



News Release

Hirco plc ("Hirco" or the "Company")

December 18, 2008

Proposed Merger and Issue of up to 73,266,699 New Hirco Shares

Company to take direct control over the Hiranandani real estate projects in which it has invested and acquire Hirco Developments

Merger Agreement to transform Hirco from an investment company to a fully integrated real estate developer; new simplified operating structure to provide greater transparency

LONDON – The Board of Hirco plc (AIM:HRCO), the investment vehicle for Hiranandani, a leading Indian residential builder and developer of prestigious mixed-use townships, is pleased to announce a proposed Merger through which the Company will acquire the Investment Companies which own the Current Development Projects (the township developments at Panvel and Chennai in which the Company is currently invested) and Hirco Developments, the Hiranandani development company contracted to carry out the development and marketing of the Current Development Projects. The proposed Merger will transform Hirco from an investment company into a fully integrated development company with: (i) direct ownership of the underlying investment property assets; and (ii) the in-house expertise to design, develop, market and sell them; together with (iii) renewed exclusivity and non-compete arrangements with the Hiranandani family.

“This agreement would create a truly integrated development company, tapping Hiranandani’s 30 years of expertise in real estate development in India, while also giving Hirco direct control over the assets owned by the Project Companies,” said Doug Gardner, Independent Director of Hirco plc. “As a result of the simplified ownership structure, the Merger would also create greater transparency into our underlying assets and provide Hirco with full exposure to the development returns.”

The proposed Merger will be effected by acquiring, for New Hirco Shares, 99.75 per cent of the ownership interest in the Investment Companies which own the Current Development Projects (the township developments in Panvel and Chennai) and of Hirco Developments (the Hiranandani development company contracted to carry out the development and marketing of the Current Development Projects), thereby fully integrating Hiranandani’s FDI eligible interests

and business operations with those of Hirco. In consideration of these Acquisitions, Hirco will issue up to 73,266,699 New Hirco Shares to Hiranandani at a valuation which is based on a proportionate net present value calculation of the underlying interests of the two parties, without reference to the current share price which stands at a level which the Directors strongly believe materially undervalues the Company. With respect to the Investment Companies, the attributed values are broadly comparable to a Jones Lang LaSalle valuation as at 30 September 2008 which equates to 712 pence per share.

Full details of the Merger will be set out in an Admission document for the enlarged group which will be posted to shareholders tomorrow, together with a notice of a Hirco General Meeting.

Conditions

The Merger constitutes a reverse takeover under the AIM Rules and is therefore conditional upon shareholder approval. The UK Takeover Panel has also agreed to waive the obligation to make a general offer in accordance with Rule 9 of the City Code, that would otherwise arise as a result of the issue of Initial Consideration Shares and any Deferred Consideration Shares, subject to the approval of independent Shareholders on a poll.

The Merger will accordingly become unconditional if the Resolutions are passed at the Hirco General Meeting and the relevant statutory merger filings take effect, in which case Hirco's existing trading facility on AIM will be cancelled and Hirco will apply for the Existing Hirco Shares to be re-admitted, and for the New Hirco Shares to be admitted, to trading on AIM following the issue of the requisite merger confirmations.

Summary of the terms of the Merger

If approved, the proposed Merger will be effected by an Acquisition Agreement with the Vendor (Lake View Holdings Limited, an affiliate of Hiranandani which owns the relevant assets) and various statutory merger filings. Pursuant to the Acquisition Agreement, Hirco will, through its subsidiaries, acquire 99.75 per cent. of the issued share capital of Hirco Developments and each of the Investment Companies. In order that the Merger is practicable and efficient, Hirco will also transfer 0.25 per cent. of the issued share capital in Hirco Mauritius to Hiranandani.

By way of consideration for the interests acquired from the Vendors under the Acquisition Agreement, Hirco will issue and allot upon Admission 66,656,307 Initial Consideration Shares in total to the Vendors, representing 46.55 per cent. of the Enlarged Share Capital. The Acquisition Agreement also provides for a further issue and allotment of 6,610,392 Deferred Consideration Shares, the issue of which would increase the interest of the Vendor in the Enlarged Share Capital to 48.9 per cent. (and the aggregate Hiranandani interest to 50.6 per cent.). The Deferred Consideration Shares would only be issued if defined free cash flow levels of the current Investment Companies arising in the two years ending 30 September 2010 meet or exceed projected levels. The New Hirco Shares (being the Initial Consideration Shares and any Deferred Consideration Shares) will rank *pari passu* with the Existing Hirco Shares, including in respect of all dividends and other distributions made, paid or declared from the time they are issued and allotted.

