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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt about this circular, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.**

**If you have sold or transferred all your shares in Hysan Development Company Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.**

This circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other material facts not contained herein the omission of which would make any statement contained in this circular misleading.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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)

**DISCLOSEABLE TRANSACTION**

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

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LETTER FROM THE BOARD

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**Hysan Development Company Limited**

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*(Incorporated under Hong Kong Companies Ordinance, Cap. 32 with limited liability)*  
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**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

Dr. Geoffrey Meou-tsen YEH

**Non-executive Directors**

Fa-kuang HU

Hans Michael JEBSEN

Anthony Hsien Pin LEE

Chien LEE

Dr. Deanna Ruth Tak Yung RUDGARD

**Executive Director**

Pauline Wah Ling YU WONG

**Registered Office:**

49th Floor

Manulife Plaza

The Lee Gardens

33 Hysan Avenue

Hong Kong

29 September 2005

Dear Shareholders

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

**INTRODUCTION**

The Board of the Company announced on 9 September 2005 that the Company and its wholly owned subsidiaries had entered into the Agreement to effectively dispose of the Group's interest in Entertainment Building. The Transaction constitutes a discloseable transaction for Hysan which is subject to the publication of announcement in the newspapers and despatching of a circular to Shareholders under the Listing Rules.

The purpose of this circular is to provide you with further details of the Transaction.

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## LETTER FROM THE BOARD

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### DETAIL OF THE TRANSACTION

#### 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; and
2. Join-in Investments Limited as the Purchaser.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiry the Purchaser and its ultimate beneficial owner are third parties independent of Hysan and its connected persons.

##### *Terms of Agreement*

Under the Agreement, the First Vendor has agreed to sell and the Purchaser has agreed to purchase the entire equity interest in its wholly owned subsidiary, Jarrow. Hysan as Fourth Vendor and its other wholly owned subsidiaries as Vendors have also agreed to sell and the Purchaser has agreed to purchase the Loans. The total consideration for the Transaction is HK\$2,700 million subject to adjustment based on the completion accounts of Jarrow and South Eagle made up to the business day prior to Completion.

Jarrow is principally engaged in the business of investment holding and its principal asset is 100% of the issued share capital of South Eagle whose principal business is property investment and its principal asset is the Building. Jarrow and South Eagle will have no other principal activity other than directly or indirectly holding the Building on Completion.

##### *The Building*

The Building is situate at 30 Queen's Road Central, Hong Kong. It 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, which was revalued at 30 June 2005 by an in-house professional valuer, on market value basis. The valuation was reviewed and endorsed by Knight Frank Hong Kong Limited, an independent professional valuer.

The net profits (before and after taxation) attributable to the Building for the two financial years immediately preceding the Transaction, as extracted from audited financial statements of South Eagle prepared in accordance with accounting principles generally accepted in Hong Kong are set out below:

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

Jarrow and South Eagle will cease to be subsidiaries of Hysan on Completion.

##### *Consideration*

The Consideration (subject to adjustment based on completion accounts of Jarrow and South Eagle) is payable by the Purchaser in cash. HK\$270 million was paid by the Purchaser on the signing of the Agreement as deposit, with the balance to be paid by the Purchaser on Completion. The Consideration was determined after arm's length negotiations between the parties as regards the carrying value of the

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## LETTER FROM THE BOARD

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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 Jarrow, South Eagle and Loans being transferred) as at 30 June 2005. The Consideration will be adjusted by the net assets or liabilities of Jarrow made up to the business day prior to Completion (excluding shares, loans, and the Building being purchased/assigned) on a dollar for dollar basis.

### *Completion*

Subject to the fulfillment of the terms and conditions as specified in the Agreement, completion of the Transaction shall take place on or before 30 December 2005. There is no restriction on subsequent sale of the Sale Shares by the Purchaser after Completion.

### **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 balance sheet. As at 30 June 2005, the Group's debt level was HK\$5,593 million. The application of HK\$2,700 million will significantly reduce the current level of Group borrowings.

According to current Hong Kong Financial Reporting Standards, South Eagle adopted the fair value model to account for its investment properties which requires the gains and losses arising from the change in the fair value during the reporting period to be recognised directly in the income statement for that period. The carrying value of the Building as at 30 June 2005 was HK\$2,438 million (which in this case is also the net book value) and, upon disposal of Jarrow, an estimated gain of HK\$262 million (taking into consideration estimated adjustment at Completion and before expenses) by reference to such carrying value and the Consideration, is expected to be recognised in the income statement for the year ending 31 December 2005, which will correspondingly increase the total asset value of the Company. On repayment of the debts the effect on both the assets and the liabilities of the Company will be reduced by the amount of debt repaid, therefore the aforementioned increase in net assets of the Company will be unaffected.

