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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

Renewal of (1) Leasing and Property Management Service Agreements and (2) Lease

On 31 March 2010, Barrowgate entered into the Service Agreements with HLCL and HPML regarding the provision of leasing and property management services for Lee Gardens Two respectively. Barrowgate also entered into the New Lease with Jebsen & Co. in respect of the renewal of a lease of office units in Lee Gardens Two on the same date.

Barrowgate is a connected person of the Company under the Listing Rules by virtue of its being a non-wholly owned subsidiary of the Company having a substantial shareholder which is an associate of a Director of the Company.

Jebsen & Co. is a connected person of the Company under the Listing Rules by virtue of its being a substantial shareholder of Barrowgate holding 10% equity interest and an associate of Mr. Jebsen.

Accordingly, the Service Agreements and the New Lease constitute continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules. Given that each of the percentage ratios (other than the profit ratio) in respect of the Service Agreements and the New Lease on annual basis is less than 2.5%, each of the transactions falls under Rule 14A.34 of the Listing Rules and is 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 is exempt from the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules.

DETAILS OF THE TRANSACTIONS

1. The Service Agreements

The particulars of the Service Agreements are set out below:

	<u>Leasing Services</u>	<u>Property Management Services</u>
Date	: 31 March 2010	31 March 2010
Parties	: HLCL as agent Barrowgate as principal	HPML as agent Barrowgate as owner
Premises	: Lee Gardens Two, 28 Yun Ping Road, Causeway Bay, Hong Kong	Lee Gardens Two, 28 Yun Ping Road, Causeway Bay, Hong Kong

Terms	: 3 years commencing from 1 April 2010	3 years commencing from 1 April 2010
Expiry Date	: 31 March 2013	31 March 2013
Provision of Services	: Provision of leasing marketing, renewals, rent reviews and rental collection for the Premises	Provision of property management and maintenance services for the Premises
Services Charges	: <i>Commission for leasing marketing and reviews:</i> (a) One month of rent will be charged for transaction solely carried out by HLCL; (b) Half a month of new rent will be charged for rent review negotiated by HLCL; and (c) One fourth of a month's rent will be charged for transactions carried out with contribution from third party agents.	Equivalent to 10% of the total budgeted management expenses but not exceeding HK\$3,300,000 per annum.
	<i>Fees for rental collection:</i> 3% of the monthly rent or licence fee and operating charges or management fees shall be payable to HLCL on leases tenancies or licences actually received in respect of Lee Gardens Two	
	The total service charges shall not exceed HK\$21,300,000 per annum.	
Annual Cap	: HK\$21,300,000	HK\$3,300,000

The service charges for the respective Service Agreements were determined based on range set by professional guidelines and market rates in line with industry practice. The respective Annual Caps were determined taking into account of historical figures and projections based on outlook assumptions.

2. The New Lease

The particulars of the New Lease are set out below:-

Date	: 31 March 2010
Parties	: Barrowgate as landlord Jebsen & Co. as tenant
Premises	: Office units at 28 th , 30 th and 31 st Floors of Lee Gardens Two, 28 Yun Ping Road, Causeway Bay, Hong Kong

Terms	:	3 years commencing from 1 September 2010
Expiry Date	:	31 August 2013
Rent	:	HK\$1,467,552 per month (exclusive of operating charges and Government rates and other outgoings) payable monthly in advance
Operating Charges	:	HK\$256,822 per month (subject to revision by Barrowgate from time to time) payable monthly in advance
Estimated Annual Consideration	:	2010: HK\$20,775,036 (<i>Note</i>) 2011: HK\$20,802,552 2012: HK\$20,802,552 2013: HK\$13,868,368 (on pro-rata basis)
Annual Cap	:	2010: HK\$22,000,000 (<i>Note</i>) 2011: HK\$21,400,000 2012: HK\$21,800,000 2013: HK\$14,800,000 (on pro-rata basis)

Note:

The annual consideration and Annual Cap for 2010 include the sum of rent and operating charges (i) received under the previous lease for the period from 1 January 2010 to 31 August 2010 (with cap set at HK\$15,000,000); and (ii) receivable under the New Lease (with cap set at HK\$7,000,000) for the period from 1 September 2010 to 31 December 2010.

The annual consideration includes the rent and operating charges but exclude Government rates and other outgoings, to be paid in cash in advance on a monthly basis. Where any of the unexpired terms of the New Lease is less than one year, the annual 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 New Lease for each of the financial years ending 31 December 2010, 2011, 2012 and 2013 as set out above.

The maximum monthly basic 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 portfolio.

REASONS FOR THE TRANSACTIONS

The Service Agreements and the New Lease were entered into by Hysan Group in the ordinary course of its businesses of leasing and property management. The entering into the Service Agreements are in line with Hysan's policy of centralising the leasing activities, lease administration and property management of the Group's portfolio while the entering into the New Lease is 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 Service Agreements, the New Lease 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 Service Agreement and the New Lease are fair and reasonable.

REGULATORY ASPECTS

Barrowgate is a connected person of the Company under the Listing Rules by virtue of its being a non-wholly owned subsidiary of the Company having a substantial shareholder being an associate of a Director, namely Mr. Jebsen. Accordingly, the Service Agreements constitute continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules.

Jebsen & Co. is a connected person of the Company under the Listing Rules by virtue of its being a substantial shareholder of Barrowgate holding 10% equity interest and an associate of Mr. Jebsen. Accordingly, the New Lease constitutes a continuing connected transaction for the Company under Rule 14A.14 of the Listing Rules.

Given that each of the percentage ratios (other than the profit ratio) in respect of the Service Agreements and the New Lease on annual basis is less than 2.5%, each of the transactions falls under Rule 14A.34 of the Listing Rules and is 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 is exempt from the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules.

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

GENERAL

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.

HLCL's principal business is provision of leasing administration services.

HPML' principal business is provision of property management services.

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 under the Service Agreements or the New Lease, as the case may be;
“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.;

“connected person”	shall have the same meaning ascribed to such term in the Listing Rules;
“Director(s)”	the director(s) of the Company;
“HLCL”	Hysan Leasing Company Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Hysan directly;
“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;
“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 & 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;
“Mr. Jebsen”	Mr. Hans Michael JEBSEN, a Non-executive Director of Hysan;
“New Lease”	a lease dated 31 March 2010 entered into between Barrowgate and Jebsen & Co. in respect of renewal of a lease of office units in Lee Gardens Two;
“Service Agreements”	a new leasing service agreement and a new property management service agreement entered into between Barrowgate with HLCL and HPML for provision of leasing and property management services for Lee Gardens Two respectively; 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, 31 March 2010

*As at the date of this announcement, the Board 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, Fa-kuang HU (Raymond Liang-ming HU as his alternate), Joseph Chung Yin POON and Dr. Geoffrey Meou-tsen YEH; **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.*

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