
NEWS RELEASE

To: Business Editor

Date: 19 August 2003
For immediate release

Hysan Development – 2003 Interim Results

Highlights

- Overall business environment continued to be challenging
- Operating performance generally resilient (occupancy rates: office-92%, retail-98%)
- Asset enhancement programme: repositioning exercise of Caroline Centre in good progress

“The overall business environment during the review period continued to be challenging. Against this, we achieved a generally resilient operating performance (occupancy rates: office-92%, retail-98%). We shall continue to invest and enhance our asset value and underlying competitiveness. The overall leasing market is expected to remain difficult in the second half of 2003. However, we remain confident that with the strategies we put in place in recent years, we should be able to achieve a resilient performance.”

Peter T.C. Lee
Chairman

Results

	6 months ended 30 June		Change
	2003	2002	
	(unaudited)	(unaudited)	
		(re-stated)	
	HK\$'000	HK\$'000	%
Net Profit	250,896	288,309	(13%)
Gross rental income	593,452	619,227	(4.2%)
	HK cents	HK cents	%
Earnings per share (Basic)	24.24	27.95	(13.3%)
Dividend per share	10	10	unchanged

The interim dividend of HK 10 cents per share will be payable in cash with a scrip dividend alternative (conditional on listing approval by the Stock Exchange of Hong Kong Limited). The ex-dividend date will be 2 September 2003, dividend warrants and definitive share certificates in respect of the scrip dividend will be despatched on or about 10 October 2003. The share register will be closed from 4 to 8 September 2003 (inclusive).

Hysan Development Company Limited (HKSE: 14) today (19 August) announced net profit for the first six months ended 30 June 2003 was HK\$250.9 million, 13% lower than the same period in 2002. Earnings per share also fell correspondingly to HK 24.24 cents. (2002 (re-stated): HK 27.95 cents). Underlying this was reduced rental income and higher taxation (including the impact of a new accounting standard on deferred taxation).

The Group's operating performance is generally resilient. Gross rental income decreased by 4.2%, reflecting the impact of negative rental reversions and ongoing renovation works at Caroline Centre. The repositioned residential Bamboo Grove development made increased contributions this year.

An interim dividend of HK 10 cents per share (2002:HK 10 cents) was announced. The dividend will be payable in cash with a scrip dividend alternative.

Business Review

Office Leasing

The office leasing sector experienced weakening demand during the review period. Locations with major new supply were particularly affected.

“Against a background of challenging economic environment, we achieved a 92% occupancy rate. We have either concluded or are at an advance stage of completing the negotiations of all leases due to expire in 2003,” said Mr. Michael T. H. Lee, Managing Director.

Retail Leasing

During the first quarter, performance of high-quality retail outlets in prime locations remained strong. The outbreak of SARS (Severe Acute Respiratory Syndrome) towards the end of March has had a severe short-term impact on retail activities, which sector is recovering well. A 98% occupancy level was achieved, excluding Caroline Centre which is currently undergoing refurbishment.

“Local consumer traffic has largely resumed to normal level by the end of June with SARS under control. There has been a steady return of tourists, particularly from China,” Mr. Michael T. H. Lee added.

Residential Leasing

Leasing activities for Bamboo Grove progressed well during the first quarter, in the light of a generally weak market. The outbreak of SARS has dampened market sentiment. Market sentiment has improved considerably since June.

Capital Improvements Projects

Hysan undertakes regular reviews of building performance and seek asset enhancement through appropriate capital improvement initiatives. The refurbishment and repositioning of Caroline Centre retail podium will be completed by late 2003.

Finance

The Group's financial position remains strong. Finance costs reduced by 26.5% during the review period. As of 30 June 2003, the Group's total gross debt amounted to HK\$5.9 billion. All borrowings are unsecured. Over 95.7% of Group borrowings were on a committed basis. A balanced repayment schedule over the intermediate term was achieved.

The **net interest coverage ratio** (defined as profit from operations before depreciation less dividend and interest income, divided by net interest expenses less dividend income) improved significantly from 4.7 times at 31 December 2002 to 6.9 times at 30 June 2003 because of lower interest expenses. **Net gearing** (defined as gross debt less cash and cash equivalents and marketable securities at period-end market value, divided by shareholders' funds) at 30 June 2003 changed from 25.9% (re-stated) at 31 December 2002 to 26.8%.

Shareholders' funds at 30 June 2003 was HK\$18,979.9 million. (Shareholders' funds (re-stated) as at 31 December 2002: HK\$18,974.7 million).

