

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Hysan Development Company Limited

希慎興業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code : 00014)

Revised Annual Caps for Existing Continuing Connected Transactions

Reference is made to (1) the Lease and the Other Licence Agreements (as set out in the Previous Announcement); and (2) the Existing Licence Agreements dated 20 October 2014, entered into between Treasure Matrix (a subsidiary of the Company) and Barrowgate.

Pursuant to the Lease, the basic rent for the period from 28 March 2017 to 27 March 2019 was subject to review and should be revised at the then prevailing market rent. The operating charges and promotion levy of the Lease were also subject to revision from time to time during the continuance of the term of the Lease in accordance with rates generally applicable to the Company's portfolio. On 27 March 2017, Treasure Matrix and Barrowgate entered into the Memorandum to revise the basic rent under the Lease, hence the annual aggregated consideration of the Lease will be increased for each of the financial years ending 31 December 2017, 2018 and 2019.

On 27 March 2017, Treasure Matrix and Barrowgate also entered into the New Licence Agreements regarding the renewal of Existing Licence Agreements. The New Licence Agreements on their own constitute exempt continuing connected transactions of the Company as each of the applicable percentage ratios in respect of the annual licence fees payable under the New Licence Agreements is less than 0.1%.

Barrowgate is a connected person of the Company under the Listing Rules by virtue of it being a non-wholly owned subsidiary of the Company, and also having a substantial shareholder which is an associate of Mr. Jebesen, a Non-Executive Director of the Company. Accordingly, the Transactions under the Lease (as supplemented by the Memorandum) and the Other Lease Agreements, the Existing Licence Agreements and the New Licence Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest of all of the applicable percentage ratios in respect of the revised Annual Caps for the Transactions on an annual aggregated basis is more than 0.1% and less than 5%, the Transactions fall under Rule 14A.76(2) of the Listing Rules and are only subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is made to (1) the Lease and the Other Licence Agreements (as set out in the Previous Announcement); and (2) the Existing Licence Agreements dated 20 October 2014, entered into between Treasure Matrix (a subsidiary of the Company) and Barrowgate.

Pursuant to the terms of the Lease, the basic rent for the period from 28 March 2017 to 27 March 2019 was subject to review and should be revised at the then prevailing market rent. The operating charges and promotion levy of the Lease were also subject to revision from time to time during the continuance of the term of the Lease in accordance with rates generally applicable to the Company's portfolio. On 27 March 2017, Treasure Matrix and Barrowgate entered into the Memorandum to revise the basic rent under the Lease.

On 27 March 2017, Treasure Matrix and Barrowgate also entered into the New Licence Agreements regarding the renewal of Existing Licence Agreements.

DETAILS OF THE LEASE AND OTHER LICENCE AGREEMENTS, MEMORANDUM, EXISTING LICENCE AGREEMENTS, NEW LICENCE AGREEMENTS, AND REVISED ANNUAL CAPS

Particulars of the Transactions under the Lease (as supplemented by the Memorandum) and the Other Licence Agreements, the Existing Licence Agreements and the New Licence Agreements are summarised as follows:

Parties : Barrowgate as landlord or licensor (as may be applicable)
Treasure Matrix as tenant or licensee (as may be applicable)

The Lease and Other Licence Agreements

Premises / Licence Areas : Shop Nos. 308 & 311, 3/F, area outside Shop Nos. 308 & 311 and use of lifts and various advertising spaces at Lee Garden Two

Term : From 28 March 2014 to 27 March 2019

New basic rent (w.e.f. 28 March 2017) : HK\$390,000 per month (exclusive of operating charges, promotion levy and other outgoings)

Turnover rent : 12% on monthly gross sales exceeding monthly basic rent

Revised operating charges : HK\$102,000 per month (subject to revision from time to time)

Revised promotion levy : HK\$16,800 per month (subject to revision from time to time)

Licence Fees : Use of area outside Shop Nos. 308 & 311: HK\$1,000 per month
Use of lifts and advertising spaces: HK\$400 per month

