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 **Hysan 希慎**
Hysan Development Company Limited
希慎興業有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code : 00014)

Connected Transactions
Acquisitions of Properties

The Board announces that on 17 March 2017, the Purchasers (Jayton and Oretta), both wholly-owned subsidiaries of the Company, entered into the Agreements pursuant to which:

- (i) Jayton agreed to purchase from Dowling Development, and Dowling Development agreed to sell the Sale Share to Jayton at a consideration of HK\$75,000,000 in accordance with the terms and conditions of Agreement 1, with LHE guaranteeing the due and punctual performance of the obligations of Dowling Development thereunder; and
- (ii) Oretta agreed to purchase from LHE, and LHE agreed to sell the Land to Oretta at a consideration of HK\$100 in accordance with the terms and conditions of Agreement 2.

Dowling Development is a wholly-owned subsidiary of LHE, which in turn is interested in approximately 41.43% of the issued share capital of the Company and is a substantial shareholder of the Company. Hence, both Dowling Development and LHE are connected persons of the Company under the Listing Rules.

The entering of the Agreements therefore constitutes connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisitions exceed 0.1% and all of the applicable percentage ratios are less than 5%, the Acquisitions are only subject to the announcement and reporting requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 17 March 2017, the Purchasers (Jayton and Oretta), both wholly-owned subsidiaries of the Company, entered into the Agreements pursuant to which:

- (i) Jayton agreed to purchase from Dowling Development, and Dowling Development agreed to sell the Sale Share to Jayton at a consideration of HK\$75,000,000 in accordance with the terms and conditions of Agreement 1, with LHE guaranteeing the due and punctual performance of the obligations of the Dowling Development thereunder; and

- (ii) Oretta agreed to purchase from LHE and LHE agreed to sell the Land to Oretta at consideration of HK\$100 in accordance with the terms and conditions of Agreement 2.

Principal terms of the Agreements are set out below.

PRINCIPAL TERMS OF THE AGREEMENT 1

1. Date : 17 March 2017
2. Parties : (a) Dowling Development as vendor
(b) LHE as Dowling Development's guarantor
(c) Jayton as purchaser
3. Asset to be acquired : The Sale Share, being the entire issued share capital of Sparkling Touch, which in turn is the sole registered owner of the Property.
4. Property : All That one equal undivided 6th part or share of and in All That piece or parcel of ground registered in the Land Registry as Sub-Section 5 of Section R of Inland Lot No.29 and of and in the messuages, erections and buildings thereon now known as "No.9 Lan Fong Road", Hong Kong Together with the sole and exclusive right to hold use occupy and enjoy All That the Ground Floor of the said No.9 Lan Fong Road, Hong Kong.
5. Consideration and payment terms : The consideration for the acquisition of the Sale Share is HK\$75,000,000 which is to be satisfied in cash by Jayton in the following manner:
 - (a) HK\$3,000,000 has been paid by Jayton to Dowling Development upon signing of Agreement 1 ("**Deposit**"); and
 - (b) the balance of the consideration shall be paid at completion of Agreement 1.

The consideration for the acquisition of the Sale Share has been determined after arm's length negotiations between Dowling Development and Jayton on normal commercial terms with reference to unaudited net asset value of Sparkling Touch as at 31 December 2016 and the appraised value of the Property as at 10 March 2017 based on the valuation report prepared by DTZ.

The consideration for the acquisition of the Sale Share will be funded by Hysan Group's internal resources.
6. Completion : 31 March 2017 or such other date as the parties may agree in writing.

7. Conditions : Completion of sale and purchase of the Sale Share under Agreement 1 is conditional upon there being no material breach of Dowling Development's warranties as at completion and Jayton having completed and being reasonably satisfied with the results of its due diligence review on Sparkling Touch.

If any of the above conditions are not satisfied as at completion of Agreement 1, then Jayton may by notice in writing to Dowling Development (a) waive any of the above conditions; (b) postpone completion to a date falling not more than 10 business days after the date originally set for completion; (c) proceed with completion as far as practicable; or (d) terminate Agreement 1 after which neither party shall have any further obligation to each other (save for those arising from antecedent breaches) and the Deposit shall be returned to Jayton.

