
NEWS RELEASE

To: Business Editor

Date: 29 August 2002
For immediate release**Hysan Development - 2002 Interim Results Highlights**

- High occupancy (office: 95%; retail: 96%) amidst a generally soft market
- Re-launch of residential portfolio Bamboo Grove well received
- Investing for the future: decision made for major refurbishment of the retail podium of Caroline Centre
- Strong balance sheet: debt maturity profile lengthened and funding sources diversified

“The outlook for the Hong Kong economy for the second half of 2002 is likely to remain challenging. Despite this, we have a strong balance sheet and are committed to investing for the future to create long-term value for our shareholders. Our major renovation programmes demonstrate the Group's long-term strategy to continually review the performance of our portfolio and enhance the same by selective refurbishment and re-development.”

Peter T.C. Lee
Chairman and Managing Director
29 August 2002

Results

	6 months ended 30 June		Change %
	2002 HK\$'000	2001 HK\$'000	
Operating Profit	486,222	562,084	(13.5%)
Net Profit	294,171	306,427	(4.0%)
	HK cents	HK cents	%
Earnings per share			
Basic	28.52	29.73	(4.1%)
Diluted	28.52	29.71	(4.0%)
Dividend per share	10	10	unchanged

The interim dividend of HK10 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 12 September 2002. Dividend warrants and definitive share certificates in respect of the scrip dividend will be despatched on or about 21 October 2002. The share register will be closed from 16 September to 18 September 2002 (inclusive).

Hysan Development Company Limited (HKSE: 14) today (29 August 2002) announced its net profit for the six months ended 30 June 2002 was HK\$294.2 million, representing 4%, or HK\$12.3 million, lower than the first half of 2001. Earnings per share were correspondingly lower at HK28.52 cents against last year's HK29.73 cents.

The Group's gross rental income falling by 10.3% as rental reversions remained negative, also attributable to the higher vacancy of Bamboo Grove, as a result of the residential development's year-long refurbishment. Excluding Bamboo Grove, the rental fall year-on-year was 3.6%.

The Group was able to take advantage of the favourable interest rate environment and achieved reduction of net financing charges by 33.7% or HK\$59 million.

An interim dividend of HK10 cents per share (2001: HK10 cents) was announced. The dividend will be payable in cash with a scrip dividend alternative.

Business Review

“Amidst a generally soft market, I am pleased that both our office and retail portfolios continued to achieve high levels of occupancy. It reflected that better-quality buildings under single ownership remain better market-performers. In addition, our strategy of continually anticipating and meeting the needs of our customers stood us in good stead,” said Mr Peter T.C. Lee, Chairman and Managing Director.

Mr Lee commented that pressure was particularly noted in localities where major new supplies are expected, in addition to surrendered space resulting from corporate downsizing.

The re-launch of the Group's major residential portfolio Bamboo Grove was well received by the market following the completion of the extensive refurbishment programme. A new range of resident services has also been introduced.

Investing for the future

With a view to maximizing the value of its investment portfolio, the decision has been made to carry out an extensive refurbishment programme of the retail podium of Caroline Centre in early 2003.

“We are committed to building partnership relations with our tenants in achieving mutual benefits and long-term growth for both parties. As a part of the feasibility studies, detailed customer-focused analysis for both shoppers and our retail tenants were carried out. The results of these have enabled us to produce an overall masterplan for the planned refurbishment, and will also help us to proactively manage the tenant mix within the centre,” Mr Lee stressed.

Finance

The Group continued to have a strong balance sheet. The Group launched the inaugural issue of US\$200 million 7% 10-year Notes in February this year under the newly established Medium Term Note Programme. The net proceeds were used to help refinance the HK\$2

billion Floating Rate Notes which matured in March 2002. The issuance significantly lengthened the Group's debt maturity profile and diversified funding sources.

As of 30 June 2002, shareholders' funds stood at HK\$21,177 million (HK\$21,267 million as at 31 December 2001) with lower investment securities valuation. The Group's financial position remains strong. Net debt (gross borrowings less cash, cash equivalent and marketable securities at period-end market value) to shareholders' funds remaining modest at 22.3% (21.4% at 31 December 2001), and net interest expenses coverage ratio improving to 4.7 times as at 30 June 2002 (31 December 2001: 3.7 times) mainly due to substantially lower finance costs.

