

To: Business/Property Editor

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For immediate release

**HYSAN DEVELOPMENT COMPANY LIMITED
2007 ANNUAL RESULTS**

Highlights

- Recurring Underlying Profit up 25.8%
- Group turnover up 7.9%; like-for-like turnover up 18.8%
- Strong growth in office rentals recorded
- Well-positioned to capitalise on Grade “A” office decentralisation

Results

	Year ended 31 December		
	2007 HK\$ million	2006 HK\$ million	Change %
Turnover - Overall	1,368	1,268	7.9
- Like-for-like ¹	1,368	1,152	18.8
Recurring underlying profit ²	950	755	25.8
Underlying profit ³	1,158	1,012	14.4
Statutory profit	3,949	3,099	27.4
	HK cents	HK cents	
Earnings per share, based on:			
Recurring underlying profit ²	90.32	71.60	26.1
Underlying profit ³	110.09	96.03	14.6
Statutory profit	375.46	293.96	27.7
Dividend per share	60.00	50.00	20.0
	At 31 December		
	2007	2006	
	HK\$ million	HK\$ million	
Shareholders' funds	31,652	27,828	13.7
Adjusted shareholders' funds ⁴	35,072	30,729	14.1
	HK\$	HK\$	
Net assets value per share	30.51	26.37	15.7
Adjusted net assets value per share ⁴	33.81	29.12	16.1

1. Excluding Hennessy Centre, which was vacated in the fourth quarter of 2006 for redevelopment.
2. Recurring Underlying Profit is a performance indicator of the Group's core property investment business. It is arrived at by excluding from Underlying Profit gains from the disposal of assets of \$255 million, prior year tax provision of HK\$58 million, and reversal of impairment loss of HK\$11 million in an associate.
3. Underlying Profit is arrived at by excluding from Statutory Profit unrealised fair value changes on investment properties and related deferred tax of HK\$2,791 million.
4. Adjusted Shareholders' Funds is arrived at by adding back Group's share of cumulative deferred tax of HK\$3,420 million on property revaluation gains to shareholders' funds. Deferred tax on property revaluation has to be provided for despite the fact that no capital gains tax liability will arise in Hong Kong on disposal of properties.

**HYSAN DEVELOPMENT RECURRING UNDERLYING PROFIT
UP 25.8% TO HK\$950 MILLION**

Results

Hysan Development Company Limited (Stock Code: 00014) today (13 March 2008) announced the Group's **turnover** for 2007 increased by 7.9% to HK\$1,368 million (2006: HK\$1,268 million). The underlying trend is reflected in the 18.8% like-for-like turnover increase, excluding the element of the Hennessy Centre (under redevelopment since the fourth quarter of 2006). The increase was attributable to strong office sector rental growth, due partly to the Group's successful capitalisation on the decentralisation trend attracting new tenants. Retail and residential sectors also saw healthy growth.

Recurring Underlying Profit, which measures the performance of the Group's core property investment business, increased by 25.8% to HK\$950 million (2006: HK\$755 million).

Underlying Profit, which adjusts for the unrealised fair value changes on investment properties and related deferred tax on Statutory Profit, was HK\$1,158 million, 14.4% up from 2006's HK\$1,012 million.

Statutory Profit increased by 27.4% to HK\$3,949 million (2006: HK\$ 3,099 million), reflecting higher fair value gain on investment properties recorded this year.

Finance costs increased by 7.4% to HK\$175 million (2006: HK\$163 million). This was mainly due to the generally higher HIBOR in 2007 and the expiration of interest rate hedging instruments secured in a low-interest environment a few years ago.

Taxation for the year was HK\$745 million (2006: HK\$558 million) and the increase was principally due to increase in deferred tax provision relating to higher revaluation gains on investment properties.

As at 31 December 2007, the **investment properties** of the Group were revalued at HK\$35,711 million (2006: HK\$32,473 million), by an independent professional valuer, being 10.0% higher than the corresponding value for last year.

Shareholders' funds increased by 13.7% to HK\$31,652 million in 2007.

Adjusted shareholders' funds, also rose 14.1% to HK\$35,072 million in 2007.