PRINCIPAL TERMS OF THE AGREEMENT 2

1. Date : 17 March 2017
2. Parties : (a) LHE as the vendor
(b) Oretta as the purchaser
3. Assets to be acquired : The Land, being The Remaining Portion of Inland Lot No.29.
4. Consideration and payment terms : The consideration for the Land is HK\$100 which shall be paid by Oretta at completion of Agreement 2.

The consideration has been determined after arm's length negotiations between LHE and Oretta with reference to the appraised value of the Land as at 10 March 2017 based on the valuation report prepared by DTZ.

The consideration for the sale and purchase of the Land will be funded by Hysan Group's internal resources.

5. Completion : 31 March 2017.
6. Proof of Title by LHE : LHE will at its own expense give good title to the Land in accordance with section 13A Conveyancing and Property Ordinance (Cap. 219) (the "CPO") and shall prove its title to the Land in accordance with section 13 of the CPO.

INFORMATION ON SPARKLING TOUCH, THE PROPERTY AND THE LAND

Sparkling Touch is principally engaged in investment holding of properties and is the sole registered owner of the Property. The Property is described as one equal undivided 6th part or share of and in Sub-Section 5 of Section R of Inland Lot No.29 and of and in the messuages, erections and buildings thereon now known as “No.9 Lan Fong Road”, Hong Kong Together with the sole and exclusive right to hold use occupy and enjoy All That the Ground Floor of the said No.9 Lan Fong Road, Hong Kong. The Property is currently being leased out to independent third party tenants.

The unaudited net loss before taxation for the years ended 31 December 2016 and 2015 were HK\$19,584,084 and HK\$20,462,291 respectively. The unaudited net loss after taxation for the years ended 31 December 2016 and 2015 were HK\$19,759,902 and HK\$20,568,444 respectively. The net loss principally reflected the fair value loss of HK\$21,000,000 on investment property valuation recorded in each of the two years. If the fair value loss on investment property valuation were excluded, Sparkling Touch recorded a net profit before and after taxation in both years.

The unaudited net asset value of Sparkling Touch as at 31 December 2016 amounted to HK\$94,819,183.

According to the information provided by Dowling Development, the original acquisition cost of the Property was approximately HK\$18,712,200. The appraised value of the Property as at 10 March 2017 based on the valuation report prepared by DTZ amounted to HK\$80,000,000.

The Land comprises portions of land known as The Remaining Portion of Inland Lot No.29 . The Land is currently vacant land.

According to the information provided by LHE, the Land comprises the remaining portions of a large piece of land which had been acquired by LHE in 1924 in one single acquisition. Thus the original attributable acquisition cost of the Land cannot be ascertained. According to the valuation report prepared by DTZ, after taken into consideration of the use and existing condition of the Land, any value expectation would be posed with various uncertainties and speculative in nature which would not be readily justifiable. As such, DTZ opined that the Land are of no commercial value as at 10 March 2017.

REASONS FOR THE ACQUISITIONS

One of the principal businesses of the Hysan Group is property investment, the Acquisitions are in line with the core business and strategic policy of the Hysan Group. The Board considers that the Acquisitions are beneficial to the Group as the Property and the Land are located at the prime location of Causeway Bay and the consideration for the Acquisitions is competitive.

The terms of the Agreements have been determined after arm’s length negotiations between the Vendor and the Purchasers on normal commercial terms with reference to the respective appraised values of the Property and the Land as at 10 March 2017 based on the valuation reports of independent property valuer.

The Board (including the Independent Non-Executive Directors) considers that the Acquisitions are on normal commercial terms and in the ordinary and usual course of business of the Hysan Group, and the terms of the Agreements are fair and reasonable and in the interests of the Hysan Group and the Shareholders as a whole.