The original acquisition cost of the Building was HK\$3,640 million, with cumulative revaluation deficits up to 31 December 2004 having been charged to retained earnings as at 1 January 2005.

Disposal of the Building will lower the Group's recurring rental income. However, such loss of rental contribution from the Building is likely to be compensated significantly, or even absorbed completely, by the savings in finance costs on lower debt level for the Group. In this light, the Group does not expect any material impact on net profit contribution as a whole.

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 the Company 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.

Yours faithfully,  
**Peter T.C. Lee**  
*Chairman*

## DIRECTORS' INTERESTS IN SHARES

As at the Latest Practicable Date, the interests and short positions of the Directors and Alternate Director in the shares and underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provision of the SFO); or as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), are set out below:

## Aggregate long positions in shares and underlying shares of the Company

Name	No. of shares held				Total	% of the issued share capital*
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Peter Ting Chang Lee	2,000,000	–	4,083,823 (Note 1)	–	6,083,823	0.578
Michael Tze Hau Lee	1,023,233	–	–	–	1,023,233	0.097
Fa-kuang Hu	–	–	255,012 (Note 2)	–	255,012	0.024
Hans Michael Jebsen	60,000	–	2,432,914 (Note 1)	–	2,492,914	0.237
Per Jorgensen	6,726	–	–	–	6,726	0.001
Chien Lee	850,000	–	4,083,823 (Note 1)	3,150,000 (Note 3)	8,083,823	0.768
Deanna Ruth Tak Yung Rudgard	1,871,600	–	–	–	1,871,600	0.178
Pauline Wah Ling Yu Wong	274,000	–	–	–	274,000	0.026
Geoffrey Meou-tsen Yeh	254,148	–	–	–	254,148	0.024
V-nee Yeh (alternate to Geoffrey Meou-tsen Yeh)	43,259	–	84,575 (Note 1)	–	127,834	0.012

\* This percentage has been compiled based on the total number of shares (i.e. 1,052,239,774 ordinary shares) of the Company in issue as at the Latest Practicable Date.

## Notes:

- Such shares were held through corporations in which the respective Directors were members entitled to exercise one-third or more of the voting power at general meetings. Corporate interests of Peter T.C. Lee and Chien Lee relate to the same corporation.
- Such shares were held by a company which was wholly owned by F.K. Hu and he was deemed to have beneficial interests in all these shares.
- Such shares were held through a discretionary trust of which Chien Lee was one of the beneficiaries.

Certain executive Directors of the Company have been granted share options under the Company's share option schemes. These constitute interests in underlying shares of equity derivatives of the Company under the SFO.

Details of options granted to executive Directors and outstanding under the share option schemes are as follow:

Name	Balance as at 1.1.2005	Date of grant	Changes During the Period			Balance as at the Latest Practicable Date	Exercise price (HK\$)	Exercisable period (Note 1)
			Cancelled/ Lapsed	Granted	Exercised			
Peter Ting Chang Lee	1,350,000	7.1.1999	NIL	NIL	NIL	1,350,000	9.22	7.1.2001 – 6.1.2009
Michael Tze Hau Lee	NIL	10.5.2005	NIL	240,000	NIL	240,000	16.60 (Note 2)	10.5.2005 – 9.5.2015

Notes:

- The options granted to Peter T.C. Lee are subject to a five-year vesting period and a bar on the exercise of options within the first two years of their issue. The vesting period of options granted to Michael T.H. Lee is three years in equal portion.
- The exercise price of share options granted to Michael T.H. Lee was fixed at the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant. The closing price of the Shares immediately before the date on which the options were granted (as of 9 May 2005) was HK\$16.40.

Apart from the above, the Company had not granted any share option under the share option schemes to any other persons as required to be disclosed under Rule 14.64(3) of the Listing Rules.