Dividend

A final **dividend** of HK48.0 cents per share (2006: HK40.0 cents per share) was announced. Together with the interim dividend of HK12.0 cents per share (2006: HK10.0 cents), there is an aggregate distribution of HK60.0cents per share, representing a year-on-year increase of 20.0%. The dividend will be payable in cash with a scrip dividend alternative. The ex-dividend date will be 7 May, 2008, dividend warrants and definitive share certificates in respect of the scrip dividend will be dispatched on or about 18 June, 2008. The share register will be closed from 9 May 2008 to 14 May, 2008, both dates inclusive.

Financial Management

Net interest coverage (defined as gross profit less administrative expenses before depreciation divided by net interest expenses) was 7.8 times in 2007 (2006: 6.9 times). The change was due mainly to the higher gross profit and interest income outweighed the effect of higher average finance costs.

Net debt to equity (defined as borrowing less cash and cash equivalents divided by adjusted shareholders' funds) as at 31 December 2007 was 6.8% (2006: 7.9%). This reflected a higher adjusted shareholders' funds with the net debt level being similar to that of last year.

Total gross debt was HK\$2,921 million as at 31 December 2007, a slight year-on-year increase of HK\$12 million.

Average debt maturity as at 31 December 2007 was about four years (repayable in more than one year but less than two years: HK\$550 million; more than two years but less than five years: HK\$2,140 million; more than five years: HK\$231 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\$3,600 million were maintained as at 31 December 2007 (2006: HK\$3,600 million).

Credit Ratings

Credit ratings as at 31 December 2007 remained unchanged, being Baa1 from Moody's and BBB from Standard and Poor's.

COMMENT BY PETER T.C. LEE, CHAIRMAN

“Hong Kong’s economic fundamentals remain sound, underpinned by solid domestic demand and employment conditions,” said Mr. Peter T.C. Lee. “Challenges, however, include the risk of further slowdown in the U.S. economy and in Europe.”

“We are cautiously optimistic about the year ahead,” added Mr. Lee. “Significant price differential for Grade A offices between central business district and other core areas, together with limited new supply in such districts, should continue to benefit our property investment portfolio situated in the prime Causeway Bay district.”

Comments on Operations

The three leasing sectors experienced good growth in 2007, with particular strong rental growth in the office sector.

Office Sector

Reflecting the underlying trend, there was a 23.3% increase in like-for-like office sector revenue in 2007 (2007: HK\$567 million; 2006: HK\$460 million). Overall office sector revenue increased by 11.4% (2006: HK\$509 million). Occupancy at year-end 2007 was 97% (2006: 97%).

“Causeway Bay is a well-established prime commercial area,” said Mr. Lee. “It provides unmatched connectivity and vibrancy, creating a superior setting to conduct business.” “The current level of central business district office rental only means there are now more opportunities for us to capture new tenants who appreciate Causeway Bay’s unique advantages and good value,” added Mr. Lee.

Retail Sector

Strong domestic consumption on the back of favourable employment conditions and strong financial market performance, further supplemented by increased tourist arrivals, drove retail sales growth. Strong sales, in turn, pushed up retail rents and increased contributions from turnover rent. The like-for-like revenue figure for the retail sector in 2007 grew by 17.7% to HK\$505 million (2006: HK\$429 million). Overall sector revenue increased by 2.9% (2006: HK\$491 million), reflecting the effect of the Hennessy Centre redevelopment. Occupancy for the sector at year-end was 98% (2006: 99%).

Mr. Lee said that looking forward, the retail sector is likely to continue to perform well, with good private consumption and employment conditions.

Residential Sector

Demand from expatriate executives for luxury residential properties remained steady. The rental revenue for this sector in 2007 was HK\$262 million, with year-on-year growth of 12.9% (2006: HK\$232 million). Occupancy for the sector at year-end was 90% (2006: 92%).

Hennessy Centre Redevelopment

Demolition work for the former Hennessy Centre site had been completed and the design of the new building finalised. Design enhancements, in response to market demand, will increase prime retail space, flexibility to adjust the office/retail mix with ease, and provisions for better connectivity with neighbouring facilities generally. Improved rental revenue will offset anticipated additional costs, with project completion now expected to be in 2011.

