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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 Transactions Renewal of Lease and Licence Agreements

The Hysan Group has been leasing to Jebsen & Co. certain office units, car parking spaces and portions of spaces at Lee Garden Two. For purposes of renewing these existing lease and licence agreements, on 22 June 2018, Barrowgate (a subsidiary of the Company) entered into the New Lease and the New Licence Agreements with Jebsen & Co. in relation to the leasing of such office units, and the licensing of 4 car parking spaces and 2 portions of spaces near the car parking spaces, at Lee Garden Two, each for a fixed term of 3 years.

Jebsen & Co. is a connected person of the Company under the Listing Rules by virtue of it being a substantial shareholder of Barrowgate holding 10% of its equity interest, and also being an associate of Mr. Jebsen, a Non-Executive Director of the Company. Accordingly, the Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest of all of the applicable percentage ratios in respect of the 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 and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DETAILS OF THE TRANSACTIONS

Particulars of the Transactions are set out below:-

New Lease and New Licence Agreements

Parties : Barrowgate as landlord or licensor (as may be applicable)
Jebsen & Co. as tenant or licensee (as may be applicable)

Premises relating to the New Lease : Office units at 28th, 30th and 31st Floors at Lee Garden Two

Premises relating to the New Licence Agreements	4 car parking spaces and 2 portions of spaces near the car parking spaces for installation of electric chargers at Lee Garden Two
Rent for the New Lease	: HK\$2,820,452 per month, payable in advance on a monthly basis (exclusive of operating charges, Government rates and other outgoings)
Operating Charges for the New Lease	: HK\$353,054 per month (subject to increase as notified by Barrowgate from time to time), payable in advance on a monthly basis
Licence Fees for the New Licence Agreements	<i>Use of 4 fixed car parking spaces:</i> HK\$6,400 per month for each car parking space (subject to increase as notified by Barrowgate from time to time), payable in advance on a monthly basis <i>Use of 2 portions of spaces near the car parking spaces:</i> Nominal non-refundable fees of HK\$100 and HK\$1 for the entire term (exclusive of electricity charges and other outgoings)
Terms of the New Lease and the New Licence Agreements	: 3 years commencing from 1 September 2018 to 31 August 2021
Guarantee and Indemnity	: As Jebesen & Co. wishes to occupy the aforesaid office units with the Jebesen Companies, on the same day as the New Lease, they entered into a Deed of Guarantee and Indemnity with Barrowgate pursuant to which Barrowgate consents to their shared occupancy of such office units, and Jebesen & Co. and the Jebesen Companies jointly and severally agree to, among others, observe the conditions of the New Lease and to indemnify Barrowgate on all losses and damages arising from the use and occupation of the premises.

Annual Caps for the Transactions

The Annual Caps in respect of the Transactions are as follows:

Annual Caps for Transactions	: 2018: HK\$14,100,000 (on pro-rata basis)
(Note)	2019: HK\$42,700,000
	2020: HK\$43,100,000
	2021: HK\$29,000,000 (on pro-rata basis)

Note:

The Annual Caps for the years 2018 and 2021 are the maximum aggregate annual values to be received by the Hysan Group under the New Lease and the New Licence Agreements for the 4 months and 8 months ending 31 December 2018 and 31 August 2021 respectively.

The annual aggregated consideration payable by Jebesen & Co. under the New Lease and the New Licence Agreements includes the rent, operating charges and licence fees 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 for the Transactions, the Directors have taken into account the possible future upward changes in the level of operating charges and licence fees and other relevant costs pursuant to the Transactions. A buffer has also been built in when determining the Annual Caps of the Transactions for each of the relevant periods or years.

The aggregated historical amounts paid by Jebsen & Co. pursuant to the similar existing lease and licence agreements entered into with Barrowgate for the two years ended 31 December 2016 and 2017 were approximately HK\$32,090,000 and HK\$37,341,000 respectively and it is expected that the amount payable by Jebsen & Co. for the 8 months ending 31 August 2018 will be approximately HK\$25,153,000.

Under the New Lease and the New Licence Agreements, the monthly rent for the office units and the licence fees for the portions of spaces near the car parking spaces were determined on an arm's length basis based on prevailing market rates; and the operating charges and licence fees for the car parking spaces were determined in accordance with on-going rates generally applicable to the Company's portfolio and are subject to increments as may be notified by Barrowgate from time to time.

REASONS FOR THE TRANSACTIONS

Jebsen & Co. is a reputable and sizeable company with long history, and has been a tenant of the Hysan Group at Lee Garden Two for over 20 years. The Transactions are renewal of the previous office lease and licence agreements regarding the 4 car parking spaces and licensing of 2 portions of spaces near the car parking spaces at Lee Garden Two, and were entered into by the Hysan Group in the ordinary course of its business of leasing and in line with Hysan Group's corporate strategy of maximising its properties cash flow and value.

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 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) are of the view that the terms of the Transactions are fair and reasonable, the Transactions are on normal commercial terms, in the interests of the Company and its shareholders as a whole, and were entered 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) also believe that the Annual Caps as set out above are fair and reasonable.

REGULATORY ASPECTS

Jebsen & Co. is a connected person of the Company under the Listing Rules by virtue of it being a substantial shareholder of Barrowgate holding 10% of its equity interest, and also being 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 Chapter 14A of the Listing Rules. Due to the interest of an associate of Mr. Jebsen in the Transactions, he has abstained from voting on the relevant resolution in respect of the Transactions in Board meeting. Other than Mr. Jebsen, no other Director has declared any material interest in the Transactions.

Given that highest of all of the applicable percentage ratios in respect of the 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 and 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 businesses in property leasing.

Barrowgate's principal business is property investment.

Jebsen & Co.'s principal business is diversified trading and 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 by the Hysan Group 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;
“Deed of Guarantee and Indemnity”	deed of guarantee and indemnity dated 22 June 2018 entered into between Barrowgate, Jebsen & Co. and the Jebsen Companies in respect of the office units leased under the New Lease;
“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;
“Jebsen & Co.”	Jebsen & Company Limited, a company incorporated in Hong Kong with limited liability and an associate of Mr. Jebsen;
“Jebsen Companies”	the 6 companies named under the Deed of Guarantee and Indemnity as permitted occupiers of the office units leased under the New Lease, each of which is a subsidiary of Jebsen & Co.;
“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 22 June 2018 entered into between Barrowgate and Jebsen & Co. in respect of the renewal of a lease of office units on 28 th , 30 th and 31 st Floors at Lee Garden Two;
“New Licence Agreement(s)”	6 licence agreements all dated 22 June 2018 entered into between Barrowgate and Jebsen & Co. in respect of the renewal of licences for use of 4 fixed car parking spaces and 2 portions of spaces near the car parking spaces at Lee Garden Two;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Transactions”	the transactions contemplated under the New Lease and the New Licence Agreements.

By Order of the Board
Lee Irene Yun-Lien
Chairman

Hong Kong, 22 June 2018

*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**, 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*

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