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**NEWS RELEASE**

To: Business/Property Editor

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For immediate release

**HYSAN DEVELOPMENT COMPANY LIMITED  
2007 INTERIM RESULTS**
**Highlights**

- Group turnover up 6.9%; like-for-like turnover up 22.5%
- Profit excluding asset value changes up 19.6 %
- Strong growth in office sector revenue recorded
- Core leasing business outlook positive for the rest of the year

**Results**

	Six months ended		Change %
	30 June 2007 HK\$ million	30 June 2006 HK\$ million	
Turnover - Overall	663	620	6.9
- Like-for-like <sup>1</sup>	663	541	22.5
Profit excluding asset value changes <sup>2</sup>	512	428	19.6
Underlying profit attributable to shareholders <sup>3</sup>	584	620	(5.8)
(Statutory) Profit attributable to shareholders	1,373	1,519	(9.6)
	HK cents	HK cents	
Earnings per share, based on:			
Profit excluding asset value changes <sup>2</sup>	48.54	40.65	19.4
Underlying profit attributable to shareholders <sup>3</sup>	55.28	58.81	(6.0)
(Statutory) Profit attributable to shareholders	130.10	144.23	(9.8)
	At 30 June 2007 HK\$ million	At 31 December 2006 HK\$ million	
Shareholders' funds	29,050	27,828	4.4
Adjusted shareholders' funds <sup>4</sup>	32,080	30,729	4.4
	HK\$	HK\$	
Net assets value per share	27.43	26.37	4.0
Adjusted net assets value per share <sup>4</sup>	30.30	29.12	4.1

In preparing the Group's 2007 interim financial statements under the Hong Kong Financial Reporting Standards, the fair value model for investment properties has been adopted. Accordingly such properties were recorded at their fair values, as determined by an in-house professional valuer and endorsed by an independent professional valuer (2006 year-end: at fair value determined by an independent professional valuer). Fair value changes on investment properties and related deferred tax were recognised through income statement. Revaluation changes on owner-occupied properties and related deferred tax arising thereon were taken to equity. Deferred tax on fair value gain has to be provided for despite no capital gains tax liability will be crystallised on disposal of those properties at the value included in the financial statements. In light of the above, management has presented other indicators for assessing the performance of the Group: (i) "Underlying profit attributable to shareholders", effectively arrived at by adjusting for the unrealised fair value changes on investment properties and the related deferred tax on the profit figure. On the same basis, cumulative deferred tax provided on the fair value gain on investment and owner-occupied properties have been added back to the shareholders' funds when computing "Adjusted shareholders' funds" and "Adjusted net assets value per share", (ii) "Profit excluding asset value changes" was arrived at after further adjusting "Underlying profit attributable to shareholders" for aggregate of realised gain/loss on disposal of investment properties and available-for-sale investments, impairment, reversal and recovery.

1. Excluding Hennessy Centre which was vacated in the fourth quarter of 2006 for redevelopment.
2. Adjustment to underlying profit relating to asset value changes comprised net realised gain on disposal of available-for-sale investments of HK\$72 million.
3. Excluded HK\$611 million unrealised fair value gain on the investment properties portfolio net of deferred tax and minority interests, and HK\$178 million on unrealised fair value gain included in an associate.
4. Adjusted for HK\$3,030 million being the cumulative deferred tax provided on fair value gain on the investment and owner-occupied properties attributable to shareholders as at 30 June 2007.

*For the sake of completeness, both the overall turnover percentage increase and the like-for-like percentage increase were used in the Highlights. The like-for-like figure is presented to show the percentage increase in turnover if the element of the Hennessy Centre, which was vacated in the fourth quarter of 2006 for redevelopment, was excluded.*

**HYSAN DEVELOPMENT PROFIT EXCLUDING ASSET VALUE CHANGES  
UP 19.6% TO HK\$512 MILLION**

**Results**

Hysan Development Company Limited (Stock Code: 00014) today (15 August 2007) announced the Group's **turnover** for the first six months ended 30 June 2007 increased by 6.9% to HK\$663 million (2006: HK\$620 million). The underlying trend is reflected in the 22.5% turnover increase on a like-for-like basis, if the element of the Hennessy Centre (under redevelopment since the fourth quarter of 2006) is excluded.