The Group's major capital expenditures during the review period amounted to HK\$154 million from yield-enhancing improvements to the Group's investment properties, principally being the Bamboo Grove refurbishment programme as financed by internal resources.

The Group continued to adhere to a prudent policy on financial risk management. Currency and interest rate swaps were implemented to maintain minimal currency mismatches and to reduce borrowing costs.

People and the Social Environment

It is important that any dynamic organization, particularly in a changing environment, has a combination of experience and skill base capabilities. To this end, several new senior executives joined the Group, bringing with them solid experiences and expertise in various areas.

The Group continued to grow our own people. Our existing property trainee programme is designed to develop new graduate recruits through a structured programme of job rotation and project arrangements. The Group also responded positively to concerns over Hong Kong's unemployment problems by recruiting new staff who have undergone training sponsored by the Employees Retraining Board, and is encouraged by the progress.

Outlook

"The outlook for the Hong Kong economy for the second half of 2002 is likely to remain challenging. Despite this, we have a strong balance sheet and are committed to investing for the future to create long-term value for our shareholders. Our recent major renovation programmes demonstrate the Group's long-term strategy to continually review the performance of our portfolio and enhance the same by selective refurbishment and re-development," Mr Lee concluded.

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.

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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UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2002

		Six months ended	
	<i>NOTES</i>	30.6.2002	30.6.2001
		HK\$'000	HK\$'000
Turnover	3	621,307	692,500
Property expenses		(115,641)	(99,612)
Cost of property sales		(50)	-
Gross profit		505,616	592,888
Other revenue		12,153	9,597
Release of negative goodwill arising on acquisition of additional interest in a subsidiary		30	-
Administrative expenses		(31,577)	(40,401)
Profit from operations	4	486,222	562,084
Finance costs		(119,773)	(177,680)
Share of results of associates		(6)	(107)
Profit before taxation		366,443	384,297
Taxation	5	(44,715)	(44,026)
Profit after taxation		321,728	340,271
Minority interests		(27,557)	(33,844)
Net profit for the period		294,171	306,427
Dividends		103,355	102,988
Earnings per share	6		
Basic		HK28.52¢	HK29.73¢
Diluted		HK28.52¢	HK29.71¢

NOTES

1. INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2002 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. TURNOVER

	Six months ended	
	30.6.2002	30.6.2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover comprises:		
Gross rental income from properties	619,227	690,439
Income from property sales	800	-
Management fee and services income	1,280	2,061
	<u>621,307</u>	<u>692,500</u>

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

4. PROFIT FROM OPERATIONS

	Six months ended	
	30.6.2002	30.6.2001
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Depreciation	2,878	3,031
Staff costs	51,624	48,598
Rental income arising from operating leases less out-goings	(504,961)	(591,985)
Dividends from		
- listed investments	(749)	(6,740)
- unlisted investments	(7,367)	-
Interest income	(3,735)	(2,646)
Gain on property sales	(750)	-
	<u><u> </u></u>	<u><u> </u></u>

5. TAXATION

The charge comprises Hong Kong Profits Tax 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 insignificant.

6. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2002	30.6.2001
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share (net profit for the period)	294,171	306,427
	<u><u> </u></u>	<u><u> </u></u>
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,031,527	1,030,797
Effect of dilutive potential ordinary shares:		
Share options	89	735
	<u> </u>	<u> </u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,031,616	1,031,532
	<u><u> </u></u>	<u><u> </u></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

	Six months ended	
	30.6.2002	30.6.2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share Premium		
Premium on issue of shares pursuant to scrip dividend scheme	8,814	25,887
Share issue expenses	-	(26)
	<u> </u>	<u> </u>
Capital Redemption Reserve		
Share repurchased and cancelled	-	16,905
	<u> </u>	<u> </u>
Investment Revaluation Reserve		
Unrealised loss on investments in other securities	(114,517)	(104,020)
	<u> </u>	<u> </u>
Investment Property Revaluation Reserve		
Realisation on disposal of investment properties transferred to income statement	(542)	-
	<u> </u>	<u> </u>
Dividend reserve		
Final dividend paid	(288,765)	(319,378)
Amount set aside for interim dividend	103,355	102,988
	<u> </u>	<u> </u>
Accumulated Profits		
Nominal value of share repurchased transferred to		
Capital Redemption Reserve	-	(16,905)
Premium on shares repurchased	-	(16,905)
	<u> </u>	<u> </u>

END