



Hysan 希慎

Hysan Development Company Limited (希慎興業有限公司)

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

2001 INTERIM RESULTS

INTERIM STATEMENT

During the first half of 2001, the global economic environment has become more uncertain, with a particular downturn in the technology and communication industries. Against this background, the Grade "A" office rental market has become more subdued following significant rises in rentals experienced in 2000.

Despite these, our office portfolio achieved an occupancy of 98%. Our retail portfolio became home to some of Hong Kong's largest "lifestyle" stores. We also continued to invest for the future. We consolidated our interests in the Lee Theatre Plaza and commenced the residential Bamboo Grove refurbishment project.

RESULTS

The Group's rental income decreased by 10.6%. This is mainly due to rent reviews and relettings at lower rents. Net profit for the six months ended 30 June 2001 was HK\$306.4 million, 51.1% lower compared with HK\$626.1 million in the first half of 2000 which period recorded gains on disposal of investments in securities. Earnings per share were HK29.73 cents reflecting a corresponding decrease of 51%, against last year's figure of HK60.63 cents.

DIVIDENDS

Your Directors have declared an interim dividend of HK10 cents per share (2000: HK11 cents). The dividend will be payable in cash with a scrip dividend alternative to shareholders whose names appear in the register of members on 21 September 2001. Shareholders who elect to receive the scrip dividend will be allotted new ordinary shares with a par value of HK\$5 each, credited as fully paid, subject to the Listing Committee of The Stock Exchange of Hong Kong Limited agreeing to grant the listing of, and permission to deal in, the new shares to be issued by way of scrip dividend. A circular containing details of the scrip dividend and the form of election will be mailed to shareholders on or about 28 September 2001.

The share register will be closed from 19 September 2001 to 21 September 2001, both dates inclusive. Definitive share certificates in respect of the scrip dividend and cheques (for those shareholders who do not elect to receive scrip dividend) will be sent to shareholders on or about 26 October 2001.

PORTFOLIO ACTIVITY

Hong Kong

In addition to the decline in the technology and communications industries, the global economic environment became more uncertain during the review period with a downturn in the US economy. Although we are not immune from what is happening in the general environment as market sentiment was inevitably affected, our office portfolio achieved high levels of occupancy. We also continued to strengthen relationships with our tenants, pursuing our goal to become their partner of choice in the provision of space and services.

Our retail portfolio became home to some of Hong Kong's largest "lifestyle" flagship stores in the Lee Theatre Plaza area, namely Esprit and G.O.D. houseware store. Consumers are increasingly drawn to lifestyle purchases and to the enjoyable shopping experience that these large flagship stores provide.

We also entered into an agreement in August with the Sincere Group to acquire its 30% interests in the holding company of the Lee Theatre Plaza. The consideration was based on valuation of a 30% interest of the property at HK\$516,000,000. The transaction is expected to be completed in mid-September. This represents a positive opportunity to consolidate our assets, furthering our dynamic and long-term presence in Causeway Bay.

With a view to maximizing the value of the Group's investment portfolio, we commenced our programme of repairs and renovation for our key residential property in the Mid-Levels, Bamboo Grove. This is an important investment for the future although rental income will be affected in the short-term.

Overseas

The Grand Gateway, a commercial and residential complex in Shanghai where we have a 17% interest, is rapidly establishing its reputation as a major shopping centre in Puxi. The project is in a prime location above Shanghai's largest subway station (Xujiahui). Following the sale of all Phase 1 units of the Shanghai Peace Gardens project, our 45% interest in the remaining land earmarked for development was sold in July 2001.

Our minority interests in three residential developments in Singapore (Sanctuary Green and the Gardens at Bishan: 10%, Amaryllis Ville: 25%) continue on track with construction progressing. We shall continue to actively monitor the Singapore residential market.

FINANCE

The Group's balance sheet remains strong. Net gearing ratio as at 30 June 2001 was 15.2%. Net interest coverage was 3.4 times. At 30 June 2001, total debts outstanding were HK\$5,097 million, with no significant new financing during the period. There was also no change in the Group's contingent liabilities during the period. All of the Group's debt is denominated in Hong Kong dollars, unsecured and on a committed basis. As at 30 June 2001, total shareholders' funds stood at HK\$23,379 million, an increase of HK\$220 million as from 31 December 2000. The increase was mainly attributable to the current period's retained profits less nominal value and premium paid on shares repurchased.

