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Hysan Development Company Limited 希慎興業有限公司

(Incorporated under Hong Kong Companies Ordinance, Cap. 32, with limited liability)
(Stock Code : 00014)

Continuing Connected Transactions Renewals of Lease and Licence Agreement

On 24 May 2011, Barrowgate entered into the New Lease and the New Licence Agreement with Pearl Investments in respect of an office unit and a carparking space at Lee Gardens Two respectively.

Pearl Investments is a connected person of the Company under the Listing Rules by virtue of its being an associate of Mr. Lee, a Non-executive Director of the Company. Accordingly, the Transactions (in aggregate) constitute continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules. As each of the percentage ratios (other than the profit ratio) in respect of the Transactions on annual aggregated basis is less than 5%, the Transactions fall under Rule 14A.34 of the Listing Rules and are only subject to the announcement, reporting and annual review requirements set out in Rules 14A.37 to 14A.40 and Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules.

DETAILS OF THE TRANSACTIONS

The particulars of the Transactions are set out below:-

	<u>Lease</u>	<u>Licence Agreement</u>
Date	: 24 May 2011	24 May 2011
Parties	: Barrowgate as landlord Pearl Investments as tenant	Barrowgate as owner Pearl Investments as licensee
Premises	: Room 1401C, 14/F., Caroline Centre, Lee Gardens Two, 28 Yun Ping Road, Causeway Bay, Hong Kong	Carparking Space No. 132, Caroline Centre, Lee Gardens Two, 28 Yun Ping Road, Causeway Bay, Hong Kong
Terms	: 3 years commencing from 15 May 2011	3 years commencing from 15 May 2011

Expiry Date	:	14 May 2014	14 May 2014
Rent / Licence Fee	:	HK\$145,908 per month (exclusive of operating charges and Government rates) payable monthly in advance	HK\$5,400 per month (exclusive of operating charges and other outgoings, if any) payable monthly in advance and subject to revision from time to time
Operating Charges	:	HK\$20,150 per month (subject to revision from time to time)	Not applicable

The annual aggregated consideration and Annual Cap in respect of the Transactions are as follows:

Annual Aggregated Consideration	:	2011: HK\$2,057,496 (<i>Note</i>)
		2012: HK\$2,057,496
		2013: HK\$2,057,496
		2014: HK\$763,265 (on pro-rata basis)

Annual Cap	:	2011: HK\$2,230,000 (<i>Note</i>)
		2012: HK\$2,280,000
		2013: HK\$2,300,000
		2014: HK\$860,000 (on pro-rata basis)

Note:

The annual aggregated consideration and annual cap for the whole of 2011 include the sum of rent and operating charges (i) received under the previous lease and licence agreement for the period from 1 January 2011 to 14 May 2011 (i.e. HK\$763,265 with cap previously set at HK\$800,000); and (ii) receivable under the Transactions (i.e. HK\$1,294,231 with cap set at HK\$1,430,000) for the period from 15 May 2011 to 31 December 2011.

The annual aggregated consideration includes the rent and operating charges but excludes Government rates and other outgoings, to be paid in cash in advance on a monthly basis. Where any of the unexpired terms of the Transactions is less than one year, the annual aggregated consideration will be calculated on a pro-rata basis. For the purpose of providing a more flexible basis for setting Annual Caps for the Transactions in compliance of the disclosure requirements of the Listing Rules, the Directors have taken into account of the historic increment rates and possible changes in maintenance and management costs estimating any possible further adjustments of the operating charges in determining the Annual Cap of the Transactions for each of the financial years ending 31 December 2011, 2012, 2013 and 2014 as set out above.

The maximum monthly basic rent specified in the Transactions was determined on an arm's length basis based on prevailing market rates and the operating charges were determined in accordance with on-going rates generally applicable to the Company's portfolio.

REASONS FOR THE TRANSACTIONS

The Transactions are renewal of the previous lease and licence agreement and 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 maximising its properties' cashflow and value.

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 Annual Caps of the Transactions are fair and reasonable.

REGULATORY ASPECTS

Pearl Investments is a connected person of the Company under the Listing Rules by virtue of its being an associate of Mr. Lee, a Non-executive Director of the Company. Accordingly, the Transactions (in aggregate) constitute continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules. Due to the interest of an associate of Mr. Lee in the Transactions, he abstained from voting the relevant resolution in the meeting of the board of Directors.

Given that each of the percentage ratios (other than the profit ratio) in respect of the Transactions on annual aggregated basis is less than 5%, the Transactions fall under Rule 14A.34 of the Listing Rules and are only subject to the announcement, reporting and annual review requirements set out in Rules 14A.37 to 14A.40 and Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules.

Particulars of the Transactions will be disclosed in future annual reports and accounts of Hysan in accordance with Rule 14A.46 of the Listing Rules.

GENERAL

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

Barrowgate's principal business is property investment.

Pearl Investments' principal business is investment.

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 received 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;
“connected person”	shall have the same meaning ascribed to such term in the Listing Rules;
“Director(s)”	the director(s) of the Company;

“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;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Lee”	Mr. Chien LEE, Non-executive Director of the Company;
“New Lease”	a lease dated 24 May 2011 entered into between Barrowgate and Pearl Investments in respect of renewal of a lease of an office unit in Lee Gardens Two;
“New Licence Agreement”	a licence agreement dated 24 May 2011 entered into between Barrowgate and Pearl Investments in respect of renewal of a licence for use of a carparking space at Lee Gardens Two;
“Pearl Investments”	Pearl Investments (HK) Limited, a company incorporated in Hong Kong with limited liability and an associate of Mr. Lee;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Transactions”	the New Lease and the New Licence Agreement.

By Order of the Board
Wendy Wen Yee YUNG
Executive Director and Company Secretary

Hong Kong, 24 May 2011

*As at the date of this announcement, the Board of Directors comprises: **Non-executive Chairman** – Irene Yun Lien LEE; **Chief Executive Officer** – Gerry Lui Fai YIM; **Independent non-executive Directors** – Nicholas Charles ALLEN, Philip Yan Hok FAN and Joseph Chung Yin POON; **Non-executive Directors** – Hans Michael JEBSEN (Kam Wing LI as his alternate), Siu Chuen LAU, Anthony Hsien Pin LEE (Irene Yun Lien LEE as his alternate), Chien LEE and Michael Tze Hau LEE; and **Executive Director** – Wendy Wen Yee YUNG.*

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).