### Aggregate long positions of Associated Corporations

Listed below are certain Directors' interests in the shares of Barrowgate Limited ("Barrowgate"), a 65.36% subsidiary of the Company, and Parallel Asia Engineering Company Limited ("PAECL"), a 25% associate of the Company:

Name	No. of shares held	% of the issued share capital
Hans Michael Jebsen	1,000	10 (Note 1)
Fa-kuang Hu	5,000	50 (Note 2)
Raymond Liang-ming Hu (alternate to Fa-kuang Hu)	5,000	50 (Note 2)

Notes:

- Jebsen and Company Limited ("Jebsen and Company") has a 10% interest in the issued share capital in Barrowgate through a wholly owned subsidiary. Hans Michael Jebsen is deemed to be interested in Barrowgate by being the controlling shareholder and chairman of Jebsen and Company.

2. Ryoden Development Limited (“Ryoden Development”) has a 50% interest in the issued share capital in PAECL through a wholly owned subsidiary. F.K. Hu and Raymond L.M. Hu are deemed to be interested in PAECL by virtue of their interests as beneficiaries of a discretionary trust which has an indirect controlling interest in Ryoden Development.

Apart from the above as at the Latest Practicable Date, there is no other interest or short position of Directors and Alternate Directors in the shares, underlying shares or debentures of the Company and any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### **SERVICE CONTRACTS**

No Director has entered into nor is proposing to enter into a service contract with the Company or any of its subsidiaries that is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

### **DIRECTORS’ INTERESTS IN COMPETING BUSINESS**

The Group is engaged principally in the property investment, development and management of high quality investment properties in Hong Kong. The following Directors are considered to have interests in other activities (“Deemed Competing Business”) that compete or are likely to compete with the said core business of the Group, all within the meaning of the Listing Rules.

For the reasons stated below, and coupled with the diligence of the Group’s Independent non-executive Directors and the Audit Committee, the Group is capable of carrying on its business independent of and at arm’s length from the Deemed Competing Business.

1. Peter T.C. Lee, Anthony H.P. Lee, Chien Lee, Michael T.H. Lee and Dr. Deanna R.T.Y. Rudgard are members of the founding family whose range of general investment activities include property investments in Hong Kong and overseas. In the light of the size and dominance of the portfolio of the Group, such disclosed Deemed Competing Business is considered immaterial.
2. F.K. Hu (and his alternate, Raymond L.M. Hu) are directors and have an indirect substantial interest in Designcase Limited and its subsidiaries, which are engaged in investment holding, property investment and development, property agency and management, project management in both the People’s Republic of China and Hong Kong.
3. Hans Michael Jebsen is a director and (and his alternate, Li Kam Wing) hold the offices of directors in each of Jebsen and Company and Jebsen China Services Limited (the “Companies”) and some of their subsidiaries, of which their business activities include, inter alia, investment holding and property investment in both the People’s Republic of China and Hong Kong. Mr. Jebsen is also a substantial shareholder of the Companies.

Mr. Jebsen is also an independent non-executive director of The Wharf (Holdings) Limited whose business includes, inter alia, property investment, development and management in both the People's Republic of China and Hong Kong.

4. David M. Turnbull and Chien Lee are respectively chairman and independent non-executive director of Swire Pacific Limited whose business includes, inter alia, property investment and trading in Hong Kong, Mainland China and USA.

The Company's management team is separate and independent from that of the companies identified in 2 to 4 above. In addition, save and except Peter T.C. Lee and Michael T.H. Lee, the relevant Directors have non-executive roles and are not involved in the Company's day-to-day operations and management.

#### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at the Latest Practicable Date, the interests or short positions of Substantial Shareholders and other persons in the shares and underlying shares of the Company, so far as is known to any Director or Managing Director of the Company, which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO; or any of them directly or indirectly interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital; or as recorded in the register required to be kept under section 336 of the SFO; or as otherwise notified to the Company were as follows:

##### Aggregate long positions in shares and underlying shares of the Company

Name	Capacity	No. of shares held	% of the issued share capital*
Lee Hysan Estate Company, Limited	Interests of controlled corporations	429,046,912 (Note 1)	40.77
Lee Hysan Company Limited	Interests of controlled corporations	429,046,912 (Note 1)	40.77
J.P. Morgan Chase & Co.	(Note 2)	86,783,095	8.25

\* The percentage has been compiled based on the total number of shares (i.e. 1,052,239,774 ordinary shares) of the Company in issue as at the Latest Practicable Date.

##### Notes:

- These interests represent the same block of shares. Lee Hysan Estate Company, Limited is a wholly owned subsidiary of Lee Hysan Company Limited.
- As notified by J.P. Morgan Chase & Co., these shares were held in their respective capacities as beneficial owner (holding 276,000 shares), investment manager (holding 54,462,769 shares) and custodian (holding 32,044,326 shares).