The Acquisition Agreement contains certain representations as to the Company and to the assets to be acquired by the Acquisitions, material breach of which prior to closing gives rise only (other than in the case of fraud or dishonest concealment) to a right of termination. Subject to completion of the Merger, Hirco will also benefit from the New Exclusivity Agreement with Hiranandani (the original exclusivity agreement having ceased to be of effect following the application of the IPO proceeds).

Background to and reasons for the Merger

At inception, Hirco was designed to be Hiranandani's exclusive public market investment vehicle, with an ability to grow and invest in new FDI compliant projects as and when they became available. At the time of the December 2006 IPO, it was believed that the alignment of Hirco and Hiranandani interests would not be properly met in the public markets by a traditional "investment manager" fund model. Instead it was thought a more attractive proposition was a joint venture at the Investment Company level with no management fees, using the current preference share structure through which Hirco and Hiranandani each stood to benefit from the development returns on acquired real estate.

Since the IPO, Hirco has followed through its published investment strategy by applying approximately £350.8 million into large-scale, mixed-use township developments in India. Since that time, Hirco's published NAV per share has risen from 474 pence per share as at 13 December 2006 to 712 pence per share as at 30 September 2008. However, despite this significant appreciation in net asset value, the Company's share price, 86.75 pence per share as at 17 December 2008, represents a 87.8 per cent. discount to published NAV per share. The Company has for some time been analysing the potential causes of this discount and opportunities to create shareholder value by more closely approximating market capitalisation to the underlying NAV. The Company considered that the discount is to a large degree a function of the market not attributing a meaningful valuation distinction between Hirco's current structure and that of a "traditional" externally-managed real estate fund. Equally, it is recognised that the benefits of the structural adjustment with Hiranandani at the Investment Company level may have been offset by negative market perception as to the complexity of the structure.

Benefits of the Merger

Creation of an integrated development company

Hirco Developments brings significant sector expertise and know-how in-house to Hirco, tapping Hiranandani's 30 years of experience in real estate development in India. This should allow the Company to capture not only the revenue stream associated with the Current Development Projects, but also those of future Hiranandani-sourced developments and, through expansion, to provide development management and sales services to third party entities.

Enhanced operational control

Currently Hirco does not have direct control over the assets at the Project Companies, which could hinder its flexibility in terms of cash management and limits transparency into timing of dividends. The Company believes that integration into the Enlarged Group of the key aspects of Hirco's development projects, from project design and construction right through to sales and marketing, will hugely enhance operational control of its strategy and revenue streams, in turn

leading to greater flexibility and control over cash flow. Increased operational and financial flexibility could lead to improvements in cash flow management, for example by cross-utilisation of funds between Project Companies in India. This, the Company believes, will further distinguish it from 'traditional' externally-managed AIM vehicles, providing a robust platform pending Hirco's planned move to the Official List in future.

Clear alignment of interests between Hirco and Hiranandani

The Company believes that the Merger, in combination with the New Exclusivity Agreement, successfully integrates the Hiranandani family's Indian real estate development interests and expertise with those of Hirco, not only for the Current Development Projects, but for all future real estate development related activities. The Company believes that by acquiring Hirco Developments the core expertise necessary to undertake significant development in India is brought in-house, along with the significant goodwill Hiranandani has created during its history.

Greater transparency into the underlying development operations

Following the proposed Merger, Hirco's financial statements will provide significant detail into the underlying business operations as the business moves from accounting as a venture capital firm under IFRS (IAS 31 and 39), reflective of its current status as an investment company, to that of a development company under IFRS, following IAS 27. The Company believes this will provide Shareholders, as well as the general market, with a greater degree of insight and transparency into the performance of the underlying business operations, sales and construction activity, balance sheet strength and ultimately evidence of the Current Development Projects' ability to generate cash.

Full exposure to development returns

The Merger effectively replaces the original joint venture structure at the Investment Company level with a simplified ownership structure at the Hirco level. One key perceived benefit is that Hirco's returns on the development projects will no longer be limited to 40 per cent. profit participation through preference share interests but instead Hirco will, through its 99.75 per cent. shareholdings have near full ownership of the equity returns on all developments.