**Profit excluding asset value changes**, which measured the performance of the Group's core property investment business, increased by 19.6% to HK\$512 million (2006: HK\$428 million).

**Underlying profit**, which excluded the unrealised fair value gain on investment properties net of deferred tax and minority interests, was HK\$584 million, 5.8 % down from 2006's HK\$620 million. In addition, this also reflects the effects of a recovery item and higher net realised gain on disposal of available-for-sale investments in 2006.

**(Statutory) Profit** decreased by 9.6% to HK\$1,373 million (2006: HK\$ 1,519 million), as a result of a more moderate fair value gain on investment properties recorded this year.

**Finance costs** increased slightly by HK\$3 million (3.8%) to HK\$85 million (2006: HK\$82 million). The Group's weighted average borrowing costs for the period was 5.44%, up from 4.85% in the first half of 2006 and 4.90% for 2006 full year.

**Taxation** for the period was HK\$206 million (2006: HK\$246 million) and the decrease was principally due to lower deferred tax provision on investment properties revaluation gain.

As at 30 June 2007, the **investment properties** of the Group were revalued at HK\$33,317 million (31 December 2006: HK\$32,473 million), by an in-house professional valuer. Excluding additions and adjustments of cost variations, fair value gain on investment properties of HK\$795 million were recognised in the consolidated income statement during the period.

**Shareholders' funds**, as at 30 June 2007, rose by 4.4% from the year-end of 2006 to HK\$29,050 million.

**Adjusted shareholders' funds**, as at 30 June 2007, rose by 4.4% from the year-end of 2006 to HK\$32,080 million.

## **Dividend**

An interim **dividend** of HK12.0 cents per share (2006: HK10.0 cents) was announced. The dividend will be payable in cash with a scrip dividend alternative. The ex-dividend date will be 28 August 2007, dividend warrants and definitive share certificates in respect of the scrip dividend will be dispatched on or about 5 October 2007. The share register will be closed from 30 August 2007 to 3 September 2007, both dates inclusive.

## **Financial Management**

**Total gross debt** was HK\$2,915 million as at 30 June 2007, a slight increase of HK\$6 million from the balance as at year-end 2006 (31 December 2006: HK\$2,909 million).

**Average debt maturity** as at 30 June 2007 was about 4.5 years (repayable within two to five years: HK\$2,690 million; over five years: HK\$225 million).

All Group debts are unsecured and on a committed basis. To maintain sufficient liquidity for the Group's operations, undrawn committed facilities of HK\$3.6 billion were maintained as at 30 June 2007 (31 December 2006: HK\$3.6 billion).

The Group's **foreign exchange** risk was minimal. With the exception of the US\$182 million 10-year notes, which have been hedged by appropriate hedging instruments, all of the Group's other borrowings were denominated in Hong Kong Dollars. On the investment side, the majority of the foreign exchange exposure relates to the Shanghai joint venture project. These foreign exchange exposures, as at 30 June 2007, amounted to the equivalent of HK\$1,432 million or 3.8% of the Group's total assets.

**Net interest coverage** (defined as gross profit less administrative expenses before depreciation divided by net interest expenses) was 8.9 times as at 30 June 2007 (31 December 2006: 6.9 times).

**Net debt to equity** (defined as gross debt less cash and cash equivalents divided by adjusted shareholders' funds) as at 30 June 2007 was 6.9% (31 December 2006: 7.9%).

## **Credit Ratings**

**Credit ratings** as at 30 June 2007, remained unchanged, being Baa1 from Moody's and BBB from Standard and Poor's.

## **COMMENT BY PETER T.C. LEE, CHAIRMAN**

“Despite the recent volatility in the financial markets, fundamentals of the global economy should remain broadly sound for the rest of 2007,” said Mr. Peter T.C. Lee.

“Outlook for Hong Kong’s investment property market and the Group’s core leasing business is expected to stay positive throughout 2007. Our office portfolio, located in the prime Causeway Bay District, is well positioned to capitalise on increased relocation activities away from Central,” said Mr. Lee.

### **Comments on Operations**

The three leasing sectors experienced good growth in the first half of 2007. In the office sector, in particular, the revenue growth was strong.

