
NEWS RELEASE

To: Business Editor

Date: 12 March 2002
For immediate release**HYSAN DEVELOPMENT COMPANY LIMITED – ANNUAL RESULTS 2001**

- Office portfolio achieved 98% occupancy despite challenging market conditions
- Strong balance sheet geared to complement strategic decisions
- Fundamentals strengthened: strategic progress across all business sectors

“It has been a challenging year not only for our businesses, but also for Hong Kong. However, we have elected to demonstrate our belief in our vision by taking significant steps to strengthen our fundamentals so as to achieve our targets and goals. Recent positive economic indicators regarding the U.S. economy and China’s accession to the World Trade Organization should add a positive tone to the market. We are always ready to face the changing needs of our society and more importantly to meet our occupiers’ need for real estate accommodation and services.”

Peter T. C. Lee, *Chairman and Managing Director***Results**

	Year ended 31 December		Change %
	2001 HK\$’000	2000 HK\$’000	
Operating Profit	1,066,738	1,474,517	(27.7)
Net Profit	600,343	850,173	(29.4)
Core leasing earnings *	727,659	715,067	1.8
	HK\$	HK\$	%
Earnings per share (basic and diluted)	0.58	0.82	(29.3)
Dividend per share	0.38	0.42	(9.5)
	HK\$	HK\$	%
Net asset value per share (before final dividend)	20.62	22.79	(9.5)

*Note: * before tax*

Performance

Net profit for the year ended 31 December 2001 was HK\$600 million, 29.4% lower than in 2000. The major factor underlying this fall was the realization of gains on disposal of long-term investment in marketable securities of HK\$294 million recorded in year 2000.

The Group continued to have solid core leasing earnings at HK\$728 million.

The Group achieved a high occupancy in office portfolio of 98% in 2001 and its leasing earnings were largely stable, amidst a background of serious effects of economic downturn and weakened market sentiment. This was remarked by Mr. Lee.

Earnings per share were HK\$0.58, a decline of 29.3% (HK\$0.82 for the same period in 2000).

A final dividend of HK\$0.28 per share was recommended, which together with the interim dividend of HK\$0.10 per share, represents an aggregate distribution of HK\$0.38 per share, a decrease of 9.5% for the year.

The Group's investment property portfolio, as valued externally by independent professional valuers, was HK\$26,639 million (2000: HK\$28,433 million). Largely due to the HK\$1,841 million net valuation deficit, shareholders' funds at the year end were HK\$21,267 million, compared to HK\$23,478 million in 2000. Net asset value per share (before final dividend) decreased by 9.5% to HK\$20.62.

Strategic Review

Solid progress was made strategically across all business sectors for Hysan Development Company in 2001, in terms of strengthening our fundamentals, commented by Mr. Lee.

The Group's office portfolio achieved a 98% occupancy rate, despite the fact that the period under review witnessed a worsening of the general office leasing market environment. There was an increased in secondary stock of office properties resulting from company cost-cuttings. These included premises occupied by telecommunications and financial institutions.

The Group's retail portfolio was also strengthened through the consolidation of the minority interests in the Lee Theatre Plaza; and the provision of a diversity of complementary retail and leisure activities in the Company's retail portfolio. A new "lifestyle" theme was introduced in the Lee Theatre Plaza Area. A 97% retail occupancy rate was achieved. Hysan's strategy is to ensure that its space is not only let to its maximum, but that the mix of retailers meets the needs of today's customers.

The major refurbishment programme for the Group's Bamboo Grove luxury residential complex in the Mid-levels commenced during the year. This programme, scheduled to be completed mid-2002, does not only improve the external façade, flat interiors and common facilities, but also introduces a full range of enhanced and personalised property management services. Re-launch is scheduled to commence in the second quarter of 2002.

Strong Balance Sheet

The Group continued to have a strong balance sheet geared to complement the Company's strategic decisions. The Medium Term Note Programme established during 2001 and its first US\$200 million 10-year Note issuance in February 2002 received solid investment grade ratings (Moody's: Baa 1: Standard and Poor's: BBB+). The Group's debt tenure was lengthened, with more diversified funding sources. The Group will continue to adhere to its policy of financial prudence. As planned, future capital expenditure will be funded through debt while maintaining acceptable gearing and interest expense coverage ratios.

Hysan Development is a leading property investment, management and development company in Hong Kong, with a major portfolio in high-quality office, retail and residential properties. It is the largest commercial landlord in the prime office/retail Causeway Bay district.