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 or www.irasia.com/listco/hk/hysan/index.htm

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HYSAN DEVELOPMENT COMPANY LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	<u>Notes</u>	<u>2007</u> <i>HK\$ million</i>	<u>2006</u> <i>HK\$ million</i>
Turnover	3	1,368	1,268
Property expenses		(208)	(240)
Gross profit		1,160	1,028
Investment income		98	147
Other gains and losses		302	201
Administrative expenses		(106)	(111)
Finance costs		(175)	(163)
Change in fair value of investment properties		3,131	2,576
Share of results of associates		452	120
Profit before taxation		4,862	3,798
Taxation	4	(745)	(558)
Profit for the year	5	4,117	3,240
Attributable to:			
Equity holders of the Company		3,949	3,099
Minority interests		168	141
		4,117	3,240
Dividends			
Paid	6	549	474
Proposed	6	498	422
Earnings per share (expressed in HK cents)			
Basic	7	375.46	293.96
Diluted	7	375.25	293.70

HYSAN DEVELOPMENT COMPANY LIMITED

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2007

	<u>2007</u> <i>HK\$ million</i>	<u>2006</u> <i>HK\$ million</i>
Non-current assets		
Investment properties	35,711	32,473
Property, plant and equipment	73	69
Prepaid lease payments	123	123
Investments in associates	1,011	630
Available-for-sale investments	2,479	1,745
Other financial assets	235	2
Other receivables	22	23
	<u>39,654</u>	<u>35,065</u>
Current assets		
Accounts receivable and other receivables	66	159
Amount due from an associate	590	642
Held for trading investments	95	-
Other financial assets	1	2
Time deposits	478	382
Cash and bank balances	6	3
	<u>1,236</u>	<u>1,188</u>
Current liabilities		
Accounts payable and accruals	278	253
Other financial liabilities	40	40
Rental deposits from tenants	124	102
Amounts due to minority shareholders	327	327
Taxation payable	270	225
	<u>1,039</u>	<u>947</u>
Net current assets	<u>197</u>	<u>241</u>
Total assets less current liabilities	<u>39,851</u>	<u>35,306</u>
Non-current liabilities		
Borrowings	2,861	2,821
Other financial liabilities	17	45
Rental deposits from tenants	215	183
Deferred taxation	3,910	3,349
	<u>7,003</u>	<u>6,398</u>
NET ASSETS	<u>32,848</u>	<u>28,908</u>
Capital and reserves		
Share capital	5,187	5,276
Reserves	26,465	22,552
Equity attributable to equity holders of the Company	<u>31,652</u>	<u>27,828</u>
Minority interests	1,196	1,080
TOTAL EQUITY	<u>32,848</u>	<u>28,908</u>

HYSAN DEVELOPMENT COMPANY LIMITED

Notes:

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. Principal Accounting Policies

The principal accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006. In the current year, the Group has applied, for the first time, a number of new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2007. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

3. Turnover

Turnover represents gross rental income from investment properties for the year.

As the turnover and results of the Group are principally derived from investment properties located in Hong Kong, no business or geographical segment analysis is presented.

4. Taxation

	<u>2007</u> <i>HK\$ million</i>	<u>2006</u> <i>HK\$ million</i>
Current tax		
Hong Kong profits tax		
- current year	130	90
- overprovision in prior years	(3)	(1)
- prior years' tax provision	58	-
	<u>185</u>	<u>89</u>
Deferred tax		
Change in fair value of investment properties	540	448
Other temporary differences	20	21
	<u>560</u>	<u>469</u>
	<u>745</u>	<u>558</u>

Hong Kong profits tax is calculated at 17.5% of the estimated assessable profit for both years.

4. Taxation - continued

At the date of approval of these financial statements, the Group had disputes with the Hong Kong Inland Revenue Department (“IRD”) regarding the deductibility of certain expenses in assessing the taxable profits for the years of assessment 1995/1996 to 1999/2000. Full amount of tax in dispute has been provided for in the Group’s accounts for previous years. No agreement with IRD has been reached at the date of approval of the 2007 financial statements. The Group reviews its tax position annually and has made adequate provisions for each year based on the then prevailing tax law and practices. After taking into account the lapse of time and recent developments in tax case law and practices, an additional provision of HK\$58 million was made in the current year being current estimate of interest payable on the tax in dispute should IRD’s claim be successful. The Directors believe that the Group has made sufficient tax provisions as at the balance sheet date based on professional advice obtained.