The Existing Licence Agreements and New Licence Agreements

<u>Existing Licence Agreement 1</u> <u>and New Licence Agreement 1</u>	<u>Existing Licence Agreement 2</u> <u>and New Licence Agreement 2</u>
---	---

Licence Areas	:	Portion 1, 3/F Lee Garden Two	:	Various storerooms and advertising spaces, Lee Garden Two
---------------	---	-------------------------------	---	---

Existing Licence Fee and Term of the Existing Licence Agreements	: HK\$24,750 per month from 1 December 2014 to 30 November 2017	HK\$11,300 per month from 1 November 2014 to 31 October 2017 <i>(in addition, HK\$200 is payable for the advertising space for the entire term of the Existing Licence Agreement 2)</i>
New Licence Fee and Term of the New Licence Agreements	: HK\$25,000 per month from 1 December 2017 to 27 March 2019	HK\$11,300 per month from 1 November 2017 to 27 March 2019 <i>(in addition, HK\$200 is payable for the advertising space for the entire term of the New Licence Agreement 2)</i>
Previously Announced Annual Caps for the Lease and the Other Licence Agreements	: 2017: HK\$9,700,000 2018: HK\$9,700,000 2019: HK\$2,400,000 (on pro-rata basis)	
Revised Annual Caps for Transactions	: 2017: HK\$11,000,000 2018: HK\$11,100,000 2019: HK\$2,700,000 (on pro-rata basis)	

The annual aggregated consideration payable by Treasure Matrix under the Lease (as supplemented by the Memorandum) and the Other Licence Agreements, the Existing Licence Agreements and the New Licence Agreements includes the basic rent, turnover rent, operating charges, promotion levy and licence fees but excludes Government rates, and shall be paid in cash in advance on a monthly basis.

The new basic rent for the Lease as agreed in the Memorandum and licence fees were determined on an arm's length basis based on prevailing market rates. The revised operating charges and promotion levy were determined in accordance with on-going rates generally applicable to the Company's portfolio and are subject to revision from time to time.

For the purpose of providing a more flexible basis for setting the revised Annual Caps for the Transactions, the Directors have taken into account of the historic increment rates, the revised basic rental amount, the estimated turnover rent, the existing amounts of licence fees, operating charges and promotion levy, possible further changes in the level of operating charges, promotion levy and other amounts payable pursuant to the Transactions. A buffer has also been built in determining the revised Annual Caps of the Transactions for each of the financial years ending 31 December 2017, 2018 and 2019 as set out above.

The historical amounts paid by Treasure Matrix pursuant to, and during the terms of, the Lease and the Other Licence Agreements and the Existing Licence Agreements for the years ended 31 December 2014, 2015 and 2016 were HK\$4,632,351, HK\$7,812,416 and HK\$6,947,418 respectively.

REASONS FOR THE TRANSACTIONS

The Lease and the Other Licence Agreements, the Existing Licence Agreement, the New Licence Agreements and the Memorandum were entered into by Hysan Group in the ordinary course of its business of leasing and in line with Hysan Group's corporate strategy of maximizing its properties cash flow and value.

Having taken into consideration recent market comparables at the neighbouring and same location (taking into factors such as size and accessibility), monthly rents under the Memorandum and licence fees under the New Licence Agreements are considered by the Company to be at market level agreed by a willing landlord or licensor (as may be applicable) and a willing tenant or licensee (as may be applicable) on an arm's length basis.

Based on the above reasons, the Directors (including Independent Non-Executive Directors) are of the view that the Transactions and their respective terms therein are on normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole, and that they were entered in the ordinary and usual course of business of Hysan Group after due negotiations and on arm's length basis with reference to the prevailing market conditions. The Directors (including Independent Non-Executive Directors) also believe that the revised Annual Caps as set out above are fair and reasonable.