END

This press release and other corporate information can also be found at: www.hysan.com.hk or www.irasia.com/listco/hk/hysan/index.htm

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HIGHLIGHTS

Consolidated Income Statement

		Year ended 31 December	
		<u>2001</u>	<u>2000</u>
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	1	1,355,450	1,480,246
Property expenses		(223,598)	(238,906)
Cost of property sales		-	(50)
Gross profit		1,131,852	1,241,290
Gain on disposal of investments in securities		-	293,842
Impairment loss reversed in respect of investments in securities		6,225	-
Other revenue		18,557	29,354
Release of negative goodwill arising on acquisition of a subsidiary		60	-
Administrative expenses		(89,956)	(89,969)
Profit from operations	2	1,066,738	1,474,517
Finance costs		(314,428)	(449,020)
Gain on disposal of an associate		33,531	-
Impairment loss (arising) reversed in respect of interests in associates		(4,880)	3,419
Share of results of associates		(2,338)	4,210
Profit before taxation		778,623	1,033,126
Taxation	3	(114,903)	(117,210)
Profit after taxation		663,720	915,916
Minority interests		(63,377)	(65,743)
Net profit for the year		600,343	850,173
Retained profits at 1 January		3,436,247	3,110,025
Transfer to capital redemption reserves		(34,820)	(51,035)
Premium and expenses on shares repurchased		(29,500)	(39,852)
Retained profits at 31 December		3,972,270	3,869,311
Dividends	4	391,598	433,064
Earnings per share	5		
Basic		HK\$0.58	HK\$0.82
Diluted		HK\$0.58	HK\$0.82

Consolidated Balance Sheet

	At 31 December	
	<u>2001</u>	<u>2000</u>
	HK\$'000	HK\$'000
Non-Current Assets	28,523,841	30,866,949
Current Assets	98,751	81,990
Current Liabilities	(2,562,558)	(1,231,712)
Net Current Liabilities	(2,463,807)	(1,149,722)
Total Assets Less Current Liabilities	26,060,034	29,717,227
Non-Current Liabilities	(3,831,017)	(4,899,740)
	22,229,017	24,817,487
Minority Interests	(962,092)	(1,339,063)
	21,266,925	23,478,424
	21,266,925	23,478,424
Capital and Reserves		
Share Capital	5,156,516	5,151,256
Other Reserves	12,529,737	14,890,921
Accumulated Profits	3,580,672	3,436,247
	21,266,925	23,478,424

Notes:

1. TURNOVER

	<u>2001</u> HK\$'000	<u>2000</u> HK\$'000
Turnover comprises:		
Gross rental income from properties	1,351,892	1,475,941
Income from property sales	-	400
Management fee and security service income	3,558	3,905
	<u>1,355,450</u>	<u>1,480,246</u>

As the Group's turnover is derived principally from rental income and wholly in Hong Kong, no segment financial analysis is provided.

2. PROFIT FROM OPERATIONS

	<u>2001</u> HK\$'000	<u>2000</u> HK\$'000
Profit from operations has been arrived at after charging(crediting) certain items including:		
Depreciation	6,029	5,624
Dividends from		
- listed investments	(8,612)	(7,040)
- unlisted investments	(5,796)	(4,790)
Interest income	(3,749)	(17,021)

3. TAXATION

	<u>2001</u> HK\$'000	<u>2000</u> HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
- for the year	114,799	117,212
- under(over)provision in prior years	104	(2)
Taxation attributable to the Company and its subsidiaries	<u>114,903</u>	<u>117,210</u>

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit for the year.

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 for taxation purposes.

4. DIVIDENDS

	<u>2001</u> HK\$'000	<u>2000</u> HK\$'000
Ordinary shares:		
Interim dividend, paid - HK\$0.10 per share (2000: HK\$0.11)	102,833	113,686
Final dividend, proposed - HK\$0.28 per share (2000: HK\$0.31)	288,765	319,378
	<u>391,598</u>	<u>433,064</u>

5. EARNINGS PER SHARE

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

	<u>2001</u>	<u>2000</u>
Earnings for the purposes of basic and diluted earnings per share (net profit for the year)	HK\$600,343,225	HK\$850,173,491
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,030,485,146	1,032,763,163
Effect of dilutive potential ordinary shares:		
Share options	357,639	231,730
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,030,842,785	1,032,994,893

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.

