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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)

Revised Annual Caps for Existing Continuing Connected Transaction

Reference is made to the Previous Announcement in respect of the Lease between Barrowgate and Hang Seng. Hang Seng is a substantial shareholder of Barrowgate holding 24.64% equity interest, and hence a connected person of the Company within the meaning under the Listing Rules. The Lease therefore constituted a continuing connected transaction for the Company under Rule 14A.14 of the Listing Rules.

Pursuant to the terms of the Lease, the rent for the period from 15 October 2010 to 14 October 2013 was reviewed and revised at the then prevailing market rent. The operating charges and promotion levy 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 22 November 2010, Barrowgate and Hang Seng entered into the Endorsement following the aforesaid revisions whereby the annual aggregated consideration of the Lease will be increased for each of the financial years ending 31 December 2011, 2012 and 2013 and the Company has resolved to revise the respective Annual Caps to allow greater flexibility in complying with Listing Rules requirements.

As each of the percentage ratios (other than the profit ratio) in respect of the revised Annual Caps is less than 5%, the Lease continues to be subject only 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 is exempted from the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules.

DETAILS OF THE LEASE, THE ENDORSEMENT AND REVISED ANNUAL CAPS

Date of the Endorsement	: 22 November 2010
Parties	: Barrowgate as landlord Hang Seng as tenant
Premises	: Shop G13A on Ground Floor and Shops 2-10 and 11-12 on Lower Ground Floor, Lee Gardens Two, 28 Yun Ping Road, Causeway Bay, Hong Kong
Terms	: 72 months commencing from 15 October 2007 (for Shops 2-10 on the Lower Ground Floor) and 68 months commencing from 15 February 2008 (for Shop G13A on the Ground Floor and Shops 11-12 on the Lower Ground Floor)
Expiry date	: 14 October 2013

New rent	: HK\$1,298,880 per month (exclusive of operating charges, promotion levy and Government rates)
Revised operating charges	: HK\$133,182 per month (subject to revision from time to time)
Revised promotion levy	: HK\$27,180 per month (subject to revision from time to time)
Existing Annual Caps (previously announced)	: 2010: HK\$15,000,000 2011: HK\$15,000,000 2012: HK\$15,000,000 2013: HK\$12,000,000 (on pro-rata basis)
Revised Annual Caps	: 2011: HK\$18,500,000 2012: HK\$19,000,000 2013: HK\$15,300,000 (on pro-rata basis)

Note:

The annual aggregated consideration based on new rates for the rental, operating charges and promotion levy in relation to the remaining term of the Lease for each of the financial years of 2010, 2011, 2012 and 2013 are HK\$13,713,453, HK\$17,706,600, HK\$17,706,600 and HK\$13,946,327 (on pro-rata basis) respectively. The amounts paid and payable pursuant to the revised terms of the Lease for 2010 does not exceed the existing Annual Cap for 2010.

As mentioned in the Previous Announcement, the annual aggregated consideration receivable under the Lease includes the rent, operating charges and promotion levy but excludes Government rates, to be paid in cash in advance on a monthly basis. The new rent specified in the Endorsement was determined on an arm's length basis based on prevailing market rates. The operating charges and promotion levy were determined in accordance with on-going rates generally applicable to the Company's portfolio. For the purpose of providing a more flexible basis for setting the revised Annual Caps for the Lease, 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 and promotion levy in determining the revised Annual Caps of the Lease for each of the financial years ending 31 December 2011, 2012 and 2013. Where any of the unexpired terms of the Lease is less than one year, the annual aggregated consideration will be calculated on a pro-rata basis.

REASONS FOR THE TRANSACTION

The Lease and the Endorsement 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 terms of the Lease and the Endorsement 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

Hang Seng is a substantial shareholder of Barrowgate holding 24.64% equity interest, and hence a connected person of the Company within the meaning under the Listing Rules. The Lease therefore constituted a continuing connected transaction for the Company under Rule 14A.14 of the Listing Rules. No Directors have material interest in the transaction.

Given that each of the percentage ratios (other than the profit ratio) for the Lease is less than 5%, the Lease continues to be subject only 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 is exempted from the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules.

Particulars of the Lease 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.

Hang Seng's principal business is the provision of banking and related financial 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 received under the Lease and the Endorsement;
“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;
“Endorsement”	an endorsement to the Lease dated 22 November 2010 and entered into between Barrowgate and Hang Seng;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hang Seng”	Hang Seng Bank Limited, a company incorporated in Hong Kong with limited liability, a substantial shareholder of Barrowgate holding 24.64% equity interest;
“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;
“Lease”	a lease dated 15 February 2008 supplemented with a supplemental deed dated 13 May 2008 entered into between Barrowgate and Hang Seng in respect of the Premises;
“Premises”	Shop G13A on Ground Floor and Shops 2-10 and 11-12 on Lower Ground Floor, Lee Gardens Two, 28 Yun Ping Road, Causeway Bay, Hong Kong;
“Previous Announcement”	Announcement of the Company dated 15 October 2007; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

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

Hong Kong, 22 November 2010

*As at the date of this announcement, the Board of Directors comprises: **Independent non-executive Chairman** – Sir David AKERS-JONES; **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), Anthony Hsien Pin LEE, Chien LEE, Michael Tze Hau LEE and Dr. Deanna Ruth Tak Yung RUDGARD; 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).