We continue to adhere to a prudent policy on financial risk management and the management of currency and interest rate exposures. The Group's foreign currency exposure is minimal. The Group has sufficient financial resources to fund planned capital expenditures as well as exploring future investment opportunities whilst maintaining acceptable gearing and financial coverage ratios.

OUR PEOPLE

It is always the people behind the physical assets, who add value to the business. We are therefore fully committed to the development of our staff. To this end, we recently launched a company-wide customer service initiative, to enhance and foster our service culture, a key factor in meeting the changing needs of customers for space and quality services.

OUTLOOK

The uncertain outlook for the global economy is likely to delay recovery in the local leasing market. We shall continue our policy of prudent management while investing for the future, for our core office, retail as well as residential portfolio. I have confidence that we are well-positioned to take advantage of opportunities that lie ahead.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2001

	NOTES	30.6.2001 (unaudited) HK\$'000	Six months ended 30.6.2000 (unaudited) HK\$'000
Turnover	2	692,500	774,362
Property expenses		(99,612)	(108,026)
Gross profit		<u>592,888</u>	666,336
Gain on disposal of investments in securities		–	293,842
Other revenue		9,597	17,423
Administrative expenses		(40,401)	(34,366)
Profit from operations	3	<u>562,084</u>	943,235
Finance costs	4	(177,680)	(239,565)
Share of results of associates		(107)	111
Profit before taxation		<u>384,297</u>	703,781
Taxation	5	(44,026)	(42,427)
Profit after taxation		<u>340,271</u>	661,354
Minority interests		(33,844)	(35,232)
Net profit for the period		<u>306,427</u>	626,122
Dividends		<u>102,988</u>	113,686
Earnings per share	6		
Basic		<u>29.73¢</u>	60.63¢
Diluted		<u>29.71¢</u>	60.62¢

NOTES

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with SSAP 25 "Interim Financial Reporting" and with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

2. TURNOVER

The Group operates mainly in Hong Kong. The turnover and contribution to the Group's profit from overseas operations are insignificant. The turnover and contribution to the Group's profit from operations of each principal activity are as follows:

	30.6.2001	Six months ended 30.6.2001	30.6.2000	Six months ended 30.6.2000
	Consolidated turnover HK\$'000	Contribution to the Group's profit from operations HK\$'000	Consolidated turnover HK\$'000	Contribution to the Group's profit from operations HK\$'000
Segment information:				
Rental income	690,439	551,583	772,410	631,468
Management fee and security service income	2,061	1,115	1,952	735
	<u>692,500</u>	<u>552,698</u>	<u>774,362</u>	<u>632,203</u>
Others:				
Gain on disposal of investments in securities	–	–	–	293,842
Other revenue	–	9,386	–	17,190
	<u>692,500</u>	<u>562,084</u>	<u>774,362</u>	<u>943,235</u>

In the current period, turnover is comprised of only the revenue from the Group's core businesses of property rental and management. Proceeds from disposal of investments in securities, interest and dividend income were included as part of the turnover in previous years are now presented as gain on disposal of investments in securities and other revenue respectively. Comparative figures have been restated to conform with the current period's presentation.

3. PROFIT FROM OPERATIONS

	30.6.2001 HK\$'000	Six months ended 30.6.2001	30.6.2000 HK\$'000	Six months ended 30.6.2000
Profit from operations has been arrived at after charging:				
Depreciation	3,031		2,656	
Staff costs	48,598		51,738	
and after crediting:				
Rental income arising from operating leases less out-goings	591,985		665,835	
Dividends from listed investments	6,740		4,044	
Interest income	2,646		13,146	

4. FINANCE COSTS

	30.6.2001 HK\$'000	Six months ended 30.6.2001	30.6.2000 HK\$'000	Six months ended 30.6.2000
Interest on				
– bank loans, overdraft and other loans wholly repayable within five years	100,412		126,097	
– convertible bonds	–		25,829	
– floating rate notes	71,613		80,291	
Amortisation of convertible bonds and floating rate notes issue expenses	1,428		3,695	
Bank charges	4,227		3,673	
Exchange gain	–		(20)	
	<u>177,680</u>		<u>239,565</u>	

5. TAXATION

The charge comprises Hong Kong Profits Tax for the period.