Debt and maturity profile

The total debt outstanding at the end of 2001 amounted to HK\$5,628 million (excluding amount due to minority shareholders and advances from investees), an increase of HK\$522 million from the previous year end. Loan draw down from existing and new facilities during the year were mainly used to finance the minority interest acquisition in The Lee Theatre Plaza and the refurbishment expenditures at Bamboo Grove. Net debt (gross borrowings less cash, cash equivalent and marketable securities at year-end market value) amounted to HK\$4,544 million.

Net debt as a percentage of shareholder equity increased from 14.6% at December 2000 to 21.4% at year-end 2001 as a result of the additional borrowings and reduced shareholder equity from lower property asset valuation.

During the year, the Group continued to maintain all of its debt in Hong Kong dollars and on an unsecured basis. Over 98% of the borrowings were on a committed basis.

The maturity profiles of the Group's gross debt at 31 December 2001 and 31 December 2000 are summarised as follows:

	2001 HK\$(Million)	2000 HK\$(Million)
Repayable within a period		
- Not exceeding 1 year	2,140	816
- Between 1 to 2 years	436	2,150
- Between 2 to 5 years	2,572	2,140
- After 5 years	480	0
	<u>5,628</u>	<u>5,106</u>

Sources of funds at 2001 year-end comprised of 43% from capital market issuances, 39% from bank bilateral loans and 18% from syndicated and club loans.

After the 10-year Notes issue in February 2002 and the repayment of the HK\$2 billion Floating Rate Notes in March 2002, about 36% of the debt will not mature for 5 to 10 years. Similarly, the sources of debt facilities from capital market issuances and bank bilateral loans will be changed to 35% and 47% respectively.

Notable new financing

In February 2002, the Group issued the inaugural US\$200 million 7% Notes under the established Medium Term Note Programme. The Notes have a tenor of 10 years and were priced at 200 basis points over the benchmark 10-year U.S. Treasury Notes with a yield of 7.02%. The Notes received a credit rating of Baa1 from Moody's Investors Service and BBB+ from Standard & Poor's Rating Agency. The issue was well received by a wide group of predominately new Asian and European investors, including assets managers, insurance companies, and private investors. The net proceeds will help refinance the HK\$2 billion Floating Rate Notes due in March 2002 as well as fund other Group needs.

Credit ratings

With respect to the Group's credit strength, Standard & Poor's Rating Agency maintained a stable outlook on its credit rating of BBB+. In January 2002, Moody's Investor Services assigned a Baa1 credit rating to the Company with a stable outlook. Both investment grade credit ratings reflect the Group's strong financial profile underpinned by sound financial management and stable operations with large recurring rental income cash flows.

Capital expenditures

To further strengthen the Group's dynamic and long-term presence in Causeway Bay, HK\$508 million were paid to acquire the 30% minority interest in The Lee Theatre Plaza in September 2001. Other notable capital expenditures incurred relate to additions and improvements to the Group's investment properties including the refurbishment program at Bamboo Grove. Regarding those Singapore projects, where pre-sale is in progress, it is expected that such proceeds are sufficient to fund the construction costs and future cash flow requirements would be minimal.

At year end, the Group had HK\$1,661 million in undrawn committed bank facilities. This availability, together with the Medium Term Note Programme in place, should be sufficient to cover the Group's refinancing and capital expenditure needs over the next few years.

As planned, the Group will fund its capital expenditures through debt while maintaining acceptable gearing and interest expense coverage ratios.

Financial risk and management

The Group's financial risk management strategies include broadening the Group's financing channels, expanding the investor base, extending the tenor of facilities, and achieving a well-balanced spread of facility maturities. The Group also uses interest rate swaps and other instruments to manage interest rate risks with an objective to minimize the impact of fluctuations on earnings while achieving a balance with cost effectiveness. Transactions are conducted for hedging purposes only and no speculative positions have been or will be undertaken. As of 31 December 2001, 88% of the Group's borrowings were at floating rates.

The Group's foreign exchange exposure is minimal. As of 31 December 2001, all debt outstanding are Hong Kong dollars denominated, and investment in overseas projects totaled the equivalent of HK\$703 million or 3.3% of the Group's shareholder equity.

Contingent Liabilities

As and when required, in the ordinary course of business, the Group will provide guarantees, counter indemnities or undertakings to cover the Group's obligations in respect of projects undertaken by the Group.

The Group has provided guarantees for banking facilities granted to associated companies and investee companies. At 31 December 2001, the Group's share of guarantees and counter guarantees amounted to approximately HK\$148 million (2000: HK\$153 million) and HK\$79 million (2000: HK\$84 million) respectively.