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Hysan Development Company Limited

希慎興業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code : 00014)

Continuing Connected Transaction New Lease

On 16 August 2019, Barrowgate entered into the New Lease with HPML (a wholly-owned subsidiary of the Company) in respect of the Premises at Lee Garden Two for a fixed term of 3 years.

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, namely Jebsen & Co. which is an associate of Mr. Jebsen, a Non-Executive Director of the Company.

Accordingly, the New Lease and the transaction thereunder constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. As the highest of all of the applicable percentage ratios in respect of the New Lease is more than 0.1% and less than 5%, the New Lease falls under Rule 14A.76(2) of the Listing Rules and is only subject to the announcement, reporting and annual review requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DETAILS OF THE NEW LEASE

Particulars of the New Lease are set out below:

Date	: 16 August 2019
Parties	: Barrowgate as landlord HPML as tenant
Premises	: Room 601 on the 6th Floor at Lee Garden Two
Term	: 3 years commencing from 17 August 2019 to 16 August 2022 (both days inclusive)
Rent	: HK\$404,984 per month, payable in advance on a monthly basis (exclusive of operating charges, Government rates and other outgoings)
Operating Charges	: HK\$53,563 per month (subject to increase as notified by Barrowgate from time to time), payable in advance on a monthly basis

The Annual Caps in respect of the New Lease are as follows:

Annual Caps : 2019: HK\$2,300,000 (on pro rata basis)
(Note) 2020: HK\$6,200,000
2021: HK\$6,200,000
2022: HK\$4,000,000 (on pro rata basis)

Note: The annual caps include the sum of rent and operating charges.

The annual aggregated consideration payable by HPML under the New Lease includes the rent and operating charges but excludes Government rates and other outgoings, and shall be paid in cash in advance on a monthly basis. For the purpose of providing a more flexible basis for setting the Annual Caps of the New Lease, the Directors have taken into account the possible future upward changes in the level of operating charges and other relevant costs pursuant to the New Lease. A buffer has been built in when determining the Annual Caps of the New Lease for each of the relevant periods or years.

The monthly rent specified in the New Lease 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 property portfolio and are subject to increments as may be notified by Barrowgate from time to time.

REASONS FOR THE TRANSACTION

HPML intends to have one of its branch offices at Lee Garden Two for providing property management services to the tenants and customers of Hysan Group's property portfolio.

Having taken into consideration recent market comparables at the same location (including factors such as size and floor levels), the monthly rent under the New Lease is considered to be at market level as agreed by a willing landlord and a willing tenant on an arm's length basis.

Based on the above reasons, the Directors (including Independent Non-Executive Directors but excluding Mr. Jebsen as he has a material interest in the transaction) are of the view that the New Lease and the 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 the New Lease was entered into in the ordinary and usual course of business of the Hysan Group after due negotiations and on an arm's length basis with reference to the prevailing market conditions. The Directors (including Independent Non-Executive Directors but excluding Mr. Jebsen as he has a material interest in the transaction) also believe that the Annual Caps of the New Lease 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, namely Jebsen & Co., which is an associate of Mr. Jebsen, a Non-Executive Director. Accordingly, the New Lease and the transaction thereunder constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Due to the interest of an associate of Mr. Jebsen in the New Lease, Mr. Jebsen has abstained from voting on the relevant resolutions for approving the New Lease at the Board meeting. Other than Mr. Jebsen, no other Director has declared any material interest in the New Lease.

On an individual company level basis, HPML (being a lessee) will recognise a right-of-use asset and a lease liability in its financial statements in accordance with HKFRS 16 “Leases” at the commencement date and Barrowgate (being a lessor) will recognise the lease payments from the New Lease as lease income. HPML will therefore regard the entering into of the New Lease as an acquisition of asset under Chapter 14A of the Listing Rules and Barrowgate will regard the New Lease as a continuing connected transaction. For the purpose of compliance with the Listing Rules, the Company regards the New Lease as a continuing connected transaction under Chapter 14A of the Listing Rules based on the connected relationship of Barrowgate as described above. Given that the highest of all of the applicable percentage ratios in respect of the New Lease is more than 0.1% and less than 5%, the New Lease falls under Rule 14A.76(2) of the Listing Rules and is only subject to the announcement, reporting and annual review requirements but is exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Particulars of the New Lease will be disclosed in the relevant annual reports 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 businesses in property leasing.

Barrowgate’s principal business is property investment.

HPML’s principal business is provision of property management services.

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 under the New Lease;
“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;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKFRS”	Hong Kong Financial Reporting Standards;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

“HPML”	Hysan Property Management Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Hysan directly;
“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 and Company Limited, a company incorporated in Hong Kong with limited liability and an associate of Mr. Jebsen;
“Lee Garden Two”	28 Yun Ping Road, Causeway Bay, Hong Kong;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Jebsen”	Mr. Jebsen Hans Michael, a Non-Executive Director of Hysan;
“New Lease”	a lease dated 16 August 2019 entered into between Barrowgate and HPML in respect of a lease of the Premises at Lee Garden Two;
“Premises”	Room 601 on the 6th Floor at Lee Garden Two;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“substantial shareholder”	shall have the same meaning ascribed to such term in the Listing Rules.

By Order of the Board
Lee Irene Yun-Lien
Chairman

Hong Kong, 16 August 2019

*As at the date of this announcement, the Board comprises: Lee Irene Yun-Lien (Chairman), Churchouse Frederick Peter**, Fan Yan Hok Philip**, Lau Lawrence Juen-Yee**, Poon Chung Yin Joseph**, Wong Ching Ying Belinda**, Jebsen Hans Michael* (Yang Chi Hsin Trevor as his alternate), Lee Anthony Hsien Pin* (Lee Irene Yun-Lien as his alternate), Lee Chien* and Lee Tze Hau Michael*.*

* *Non-Executive Directors*

** *Independent Non-Executive Directors*

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