#### **Office Sector**

The office sector’s rental revenue experienced strong growth during the period. Reflecting the underlying trend, there was a 32.5% increase in like-for-like office sector revenue for the first six months in 2007 (2007: HK\$270 million; 2006: HK\$204 million). Overall office sector revenue increased by 11.8% (2006: HK\$242 million).

“There were substantial rises in rental rates for lease renewals with existing tenants and also for new leases. Our asking rental in the Lee Gardens is in the high HK\$40’s per square foot.”

“Grade A offices have been in good demand, and with high rentals in Central, there has been increased pressure to move outside of the Central Business Districts. Causeway Bay’s advantages are well known. We offer tenants not only excellent connectivity to their customers and business partners, but also a very positive image of being located in a prime district in the heart of Hong Kong Island. We have, for example, successfully achieved a strong presence of professional accounting firms in our portfolio. They appreciate the fact that Causeway Bay is convenient, prestigious and cost effective. We believe other professional firms, and indeed other businesses, can also see the advantages.”

#### **Retail Sector**

Healthy growth in local consumption, as well as increased tourist arrivals, helped fuel the increase in rental rate in the sector. The like-for-like revenue figure for the retail sector for the first half of 2007 grew by 16.9% to HK\$247 million (2006: HK\$ 211 million). Overall sector revenue, however, was marginally below that of the 2006 corresponding figure (2006: HK\$250 million), reflecting the effect of the Hennessy Centre redevelopment.

“Better employment prospects and higher real wages lead to increased consumption, and growth in retail sales,” said Mr. Lee. “These factors go to the fundamentals of the Hong Kong economy.”

### **Residential Sector**

Demand for luxury residential properties remains steady. The rental revenue for this sector, for the first half of 2007, was HK\$129 million, with period-on-period growth of 16.9% (2006: HK\$111 million).

“There were healthy increases in rental rates when leases are renewed,” said Mr. Lee.

### **About Hysan**

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.

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

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# HYSAN DEVELOPMENT COMPANY LIMITED

## CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

	NOTES	Six months ended	
		30.6.2007 HK\$'000 (unaudited)	30.6.2006 HK\$'000 (unaudited)
Turnover	4	<b>663,133</b>	620,239
Property expenses		<b>(93,915)</b>	(111,005)
Gross profit		<b>569,218</b>	509,234
Other income		<b>42,440</b>	117,174
Administrative expenses		<b>(51,775)</b>	(52,087)
Finance costs	5	<b>(84,841)</b>	(81,735)
Fair value changes on investment properties		<b>794,514</b>	1,130,365
Fair value changes on financial instruments		<b>51,164</b>	70,336
Net realised gain on disposal of available-for-sale investments		<b>71,239</b>	104,276
Share of profits of associates		<b>260,460</b>	51,554
Profit before taxation		<b>1,652,419</b>	1,849,117
Taxation	6	<b>(206,267)</b>	(246,147)
Profit for the period	7	<b>1,446,152</b>	1,602,970
Attributable to:			
Equity holders of the parent		<b>1,373,435</b>	1,519,389
Minority interests		<b>72,717</b>	83,581
		<b>1,446,152</b>	1,602,970
Dividends	8		
Dividends paid		<b>422,115</b>	368,686
Dividends declared		<b>127,069</b>	105,461
Earnings per share	9		
Basic		<b>130.10 cents</b>	144.23 cents
Diluted		<b>129.99 cents</b>	144.11 cents