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the period.

No provision for deferred taxation has been recognised in the financial statements as the amount involved is immaterial.

Deferred taxation has not been provided on the surplus arising on the valuation of investment properties, land and buildings and investments in securities because profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the surplus arising on valuation does not constitute a timing difference.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	30.6.2001 HK\$'000	Six months ended 30.6.2000 HK\$'000
Earnings for the purposes of basic and diluted earnings per share (net profit for the period)	<u>306,427</u>	<u>626,122</u>
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,030,797	1,032,693
Effect of dilutive potential ordinary shares: Share options	<u>735</u>	<u>129</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,031,532</u>	<u>1,032,822</u>

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices are higher than the fair value per share.

7. TRANSFER TO/(FROM) RESERVES

	30.6.2001 HK\$'000	Six months ended 30.6.2000 HK\$'000
Share Premium		
Premium on issue of shares pursuant to scrip dividend scheme	25,887	10,184
Share issue expenses	<u>(26)</u>	<u>(10)</u>
Capital Redemption Reserve		
Share repurchased and cancelled	<u>16,905</u>	<u>30,970</u>
Investment Revaluation Reserve		
Unrealised (loss)/gain on interests in other securities	(104,020)	674,958
Recognition of unrealised gain on disposal of interests in other securities transferred to income statement	<u>-</u>	<u>(293,922)</u>

8. POST BALANCE SHEET EVENTS

Subsequent to the interim reporting date, the Group disposed of one of its associates resulting in a reversal of impairment loss of approximately HK\$33.6 million.

ADDITIONAL INFORMATION

CORPORATE GOVERNANCE

The Company is committed to high standard of corporate governance. This section describes how the principles of corporate governance are applied to the Company and the Company's compliance with the Code of Best Practice (the "Code of Best Practice") as set out in the Listing Rules of The Stock Exchange of Hong Kong Limited.

STATEMENT OF COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the review period with the Code of Best Practice.

THE WORKINGS OF THE BOARD AND ITS COMMITTEES

As at 30 June 2001, the Board comprises thirteen (13) directors, headed by Peter T. C. Lee (Chairman and Managing Director). Sir David Akers-Jones serves as (independent) non-executive Deputy Chairman. There is a majority of non-executive directors on the Board, with a wide range of experience and calibre who bring valuable judgment on issues of strategy, performance and resources.

The Board meets at least quarterly, reviewing trading performance, ensuring adequate funding and monitoring strategy. To enable the Board to discharge its duties, all Directors receive appropriate and timely information.

The Board has delegated certain responsibilities to Board Committees, which operate within defined terms of reference. A 100% of non-executive membership of the principal corporate governance committees (Audit and Remuneration) is retained.

The Audit Committee which is chaired by Sir David Akers-Jones, its other current members being Per Jorgensen and Chien Lee, meets not less than twice per annum. The Committee provides a forum of reporting by the Group's external auditors. Meetings are also attended, by invitation, by the Managing Director and the Chief Financial Officer.

The Audit Committee is responsible for reviewing a wide range of matters including the half-year and annual accounts before their submission to the Board, monitoring the controls which are in force to ensure the integrity of information reported to the shareholders, and overseeing compliance generally.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company periodically repurchases its ordinary shares when they are significantly undervalued in order to enhance shareholder value. During the six months ended 30 June 2001, the Company repurchased an aggregate of 3,381,000 ordinary shares at the total consideration of HK\$33,810,136 on The Stock Exchange of Hong Kong Limited.

Save as disclosed above, neither the Company nor its subsidiaries had repurchased, sold or redeemed any of the Company's listed securities during the review period.

By order of the Board
Peter T.C. Lee
Chairman and Managing Director

Hong Kong, 4 September 2001

All the information required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited on or about 14 September 2001.