REGULATORY ASPECTS

Barrowgate is a connected person of the Company under the Listing Rules by virtue of it being a non-wholly owned subsidiary of the Company, and also having a substantial shareholder which is an associate of Mr. Jebsen, a Non-Executive Director of the Company. Accordingly, the Transactions (in aggregate) constitute continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules. As an associate of Mr. Jebsen is interested in the Transactions, Mr. Jebsen did not participate in voting the relevant resolution in the Board meeting approving the Transactions. Other than Mr. Jebsen, no other Directors have a material interest in the Transactions.

Given that highest of all of the applicable percentage ratios in respect of the revised Annual Caps for the Transactions on an annual aggregated basis is more than 0.1% and less than 5%, the Transactions continue to fall under Rule 14A.76(2) of the Listing Rules and are only subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Particulars of the Transactions will be disclosed in relevant annual reports and accounts of Hysan in accordance with Rule 14A.71 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.

Barrowgate's principal business is property investment.

Treasure Matrix's principal business is to own and operate a high-end western restaurant at Lee Garden Two.

DEFINITIONS

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

“Annual Cap(s)” maximum aggregate annual value(s) to be paid by Treasure Matrix under the Transactions;

“associate”	shall have the same meaning ascribed to such term in the Listing Rules;
“Barrowgate”	Barrowgate Limited, a company incorporated in Hong Kong with limited liability and beneficially owned as to 65.36% by Hysan and 10% by Jebsen & Co.;
“Board”	the board of directors of the Company;
“connected person”	shall have the same meaning ascribed to such term in the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Existing Licence Agreement 1”	a licence agreement dated 20 October 2014 entered into between Barrowgate and Treasure Matrix in respect of a licence for use of Portion 1, 3/F Lee Garden Two;
“Existing Licence Agreement 2”	a licence agreement dated 20 October 2014 entered into between Barrowgate and Treasure Matrix in respect of a licence for use of various storerooms and advertising spaces (as supplemented from time to time) at Lee Garden Two;
“Existing Licence Agreements”	Existing Licence Agreement 1 and Existing Licence Agreement 2;
“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;
“Jebsen & Co.”	Jebsen & Company Limited, a company incorporated in Hong Kong with limited liability and an associate of Mr. Jebsen;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Lease”	a lease dated 28 March 2014 entered into between Treasure Matrix and Barrowgate in respect of Shop Nos. 308 & 311 on the Third Floor at Lee Garden Two;
“Lee Garden Two”	28 Yun Ping Road, Causeway Bay, Hong Kong
“Memorandum”	a memorandum dated 27 March 2017 supplementing the terms of the Lease and entered into between Treasure Matrix and Barrowgate;

“Mr. Jebsen”	Mr. Hans Michael JEBSEN, a Non-Executive Director of Hysan;
“New Licence Agreement 1”	a licence agreement dated 27 March 2017 entered into between Barrowgate and Treasure Matrix in respect of the renewal of licence for use of Portion 1, 3/F Lee Garden Two;
“New Licence Agreement 2”	a licence agreement dated 27 March 2017 entered into between Barrowgate and Treasure Matrix in respect of the renewal of licence for use of various storerooms and advertising spaces at Lee Garden Two;
“New Licence Agreements”	New Licence Agreement 1 and New Licence Agreement 2;
“Other Licence Agreements”	two licence agreements dated 28 March 2014 entered into between Barrowgate and Treasure Matrix in respect of the use of area outside Shop Nos. 308 & 311, and lifts and advertising spaces at Lee Garden Two respectively (and as supplemented from time to time);
“Previous Announcement”	the announcement of the Company dated 31 March 2014 in relation to the Lease and the Other Licence Agreements;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	shall have the same meaning ascribed to such term in the Listing Rules;
“Treasure Matrix”	Treasure Matrix Limited, a company incorporated in Hong Kong with limited liability and is a non-wholly owned subsidiary of Hysan; and
“Transactions”	transactions under the Lease (as supplemented by the Memorandum) and Other Licence Agreements, the Existing Licence Agreements and the New Licence Agreements.

By Order of the Board
Irene Yun Lien LEE
Chairman

Hong Kong, 27 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).