Recognition of current underlying NAV in consideration

The Merger will convert the Hiranandani family's interest via its ownership of the ordinary shares in the Investment Companies and Hirco Developments into Hirco Shares at an effective valuation closer to JLL valuations than to a valuation derived from the current market price of Hirco Shares.

Renewal and expansion of the exclusive Hiranandani relationship

As part of the Merger, Hiranandani will enter into the New Exclusivity Agreement with Hirco. The Company believes that this significantly strengthens Hirco's future investment capabilities with exclusive access to a valuable land bank without the need, unlike other developers, to tie up significant resource and balance sheet in acquiring and holding a land bank ahead of the point in time at which Hirco would be able and willing to commence development.

Simplification of a complex share structure

The proposed transaction converts the Hiranandani family's interest via its ownership of the ordinary shares of the Investment Companies into New Hirco Shares. This not only simplifies an

otherwise complex ownership structure but helps to align the interests of all respective parties at one transparent level. The Company believes that Hiranandani's willingness to accept consideration in the form of New Hirco Shares based on a proportionate net present value calculation rather than current share price, demonstrates its confidence in the Current Development Projects, their underlying profitability and the Hirco model going forward.

The Company further believes that by simplifying the share structure, it will have greater prospects of being able to raise capital in the form of debt or equity if required to fund future additional projects.

Strengthening of the Enlarged Group's earnings

The Merger will allow the fees currently paid to Hirco Developments by the Project Companies in respect of development and marketing services to be captured within the Enlarged Group for the benefit of all Shareholders.

Significant increase in Hirco's asset base

Whilst the underlying Current Development Projects at Panvel and Chennai are not altered by the Merger, by capturing the ownership of these developments within Hirco the asset base of Hirco is substantially increased. The Company believes that by fully incorporating the underlying asset value within Hirco, investors should be more aware of the attractiveness of Hirco's development projects, which the Company believes should have a positive impact on Hirco's market capitalisation.

The Company believes that, following the proposed Merger, Hirco will be more strongly positioned to access appropriate sources of funding to allow the Company to continue to invest and develop within its core focus of developing township communities in India. Hirco will in addition look at other FDI compliant development projects within India.

Lock-in Deed and Relationship Agreement

Pursuant to a lock-in deed entered into between certain Hiranandani entities and Hirco, Hiranandani has agreed that, subject to certain customary exceptions, for a period of 12 months following Admission it shall not dispose of any Shares in Hirco plc in which it is interested. Following the Merger, Hirco will also benefit from a relationship agreement which will regulate the relationship between Hirco and Hiranandani following Admission, including preservation of a majority of independent directors on the Board and of the role of the investment committee in respect of any future Hiranandani landbank acquisitions.

Related Party Transaction

Given the affiliation between the Hiranandani family and Hirco, the Merger will be a related party transaction under the AIM Rules.

Recommendation

The Independent Directors, who have been so advised by HSBC, consider the Merger to be in the best interests of the Company and its Shareholders as a whole and consider it to be fair and reasonable as Shareholders are concerned. In providing advice to the Independent Directors, HSBC has taken into account the commercial assessment of the Independent Directors.

About Hirco

Hirco plc is the investment vehicle for Hiranandani, India's largest residential builder and leading developer of prestigious mixed-use townships for the country's increasingly affluent middle class. Hirco's modern, large-scale developments – combining high quality residential, commercial and retail components with green space and social and recreational facilities – are strategically located in suburban areas outside major city centres. Hirco's four current projects – in Chennai in southeast India and Panvel, in the Mumbai Metropolitan Region – feature a combined total of 66.4 million square feet of buildable mixed-use space.

Hirco plc shares are traded on the London Stock Exchange's AIM market under the symbol HRCO. At the time of its admission to trading on AIM in December 2006, Hirco plc was the largest-ever real estate investment company IPO on AIM and that year's largest IPO on AIM.

Hirco Developments

Hirco Developments acts as the development manager and marketing manager for each of the four Current Development Projects in which Hirco is currently invested. It is intended that, following the Merger, Hirco Developments will continue to provide this function as part of the Enlarged Group. Under the New Exclusivity Agreement, Hirco Developments will also be the exclusive development manager for projects sourced from the Hiranandani land bank.

Investment Companies

Each of the Investment Companies has ownership of subsidiary Project Companies in India that hold title to the land underlying each of the Current Development Projects (the township developments at Panvel and Chennai in which Hirco has invested) .

