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**DISCLOSEABLE TRANSACTION  
DISPOSAL OF THE ENTIRE INTEREST IN ENTERTAINMENT BUILDING**

The Board of Hysan Development Company Limited (“Hysan” or Hysan and its subsidiaries as “Group”) is pleased to announce that on 9 September 2005 Hysan and its wholly owned subsidiaries entered into an agreement relating to the disposal of Jarrow Properties Limited (“the Subsidiary”) (“the Agreement”). The Subsidiary indirectly owns Entertainment Building.

The proceeds of the Transaction (as defined below) will be applied towards reduction of the Group’s debts, thereby strengthening the Group’s financial position considerably. The Directors believe that the terms and conditions of the Transaction are fair and reasonable and the Agreement is in the interests of the shareholders of Hysan and Hysan as a whole.

Each of the relevant percentage ratios, as defined in Rule 14.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”), is more than 5% but less than 25% and the Transaction constitutes a discloseable transaction for Hysan under the Listing Rules. A circular containing further information will be despatched to shareholders.

**DETAIL OF THE TRANSACTION**

**Agreement relating to the disposal of Jarrow Properties Limited dated 9 September 2005 (“the Agreement”)**

**Parties**

- (1) Hysan, as Fourth Vendor; and its wholly owned subsidiaries, namely, Kwong Hup Holding Limited as First Vendor; HD Treasury Management Limited as Second Vendor; and HD Treasury Limited as Third Vendor (collectively “the Vendors”)
- (2) Join-in Investments Limited as purchaser (“the Purchaser”) and its ultimate beneficial owner, to the best of the knowledge, information and belief of the Directors are third parties independent of Hysan and its connected persons as defined in the Listing Rules.

**Terms of the Agreement**

The Vendors have agreed to sell and the Purchaser has agreed to purchase the entire equity interest in Jarrow Properties Limited (“the Subsidiary”), wholly owned by the First Vendor. The Vendors have also agreed to sell and the Purchaser has agreed to purchase the loans by the Vendors to South Eagle Investments Limited (“South Eagle”), a wholly owned subsidiary of the Subsidiary (collectively “the Transaction”). The total consideration for the Transaction is HK\$2,700 million subject to adjustment based on the completion accounts of the Subsidiary and South Eagle made up to the business day prior to completion.

### **The Subsidiary and Entertainment Building**

The Subsidiary was incorporated in the British Virgin Islands with limited liability. The Subsidiary is principally engaged in the business of investment holding and its principal asset is 100% of the issued share capital of South Eagle. (The carrying value (on consolidated basis) of the Subsidiary is not material in this light.) South Eagle is incorporated in the British Virgin Islands and is principally engaged in the business of investment holding. Its principal asset is Entertainment Building.

Entertainment Building is situate at 30 Queen's Road Central, Hong Kong ("the Building"). The Building has 34 levels with a gross floor area of approximately 211,148 square feet comprising office and retail space. The carrying value of the Building as at 30 June 2005 was HK\$2,438 million, revalued on market value basis by an in-house professional valuer which was reviewed and endorsed by Knight Frank Hong Kong Limited, an independent professional valuer.

The net profits (both before and after taxation and extraordinary items) attributable to the Building (and the Subsidiary and South Eagle will have no other principal activity other than directly or indirectly holding the Building at completion) for the two financial years immediately preceding the Transaction, as extracted from audited financial statements prepared in accordance with accounting principles generally accepted in Hong Kong are set out below:

<b><u>Year ended 31 December</u></b>	<b><u>Profit before Taxation (HK\$)</u></b>	<b><u>Profit after Taxation (HK\$)</u></b>
2004	38,863,759	38,863,759
2003	29,414,967	29,412,183

The Subsidiary and South Eagle will cease to be subsidiaries of Hysan after completion of the Transaction.

### **Consideration**

The consideration of HK\$2,700 million (subject to adjustment based on completion accounts of the Subsidiary and South Eagle) is payable by the Purchaser in cash. HK\$270 million was paid on the signing of the Agreement as deposit, with the balance to be paid on completion. The consideration was determined after arm's length negotiations between the parties as regards the carrying value of the Building (which represents a 10.7% premium to the carrying value of the Building of HK\$2,438 million (also being the carrying value of South Eagle and loans being transferred) as at 30 June 2005. It will be adjusted by the net assets or liabilities of the Subsidiary (excluding shares, loans, and the Building being purchased/assigned) on a dollar for dollar basis.

### **Completion**

Subject to the fulfillment of conditions as specified in the Agreement, completion of the Transaction shall take place on or before 30 December 2005.

### **REASONS AND BENEFIT FOR THE TRANSACTION**

The proceeds of the Transaction will be applied towards reduction of the Group's debts which Hysan believes will strengthen considerably the Group's financial position.

According to current applicable accounting principles generally accepted in Hong Kong, the current carrying value of the Building as at 30 June 2005 was HK\$2,438 million and, upon disposal of the Subsidiary, an estimated gain of HK\$262 million (taking into consideration estimated adjustment at completion and before expenses) by reference to such carrying value, is expected to be recognized in the income statement.

The original consideration of the Building was HK\$3,640 million, with all revaluation deficits having been charged to retained earnings.

The Directors of Hysan believe that the terms of the Transaction are fair and reasonable and the Agreement is in the interests of the shareholders of Hysan and Hysan as a whole.

## **GENERAL**

The principal business activities of Group are property investment, management and development. The principal business activity of the First Vendor is investment holding. The principal business activities of the Second and Third Vendors are treasury operation.

The principal business activity of the Purchaser is, to the best of the knowledge, information and belief of the Directors, property investment.

## **REGULATORY ASPECTS**

Given that each of the relevant percentage ratios, as defined in Rule 14.07 of the Listing Rules, is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction under Rule 14.06(2) of the Listing Rules.

A circular containing further information on the Transaction will be despatched to shareholders as soon as possible, and in any event not later than 21 days from the publication of this announcement.

*As at the date of this announcement, the Board of Directors comprises (Chairman) Peter Ting Chang Lee; (Independent non-executive Deputy Chairman) Sir David Akers-Jones; (Managing Director) Michael Tze Hau Lee; (Independent non-executive Directors) Per Jorgensen, David Muir Turnbull and Dr. Geoffrey Meou-tsen Yeh; (Non-executive Directors) Fa-kuang Hu, Hans Michael Jebsen, Anthony Hsien Pin Lee, Chien Lee and Dr. Deanna Ruth Tak Yung Rudgard; and (Executive Director) Pauline Wah Ling Yu Wong.*

By Order of the Board  
**Wendy W. Yung**  
Company Secretary

Hong Kong, 9 September 2005

*Please also refer to the published version of this announcement in South China Morning Post and Hong Kong Economic Journal.*