**HYSAN DEVELOPMENT COMPANY LIMITED****CONDENSED CONSOLIDATED BALANCE SHEET**

AT 30 JUNE 2007

	<b>30.6.2007</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2006 <i>HK\$'000</i> (audited)
Non-current assets		
Investment properties	<b>33,317,108</b>	32,473,158
Property, plant and equipment	<b>70,238</b>	69,309
Prepaid lease payments	<b>122,852</b>	122,933
Investments in associates	<b>703,445</b>	443,569
Amount due from an associate	<b>105,591</b>	186,117
Available-for-sale investments	<b>1,900,116</b>	1,745,427
Derivative financial instruments	<b>2,375</b>	2,474
Other financial assets	<b>156,868</b>	-
Other receivables	<b>23,368</b>	21,571
	<b>36,401,961</b>	35,064,558
Current assets		
Amount due from an associate	<b>615,982</b>	642,338
Derivative financial instruments	<b>1,510</b>	2,315
Accounts receivable and other receivables	<b>61,737</b>	158,831
Time deposits	<b>531,880</b>	381,971
Cash and bank balances	<b>41,108</b>	3,031
	<b>1,252,217</b>	1,188,486
Current liabilities		
Derivative financial instruments	<b>15,426</b>	39,495
Accounts payable and accruals	<b>187,249</b>	198,736
Rental deposits from tenants	<b>115,436</b>	102,418
Amounts due to minority shareholders	<b>327,256</b>	327,256
Advances from investees	<b>89,773</b>	54,060
Taxation payable	<b>220,318</b>	225,781
	<b>955,458</b>	947,746
Net current assets	<b>296,759</b>	240,740
Total assets less current liabilities	<b>36,698,720</b>	35,305,298

**HYSAN DEVELOPMENT COMPANY LIMITED****CONDENSED CONSOLIDATED BALANCE SHEET - continued***AT 30 JUNE 2007*

	<b>30.6.2007</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2006 <i>HK\$'000</i> (audited)
Non-current liabilities		
Borrowings	<b>2,787,465</b>	2,820,621
Derivative financial instruments	<b>59,766</b>	44,560
Rental deposits from tenants	<b>187,843</b>	183,282
Deferred taxation	<b>3,495,366</b>	3,348,828
	<b>6,530,440</b>	6,397,291
Net assets	<b>30,168,280</b>	28,908,007
Capital and reserves		
Share capital	<b>5,294,554</b>	5,275,687
Reserves	<b>23,755,348</b>	22,552,019
Equity attributable to equity holders of the parent	<b>29,049,902</b>	27,827,706
Minority interests	<b>1,118,378</b>	1,080,301
	<b>30,168,280</b>	28,908,007

# HYSAN DEVELOPMENT COMPANY LIMITED

## NOTES

### 1. INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2007 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), by Deloitte Touche Tohmatsu, whose report on review of interim financial information 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 consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA.

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies and methods of computation followed in the preparation of the condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, a number of new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which that are effective for accounting periods beginning on or after 1 January 2007. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been required.

#### **Potential impact arising from the recently issued Accounting Standards**

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the condensed consolidated financial statements of the Group.

HKAS 23 (Revised)	Borrowing Cost <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) - INT 11	HKFRS 2 – Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC) - INT 12	Service Concession Arrangements <sup>3</sup>

<sup>1</sup> Effective for accounting periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for accounting periods beginning on or after 1 March 2007.

<sup>3</sup> Effective for accounting periods beginning on or after 1 January 2008.

## HYSAN DEVELOPMENT COMPANY LIMITED

### 4. TURNOVER

	Six months ended	
	30.6.2007	30.6.2006
	HK\$'000	HK\$'000
Turnover comprises:		
Gross rental income from investment properties	662,731	620,034
Management fee and security service income	402	205
	<u>663,133</u>	<u>620,239</u>

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

### 5. FINANCE COSTS

	Six months ended	
	30.6.2007	30.6.2006
	HK\$'000	HK\$'000
Interest on		
- bank loans, overdrafts and other loans wholly repayable within five years	16,544	19,824
- floating rate notes	12,089	12,709
- fixed rate notes	49,932	54,360
- zero coupon notes (imputed interests)	5,652	5,370
	<u>84,217</u>	<u>92,263</u>
Net interest received on derivative financial instruments		
(Note):		
- due within five years	(5,249)	(10,129)
- due after five years	(724)	(6,117)
	<u>78,244</u>	<u>76,017</u>
Bank charges	4,406	3,640
Others	2,191	2,078
	<u>84,841</u>	<u>81,735</u>

Note: Fair value changes excluded accrued interest in derivative financial instruments for the period.