For additional information about Hirco, including the Company's corporate DVD and corporate overview, please visit www.hirco.com.

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SCHEDULE

Definitions

"Acquisitions"	the acquisitions of Hirco Developments and the Investment Companies by the Group to be effected by means of the transactions contemplated under the terms of the Acquisition Agreement
"Acquisition Agreement"	the conditional Acquisition Agreement dated 18 December 2008 pursuant to which the Company has agreed to procure that its subsidiaries will acquire the Vendor's interests in Hirco Developments and the Investment Companies
"Admission"	the re-admission of the Existing Hirco Shares and the admission of the Initial Consideration Shares to trading on AIM becoming effective in accordance with the AIM Rules
"Board"	the board of directors of Hirco
"Burke 1"	Burke 1 Limited, a subsidiary of the Vendor incorporated in Mauritius

"Burke 2"	Burke 2 Limited, a subsidiary of the Vendor incorporated in Mauritius
"Burke 3"	Burke 3 Limited, a subsidiary of the Vendor incorporated in Mauritius
"Burke 4"	Burke 4 Limited, a subsidiary of the Vendor incorporated in Mauritius
"Current Development Projects"	the development projects at Chennai and Panvel in which Hirco has to date made investments
"Deferred Consideration Shares"	6,610,392 new Shares proposed to be allotted and issued by way of deferred consideration pursuant to the Merger if the targeted free cash flow stipulations set out in the Acquisition Agreement are met
"Enlarged Group"	Hirco and its subsidiaries as enlarged by the Merger
"Enlarged Share Capital"	the issued share capital of Hirco, consisting of the Existing Hirco Shares and the New Hirco Shares from time to time
"Existing Hirco Shares"	the Shares in issue as at the date of the admission document
"FDI"	foreign direct investment for the development of real estate projects in India under the automatic route for which no prior regulatory permissions/approvals are required, the rules and regulations for which are set out in the FDI Regulations
"Group"	Hirco and/or its subsidiary undertakings from time to time
"Hiranandani" or "Hiranandani Group"	the Vendor, Niranjan Hiranandani, Kamal Hiranandani, Priya Hiranandani and Darshan Hiranandani, and entities controlled by them
"Hirco Developments" or "HDPL"	Hirco Developments Private Limited, a company incorporated in India
"Hirco General Meeting"	the extraordinary general meeting of the shareholders of Hirco to be convened for 16 January 2009 to vote on the Resolutions
"Hirco Mauritius"	Hirco Holdings Ltd., a company incorporated in Mauritius with registered number 61760CI/GBL
"Independent Directors"	Douglas Gardner, Sir Rob Young, David Burton and Nigel

McGowan

"Initial Consideration Shares"	the 66,656,307 new Shares proposed to be allotted and issued at Admission by way of consideration pursuant to the Merger
"International Financial Reporting Standards" or "IFRS"	accounting standards issued by the International Accounting Standards Board
"Investment Committee"	the Hirco investment committee comprised of three of the independent directors, from time to time, currently being Douglas Gardner, Sir Rob Young, and David Burton
"Investment Company" or "Investment Companies"	Burke 1, Burke 2 , Burke 3 and Burke 4
"London Stock Exchange"	London Stock Exchange plc
"Merger"	together the Acquisitions and the re-organisation of Hirco's group structure which will take place conditional on shareholder approval of the Acquisitions
"New Exclusivity Agreement"	the agreement which, with effect from completion of the acquisitions, will set out the terms of the relationship between Hirco Mauritius and Hiranandani, the key terms of which are to be set out in the admission document to be published tomorrow
"New Hirco Shares"	the new Shares proposed to be allotted as Initial Consideration Shares and (if appropriate) Deferred Consideration Shares
"Project Company" or "Project Companies"	Hiranandani Palace Gardens Private Limited, Palace Garden Chennai SEZ Private Limited and Sunny Vista Realtors Private Limited, each of which is a wholly owned subsidiary of an Investment Company
"Resolutions"	the ordinary resolutions to approve at the Hirco General Meeting to approve the Merger, the waiver of Rule 9 of the City Code and the increase in authorised share capital to give effect to the Merger
"Shareholders"	holders of the Shares

"Shares"

the ordinary shares of £0.01 each in the capital of Hirco

"Vendor"

Lake View Holdings Limited, a company incorporated in the Isle of Man controlled by members of the Hiranandani family and their related trusts