP. (a closed-end private equity fund established in Luxembourg). The Purchaser is principally engaged in investment holding.

REASONS FOR THE DISPOSAL

The Directors undertake strategic reviews of the Group's assets from time to time with a view to maximising returns to the Shareholders. The Directors consider that the current market presents a good opportunity for the Company to unlock part of the value of the Target Group. Accordingly, the Directors believe that the Disposal will enable the Company to reallocate capital into future investment opportunities and pursue other opportunities and at the same time share 50% of the profit from the Target Group in the future.

The Directors (including the independent non-executive Directors) consider that the Disposal, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT ON THE GROUP AND USE OF PROCEEDS

Upon Completion, the Group expects to recognise a gain on Disposal of approximately HK\$35,575,000 before costs and expenses relating to the Disposal in the financial year ending 31 March 2022. The actual gain on the Disposal to be recorded by the Company is subject to audit and may be different from the estimated amount.

The proceeds arising from the Disposal are expected to be used as general working capital and/or financing and possible property or business investments.

LISTING RULES IMPLICATIONS

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DEFINITIONS

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

“Board”	the board of Directors
“Company”	Hanison Construction Holdings Limited (stock code: 896), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Accounts”	the consolidated statement of comprehensive income of the Target Group for the period from the date of incorporation of the Target Company (i.e. 22 March 2018) to the Completion Date and the consolidated statement of financial position of the Target Group as at the Completion Date, prepared and audited in accordance with the terms of the Sale and Purchase Agreement
“Completion Date”	subject to the satisfaction or waiver of the Conditions Precedent pursuant to the Sale and Purchase Agreement, 30 December 2021 or such other date as the Vendor and the Purchaser may agree on which Completion takes place
“Conditions Precedent”	conditions precedent to the Completion
“connected persons”, “percentage ratio” and “subsidiary(ies)”	each has the meaning as ascribed to it under the Listing Rules
“Consideration”	the consideration in the amount of HK\$305,000,000 (subject to adjustment) plus 50% of such amount of all professional fees (other than those incurred in connection with obtaining the approval from the Town Planning Board) paid to consultants and all construction costs paid to contractors in respect of the redevelopment of the Property already or to be expended by the Target Group up to Completion payable by the Purchaser in respect of the Disposal

“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Share by the Vendor and the repayment of the Shareholder’s Loan to the Vendor by the Target Company pursuant to the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NAV”	the total consolidated assets of the Target Group (other than the Property, plant and equipment, investment property or property under development for sale (as the case may be), furniture and fixture and deferred tax assets (if any)) minus the total consolidated liabilities of the Target Group (other than the Shareholder’s Loan and deferred tax liabilities (if any)) as at Completion as shown in the pro forma Completion Accounts or the Completion Accounts (as the case may be)
“Project Company”	Rainbow Jade Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and the sole registered and beneficial owner of the Property
“Property”	ALL THAT piece or parcel of ground registered in the Land Registry as CHAI WAN INLAND LOT NO.91 TOGETHER with the messuages erections and buildings thereon now known as “MINIBOX TOWER (美利倉大廈)” (formerly known as “MINICO BUILDING (美利倉大廈)” and “PCL GROUP BUILDING (弘茂集團大廈)”), No.18 Lee Chung Street, Hong Kong
“Purchaser”	VIA IV (BVI) Holdco 3 Ltd, a company incorporated in the British Virgin Islands with limited liability
“Sale and Purchase Agreement”	the sale and purchase agreement dated 30 July 2021 entered into between the Vendor and the Purchaser in respect of the Disposal
“Sale Share”	1 issued share of the Target Company, representing 50% of all the issued shares of the Target Company
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company

“Shareholders”	holders of the ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder’s Loan”	50% of all loans and other amounts owing by the Target Company to the Vendor as at the Completion Date on an unsecured, interest-free basis
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Excess Wonder Limited, a company incorporated in the British Virgin Islands with limited liability and indirectly holds 100% legal and beneficial ownership of the Property
“Target Group”	the Target Company and the Project Company
“Vendor”	Hanison Construction Holdings (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and the sole shareholder of the Target Company immediately prior to Completion
“%”	per cent

By order of the Board
Hanison Construction Holdings Limited
Wong Sue Toa, Stewart
Managing Director

Hong Kong, 30 July 2021

As at the date of this announcement, the Board comprises:

Non-executive Chairman

Mr. Cha Mou Daid, Johnson

Non-executive Directors

Dr. Lam Chat Yu

Dr. Zhang Wei

Executive Directors

Mr. Wong Sue Toa, Stewart (*Managing Director*)

Mr. Tai Sai Ho (*General Manager*)

Mr. Chow Ka Fung

Independent Non-executive Directors

Mr. Chan Pak Joe

Dr. Lau Tze Yiu, Peter

Dr. Sun Tai Lun