## HYSAN DEVELOPMENT COMPANY LIMITED

### 6. TAXATION

	<b>Six months ended</b>	
	<b>30.6.2007</b>	30.6.2006
	<b>HK\$'000</b>	HK\$'000
Current tax	<u>60,162</u>	<u>40,456</u>
Deferred tax		
- changes in fair value on investment properties	137,968	197,243
- other temporary differences	<u>8,137</u>	<u>8,448</u>
	<u>146,105</u>	<u>205,691</u>
	<u>206,267</u>	<u>246,147</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both periods.

### 7. PROFIT FOR THE PERIOD

	<b>Six months ended</b>	
	<b>30.6.2007</b>	30.6.2006
	<b>HK\$'000</b>	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Staff costs (including director emoluments)	<b>62,157</b>	66,360
Retirement benefits scheme contributions	<b>2,539</b>	2,581
Forfeited contributions	<b>(2,248)</b>	(1,573)
Share-based payments	<b>1,609</b>	1,744
	<b>64,057</b>	69,112
Amortisation of prepaid lease payments	<b>81</b>	81
Depreciation for property, plant and equipment	<b>3,511</b>	3,345
Gross rental income from investment properties	<b>(662,731)</b>	(620,034)
Less: Direct operating expenses that generated rental income	<b>91,828</b>	108,953
Direct operating expenses that did not generate rental income	<b>2,087</b>	2,052
	<b>(568,816)</b>	(509,029)
Dividends from listed available-for-sale investments	<b>(20,126)</b>	(19,201)
Interest income	<b>(20,783)</b>	(10,123)
Share of tax of an associate (included in share of profits of associates)	<b>11,024</b>	27,947
Recovery of a loan to an associate	<b>-</b>	(87,043)
Loss on disposal of property, plant and equipment	<b>8</b>	463



## HYSAN DEVELOPMENT COMPANY LIMITED

### 9. EARNINGS PER SHARE - continued

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 average market price per share.

For the purpose of assessing the underlying performance of the Group, the management is of the view that the profit for the period should be adjusted for fair value changes on investment properties and related deferred taxation in arriving at "Underlying profit attributable to equity holders of the parent". Net realised gain on disposal of available-for-sale investments and recovery of a loan to an associate should also be adjusted in arriving at "Profit excluding asset value changes attributable to the equity holders of the parent". The difference between the underlying profit, profit excluding asset value changes and profit attributable to equity holders of the parent as shown in the condensed consolidated income statement for the period is reconciled as follows:

	<b>Six months ended 30.6.2007 HK\$'000</b>	<b>Earnings per share (Basic) HK cents</b>
Profit attributable to equity holders of the parent as shown in the condensed consolidated income statement	<b>1,373,435</b>	<b>130.10</b>
Gain arising from fair value changes on investment properties	<b>(794,514)</b>	
Increase in deferred taxation in relation to fair value gain on investment properties	<b>137,968</b>	
Gain arising from fair value changes on investment properties net of related deferred taxation attributable to minority interests	<b>45,623</b>	
Gain arising from fair value changes on investment properties net of related deferred taxation from an associate	<b>(178,882)</b>	
Underlying profit attributable to equity holders of the parent	<b>583,630</b>	<b>55.28</b>
Net realised gain on disposal of available-for-sale investments	<b>(71,239)</b>	
Profit excluding asset value changes attributable to equity holders of the parent	<b>512,391</b>	<b>48.54</b>

## HYSAN DEVELOPMENT COMPANY LIMITED

### 9. EARNINGS PER SHARE - continued

	Six months ended 30.6.2006 <i>HK\$'000</i>	Earnings per share (Basic) <i>HK cents</i>
Profit attributable to equity holders of the parent as shown in the condensed consolidated income statement	1,519,389	144.23
Gain arising from fair value changes on investment properties	(1,130,365)	
Increase in deferred taxation in relation to fair value gain on investment properties	197,243	
Gain arising from fair value changes on investment properties net of related deferred taxation attributable to minority interests	62,472	
Gain arising from fair value changes on investment properties net of related deferred taxation from an associate	(29,156)	
Underlying profit attributable to equity holders of the parent	619,583	58.81
Recovery of a loan to an associate	(87,043)	
Net realised gain on disposal of available-for-sale investments	(104,276)	
Profit excluding asset value changes attributable to equity holders of the parent	<u>428,264</u>	40.65