5. Profit For The Year

	<u>2007</u> <i>HK\$ million</i>	<u>2006</u> <i>HK\$ million</i>
Profit for the year has been arrived at after charging (crediting):		
Auditor’s remuneration	<u>2</u>	<u>2</u>
Amortisation of prepaid lease payments (Note)	<u>-</u>	<u>-</u>
Depreciation of property, plant and equipment	<u>7</u>	<u>7</u>
Gross rental income from investment properties	(1,368)	(1,268)
Less:		
- Direct operating expenses that generated rental income	205	234
- Direct operating expenses that did not generate rental income	<u>3</u>	<u>6</u>
	(1,160)	(1,028)
Loss on disposal of property, plant and equipment	<u>-</u>	<u>1</u>
Staff costs, comprising:		
- Directors’ emoluments	13	16
- Share-based payments	3	3
- Other staff costs	<u>111</u>	<u>117</u>
	127	136
Share of income tax of an associate (included in share of results of associates)	<u>81</u>	<u>57</u>

Note:

The Group’s prepaid lease payments represent leasehold land in Hong Kong held under long lease, and are amortised on a straight-line basis over the terms of leases. The amortisation of prepaid lease payments for the year was approximately HK\$163,000 (2006: HK\$163,000).

HYSAN DEVELOPMENT COMPANY LIMITED

6. Dividends

	<u>2007</u> <i>HK\$ million</i>	<u>2006</u> <i>HK\$ million</i>
Dividends recognised as distribution during the year:		
2007 interim dividend paid – HK12 cents per share	127	-
2006 interim dividend paid – HK10 cents per share	-	105
2006 final dividend paid – HK40 cents per share	422	-
2005 final dividend paid – HK35 cents per share	-	369
	<u>549</u>	<u>474</u>
Dividends proposed after the balance sheet date:		
Final dividend proposed – HK48 cents per share (2006: HK40 cents per share)	<u>498</u>	<u>422</u>

7. Earnings Per Share

(a) Basic and diluted earnings per share

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	<u>2007</u> <i>HK\$ million</i>	<u>2006</u> <i>HK\$ million</i>
<u>Earnings</u>		
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to equity holders of the Company	<u>3,949</u>	<u>3,099</u>
	<u>2007</u>	<u>2006</u>
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,051,770,437	1,054,166,353
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	607,460	923,579
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,052,377,897</u>	<u>1,055,089,932</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 average market price per share.

7. Earnings Per Share - continued

(b) Adjusted basic earnings per share

For the purpose of assessing the performance of the Group's principal activities (i.e. leasing of investment properties), the management is of the view that the profit for the year attributable to the equity holders of the Company should be adjusted in the calculation of basic earnings per share as follows:

	2007		2006	
	<u>Profit</u>	<u>Basic earnings per share</u>	<u>Profit</u>	<u>Basic earnings per share</u>
	<i>HK\$ million</i>	<i>HK cents</i>	<i>HK\$ million</i>	<i>HK cents</i>
Profit for the year attributable to equity holders of the Company	3,949	375.46	3,099	293.96
Gain arising from change in fair value of investment properties	(3,131)	(297.69)	(2,576)	(244.31)
Effect of deferred taxation on change in fair value of investment properties	540	51.34	448	42.54
Effect of minority interests' shares	111	10.55	97	9.20
Gain arising from share of change in fair value of investment properties (net of deferred taxation) of an associate	(311)	(29.57)	(56)	(5.36)
Underlying profit attributable to equity holders of the Company	1,158	110.09	1,012	96.03
Prior years' tax provision	58	5.52	-	-
Net realised gain on disposal of available-for-sale investments	(255)	(24.24)	(170)	(16.16)
Reversal of impairment loss recognised in respect of investment in an associate	(11)	(1.05)	-	-
Recovery of a loan to an associate	-	-	(87)	(8.27)
Recurring underlying profit	950	90.32	755	71.60

The denominators used are the same as those detailed above for basic earnings per share.