**Aggregate long positions in shares of Barrowgate Limited, a non-wholly owned (65.36%) subsidiary of the Company**

Name	Capacity	No. of shares held	% of the issued share capital of the subsidiary
Hang Seng Bank Limited	Beneficial owner	2,464	24.64
Jebsen and Company Limited ( <i>Note</i> )	Beneficial owner	1,000	10.00

*Note:* Jebsen and Company has a 10% interest in the issued share capital in Barrowgate through a wholly owned subsidiary. Hans Michael Jebsen, a non-executive Director of the Company, is the controlling shareholder and chairman of Jebsen and Company.

Apart from the above, as at the Latest Practicable Date, there is no other interest or short position of Substantial Shareholders or other persons in the shares or underlying shares of the Company, so far as is known to any Director or Managing Director of the Company, which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO; or any of them directly or indirectly interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital; or as recorded in the register required to be kept under section 336 of the SFO.

## LITIGATION

Neither the Company nor any member of the Group is or has been involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Directors of the Company are aware) of material importance which may have or have had a significant effect on the financial position of the Group.

## CORPORATE INFORMATION

1. The registered office of the Company is situate at 49/F., Manulife Plaza, The Lee Gardens, 33 Hysan Avenue, Hong Kong.
2. The auditors of the Company are Deloitte Touche Tohmatsu of 26/F., Wing On Centre, 111 Connaught Road Central, Hong Kong. The qualified accountant of the Company is Chief Financial Officer, Ricky Tin For Tsang, who is qualified as Fellow Member of the Hong Kong Institute of Certified Public Accountants and Chartered Accountant with the Institute of Chartered Accountants in England and Wales.
3. The Company Secretary of the Company is Wendy Wen Yee Yung, solicitor of the High Court of Hong Kong SAR.
4. The share registrar and transfer office of the Company is Standard Registrars Limited of G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

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## DEFINITIONS

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*In this circular the following expressions shall have the meanings set out below unless the context requires otherwise:*

“Agreement”	means the Agreement relating to the disposal of Jarrow dated 9 September 2005;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	means the board of Directors;
“Building”	means Entertainment Building;
“Completion”	means completion of the sale and purchase of the Sale Shares and assignment of Loans pursuant to the Agreement;
“Conditions”	means conditions set out in the Agreement upon the satisfaction or waiver of which the parties’ obligation to sell and purchase the Sale Shares and assignment of Loans is conditional;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	means HK\$2,700 million, representing the consideration for the sale and purchase of the Sale Share and the assignment of Loans subject to adjustment;
“Directors”	means the directors of the Company from time to time;
“First Vendor”	means Kwong Hup Holding Limited, a limited liability company incorporated in the British Virgin Islands, a wholly owned subsidiary of the Company;
“Group”	means Hysan and its subsidiaries;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hysan” or the “Company” or “Fourth Vendor”	means Hysan Development Company Limited, a limited liability company incorporated in Hong Kong, whose Shares are listed on the Main Board of the Stock Exchange;
“Jarrow”	means Jarrow Properties Limited, a limited liability company incorporated in the British Virgin Islands, a wholly owned subsidiary of the First Vendor;

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## DEFINITIONS

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“Latest Practicable Date”	means 23 September 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange as modified from time to time;
“Loans”	means collectively the loans respectively by the Second Vendor, the Third Vendor and the Fourth Vendor to South Eagle;
“Purchaser”	means Join-in Investments Limited, a limited liability company incorporated in the British Virgin Islands;
“Sale Share”	means one share of nominal value of HK\$1.00 each in the capital of Jarrow currently indirectly owned by Hysan which constitute 100% of the issued share capital of Jarrow to be acquired by the Purchaser under the Agreement;
“Second Vendor”	means HD Treasury Management Limited, a limited liability company incorporated in Hong Kong;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemental or otherwise modified from time to time
“Share(s)”	means ordinary share(s) in the capital of Hysan with a nominal value of HK\$5.00 each
“Shareholders”	means registered holders of Shares
“South Eagle”	means South Eagle Investments Limited, a limited liability company incorporated in the British Virgin Islands, a wholly owned subsidiary of Jarrow;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it under the Rule 1.01 of the Listing Rules;
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules;
“Third Vendor”	means HD Treasury Limited, a limited liability company incorporated in Hong Kong;
“Transaction”	means sale and purchase of the Sale Share and assignment of Loans; and
“Vendors”	means collectively, the First Vendor, Second Vendor, Third Vendor and Fourth Vendor.