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

For enquiries, please contact:

Wendy Yung (Company Secretary)

Tel: (852) 2830-5138 Fax: (852) 2907-3313 Email: wyoung@hysan.com.hk

Holly Lau (Head of Corporate Communications) Tel: (852) 2830-5154 Fax: (852) 2577-5219 Email: holly.lau@hysan.com.hk

HYSAN DEVELOPMENT COMPANY LIMITED

希慎興業有限公司

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2003

	<u>NOTES</u>	Six months ended	
		<u>30.6.2003</u> (unaudited) HK\$'000	<u>30.6.2002</u> (unaudited) (restated) HK\$'000
Turnover	4	595,531	621,307
Property expenses		(108,410)	(115,641)
Cost of property sales		-	(50)
Gross profit		487,121	505,616
Other operating income		18,204	12,153
Release of negative goodwill arising on acquisition of additional interest in a subsidiary		30	30
Administrative expenses		(41,650)	(31,577)
Profit from operations	5	463,705	486,222
Finance costs		(88,072)	(119,773)
Share of results of associates		(5,547)	(6)
Release of negative goodwill arising on acquisition of an associate		1,714	-
Profit before taxation		371,800	366,443
Taxation	6	(99,696)	(50,577)
Profit after taxation		272,104	315,866
Minority interests		(21,208)	(27,557)
Net profit for the period		250,896	288,309
Dividends	7	104,044	103,355
Earnings per share	8		
Basic		HK24.24 cents	HK27.95 cents
Diluted		N/A	HK27.95 cents

NOTES

1. INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2003 are unaudited, but have been reviewed in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports", issued by the Hong Kong Society of Accountants, by Deloitte Touche Tohmatsu, whose independent review report is included in the interim report to be sent to shareholders. The interim results have also been reviewed by the Group's Audit Committee.

2. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2002, except as described below.

In the current period, the Group has adopted, for the first time, the revised SSAP 12 "Income Taxes" ("SSAP 12 (Revised)"). The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. Accumulated profits as at 1 January 2002 have been reduced by HK\$96.3 million which is the cumulative effect of the change in policy on the results up to 31 December 2001. The balances on the Group's investment properties and assets revaluation reserves at 1 January 2002 have been reduced by HK\$4.3 million and HK\$1.4 million respectively, representing the deferred tax liabilities recognised in respect of the revaluation surpluses on the Group's properties at that date. The effect of the changes is an increased charge to taxation in the current period of HK\$17.3 million (30.6.2002: HK\$5.9 million).

4. TURNOVER

	Six months ended	
	<u>30.6.2003</u>	<u>30.6.2002</u>
	HK\$'000	HK\$'000
Turnover comprises:		
Gross rental income from properties	593,452	619,227
Income from property sales	-	800
Management fee and security service income	2,079	1,280
	<u>595,531</u>	<u>621,307</u>

HYSAN DEVELOPMENT COMPANY LIMITED

希慎興業有限公司

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

5. PROFIT FROM OPERATIONS

	Six months ended	
	<u>30.6.2003</u>	<u>30.6.2002</u>
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Staff costs	55,963	51,624
Depreciation	2,287	2,878
Rental income arising from operating leases less out-goings	(486,956)	(504,961)
Dividends from		
- listed investments	(14,770)	(749)
- unlisted investments	(1,772)	(7,367)
Interest income	(1,051)	(3,735)
	<u> </u>	<u> </u>

6. TAXATION

	Six months ended	
	<u>30.6.2003</u>	<u>30.6.2002</u>
	HK\$'000	HK\$'000
Current tax	34,385	44,715
Underprovision in previous periods	48,000	-
Deferred tax		
- Current period	7,185	5,862
- Attributable to change in tax rate	10,126	-
	<u>99,696</u>	<u>50,577</u>

The charge comprises Hong Kong Profits Tax calculated at 17.5% (2002: 16%) of the estimated assessable profit for the period.

In March 2003, the Hong Kong government proposed that the rate for Hong Kong Profits Tax will be increased to 17.5% with effect from the 2003/2004 year of assessment, which was passed by the Legislative Council on 25 June 2003. This increase is taken into account in the preparation of the Group's 2003 interim financial report.

In addition to the amount charged to the income statement, deferred tax relating to the revaluation of the Group's properties has been charged directly to equity.

7. DIVIDENDS

	Six months ended	
	<u>30.6.2003</u>	<u>30.6.2002</u>
	HK\$'000	HK\$'000
Interim dividend – HK10 cents per share (2002: HK10 cents)	<u>104,044</u>	<u>103,355</u>

HYSAN DEVELOPMENT COMPANY LIMITED

希慎興業有限公司

8. EARNINGS PER SHARE

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

	Six months ended	
	<u>30.6.2003</u>	<u>30.6.2002</u>
	HK\$'000	HK\$'000 (restated)
Earnings for the purposes of basic and diluted earnings per share (net profit for the period)	<u>250,896</u>	<u>288,309</u>
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>1,035,196</u>	1,031,527
Effect of dilutive potential ordinary shares:		
Share options	N/A	<u>89</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share		<u>1,031,616</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.