Mr. Anthony Hsien Pin LEE, Mr. Chien LEE and Mr. Michael Tze Hau LEE, Non-Executive Directors of the Company are also directors of LHE, and Mr. Siu Chuen LAU, Non-Executive

Director of the Company is also an alternate director of Lee Hysan Company Limited, the holding company of LHE. All of them together with Ms. Irene Yun Lien LEE are members of the founding Lee family and thus have abstained from voting on the relevant resolution at a Board meeting of the Company approving the Acquisitions.

LISTING RULES IMPLICATIONS

Dowling Development is a wholly-owned subsidiary of LHE which in turn is interested in approximately 41.43% of the issued share capital of the Company and is a substantial shareholder of the Company. Hence, both of Dowling Development and LHE are connected persons of the Company under the Listing Rules. The entering of the Agreements therefore constitutes connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisitions exceed 0.1% and all of the applicable percentage ratios are less than 5%, the Acquisitions are only subject to the announcement and reporting requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Hysan Group's principal businesses are property investment, management and development and Hysan Group has a sizeable property portfolio in Hong Kong with one of its core business in property leasing.

Each of Dowling Development's and LHE's principal business is investment holding.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Acquisitions”	the acquisitions of the Sale Share and the Land by the Purchasers pursuant to the Agreements;
“Agreements”	collectively Agreement 1 and Agreement 2;
“Agreement 1”	the conditional agreement dated 17 March 2017 entered into between Dowling Development as vendor, LHE as vendor's guarantor and Jayton as purchaser in relation to, among others, the acquisition of the Sale Share by Jayton;
“Agreement 2”	the agreement dated 17 March 2017 entered into between LHE as vendor and Oretta as purchaser in relation to, among others, the acquisition of the Land by Oretta;
“associate”	shall have the same meaning ascribed to such term in the Listing Rules;
“Board”	the board of Directors;
“connected person”	shall have the same meaning ascribed to such term in the Listing Rules;
“DTZ”	DTZ Cushman & Wakefield Limited, an independent property valuer;

“Deposit”	shall have the meaning given to it in the section headed “ <i>Principal terms of Agreement I</i> ” in this announcement;
“Director(s)”	the director(s) of the Company;
“Dowling Development”	Dowling Development Ltd., a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of LHE;
“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;
“Hysan” or “Company”	Hysan Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“Hysan Group”	Hysan and its subsidiaries;
“Jayton”	Jayton Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Hysan;
“LHE”	Lee Hysan Estate Company, Limited, a company incorporated in Hong Kong with limited liability;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Land”	The Remaining Portion of Inland Lot No.29 ;
“Property”	All That one equal undivided 6 th part or share of and in All That piece or parcel of ground registered in the Land Registry as Sub-Section 5 of Section R of Inland Lot No.29 and of and in the messuages, erections and buildings thereon now known as “No.9 Lan Fong Road”, Hong Kong Together with the sole and exclusive right to hold use occupy and enjoy All That the Ground Floor of the said No.9 Lan Fong Road, Hong Kong ;
“Purchasers”	Jayton and Oretta;
“Sale Share”	1 (one) share of US\$1.00 representing the entire issued and fully paid up share capital of Sparkling Touch;
“Oretta”	Oretta Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Hysan;
“Shareholders”	shareholders of the Company;
“Sparkling Touch”	Sparkling Touch Investments Ltd., a company incorporated in the British Virgin Islands with limited liability and also the sole registered owner of the Property;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	shall have the same meaning ascribed to such term in the Listing Rules; and
“%”	percent.

By Order of the Board
Irene Yun Lien LEE
Chairman

Hong Kong, 17 March 2017

*As at the date of this announcement, the Board comprises: Irene Yun Lien LEE (Chairman), Frederick Peter CHURCHOUSE**, Philip Yan Hok FAN**, Lawrence Juen-Yee LAU**, Joseph Chung Yin POON**, Hans Michael JEBSEN* (Trevor Chi-Hsin YANG as his alternate), Siu Chuen LAU*, Anthony Hsien Pin LEE* (Irene Yun Lien LEE as his alternate), Chien LEE* and Michael Tze Hau LEE*.*

* *Non-Executive Directors*

** *Independent Non-Executive Directors*

This announcement is published on the website of the Company (www.hysan.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk).