

To: Business/Property Editor

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For immediate release

**HYSAN DEVELOPMENT COMPANY LIMITED
2008 INTERIM RESULTS**

Highlights

- Group turnover up 19.3%
- Recurring Underlying Profit up 18.2%
- Interim dividend per share up 16.7%
- Steady growth in Group investment portfolio to continue into the full year

Results

	Six months ended 30 June		Change %
	2008	2007	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Turnover	791	663	19.3
Recurring Underlying Profit ¹	605	512	18.2
Underlying Profit ²	618	584	5.8
Statutory Profit ³	3,437	1,373	150.3
	<i>HK cents</i>	HK cents	
Earnings per share, based on:			
Recurring Underlying Profit ¹	58.30	48.54	20.1
Underlying Profit ²	59.55	55.28	7.7
Statutory Profit ³	331.20	130.10	154.6
Interim dividend per share	14.00	12.00	16.7
	At 30 June	At 31 December	
	2008	2007	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Shareholders' funds	33,982	31,652	7.4
Adjusted Shareholders' Funds ⁴	37,671	35,072	7.4
	<i>HK\$</i>	HK\$	
Net assets value per share	32.65	30.51	7.0
Adjusted net assets value per share	36.20	33.81	7.1

Definitions:

1. Recurring Underlying Profit

This is a performance indicator of the Group's core property investment business. It is arrived at by excluding from Underlying Profit gains/losses from disposal of assets, impairment, reversal, recovery and tax provisions for prior year(s).

2. Underlying Profit

This is arrived at by excluding from Statutory Profit unrealised fair value changes on investment properties and related deferred tax. As a property investor, the Group's results are principally derived from the rental revenues on its investment properties. The inclusion of the unrealised fair value change on investment properties in the consolidated income statement causes an increase in fluctuation in earnings and poses limitation on the use of the unadjusted earning figures, financial ratios, trends and comparison against prior period(s). Besides, deferred tax on such fair value changes has to be provided for despite the fact that no capital gain tax liability will arise in Hong Kong on disposal of the Group's investment properties. Accordingly, both of these two items are excluded in arriving at the Underlying Profit.

3. Statutory Profit

This is the profit attributable to equity holders of the Company. It is prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance.

4. Adjusted Shareholders' Funds

This is arrived at by adding back the Group's share of cumulative deferred tax on property revaluation to shareholders' funds figure. 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 18.2% TO HK\$605 MILLION**

Results

Hysan Development Company Limited (Stock Code: 00014) today (5 August 2008) announced the Group's **turnover** for the first six months ended 30 June 2008 increased by 19.3% to HK\$791 million (2007: HK\$663 million). The Group continues to enjoy good performances in all three core rental business sectors. For the office sector, the growth reflected substantial rental increase on renewals, as well as rent reviews, complemented by lettings to new tenants attracted to our properties. The retail sector benefited from domestic consumptions which maintained the strength of retail sales, and in turn supported the rise in retail rental rates. The increases in rent, including turnover rent, contributed to the sector's income growth.

Recurring Underlying Profit, which measures the performance of the Group's core property investment business, increased by 18.2% to HK\$605 million (2007: HK\$512 million).

Underlying Profit, which adjusts for the unrealised fair value changes on investment properties and related deferred tax on Statutory Profit, was HK\$618 million, 5.8% up from 2007's HK\$584 million.

Statutory Profit increased by 150.3% to HK\$3,437 million (2007: HK\$1,373 million) as a result of higher fair value gain on investment properties recorded this period.

Finance costs were reduced by 12.9%, or HK\$11 million to HK\$74 million. This was mainly due to a lower interest rate environment in the first half of 2008 compared with that of 2007.

Taxation for the period was HK\$369 million (2007: HK\$206 million). The increase was principally due to higher deferred tax provision on investment properties revaluation gain.

As at 30 June 2008, the **investment properties** of the Group were revalued at HK\$38,762 million (31 December 2007: HK\$35,711 million), by an independent professional valuer. Excluding additions, fair value gain on investment properties of HK\$2,995 million were recognised in the consolidated income statement during the period.

Shareholders' funds, as at 30 June 2008, rose by 7.4% from the year-end of 2007 to HK\$33,982 million.

Adjusted Shareholders' Funds, also at 30 June 2008, rose by 7.4% from the year-end of 2007 to HK\$37,671 million.

Dividend

An interim **dividend** of HK14.0 cents per share (2007: HK12.0 cents) was announced. The dividend will be payable in cash with a scrip dividend alternative. The ex-dividend date will be 15 August 2008, dividend warrants and definitive share certificates in respect of the scrip dividend will be dispatched on or about 12 September 2008. The share register will be closed from 19 August 2008 to 21 August 2008, both dates inclusive.

Financial Management

Net interest coverage (defined as gross profit less administrative expenses before depreciation divided by net interest expenses) was 10.0 times for the first half of 2008 (31 December 2007: 7.8 times).

Net debt to equity (defined as borrowing less cash and cash equivalents divided by Adjusted Shareholders' Funds) as at 30 June 2008 was 5.8% (31 December 2007: 6.8%).

Total gross debt was HK\$2,927 million as at 30 June 2008, a slight increase of HK\$6 million from the balance as at year-end 2007 (31 December 2007: HK\$2,921 million).

Average debt maturity as at 30 June 2008 was about 3.5 years (repayable in more than one year but not exceeding two years: HK\$620 million; more than two years but not exceeding five years: HK\$2,070 million; more than five years: HK\$237 million).

The ratio of fixed rate borrowing was approximately 33.9% of the total gross borrowing as at the period end (31 December 2007: 39.9%).

All Group debts are unsecured and on a committed basis. To maintain sufficient liquidity for the Group's operations, undrawn committed facilities of HK\$4,100 million were maintained as at 30 June 2008 (31 December 2007: HK\$3,600 million).

Credit Ratings

Credit ratings, as at 30 June 2008 remained unchanged, being Baa1 from Moody's and BBB from Standard and Poor's.

COMMENT BY PETER T.C. LEE, CHAIRMAN

“We remain cautiously optimistic about the Hong Kong investment property market. While there are continuing concerns over external risks, the fundamentals of the Hong Kong economy remain sound,” said Mr. Peter T.C. Lee.

“Limited supply of Grade A offices in core business districts and healthy employment conditions should further benefit our commercial property portfolio.”

Comments on Operations

The three leasing sectors continued to enjoy good performances in the first half of 2008.

Office Sector

There was a 24.1% increase in office sector revenue in 2008 (2008: HK\$335 million; 2007: HK\$270 million). Occupancy at 30 June 2008 was 98.3%.

“Our core Causeway Bay portfolio is well-positioned to attract and retain a balanced group of quality office tenants,” said Mr. Lee. “We have seen a number of our existing tenants taking up more office space within our buildings, as well as new tenants joining us.”

Retail Sector

The retail sector revenue increased by 21.1% (2008: HK\$299 million; 2007: HK\$247 million), while the occupancy remained high at 97.5%.

“We believe solid employment condition is an important driver of domestic consumption,” said Mr. Lee. “We should still be able to maintain good performance in our retail sector.”

Residential Sector

There was sustained demand for Hong Kong’s luxury residential properties. The rental revenue for the sector in the first half of 2008 was HK\$140 million, representing a period-on-period increase of 8.5% (2007: HK\$129 million). The occupancy for the sector at 30 June 2008 was 91.0%.

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**CONDENSED CONSOLIDATED INCOME STATEMENT***For the six months ended 30 June 2008*

	<u>Notes</u>	Six months ended 30 June	
		<u>2008</u>	<u>2007</u>
		<i>HK\$ million</i>	<i>HK\$ million</i>
		(unaudited)	(unaudited)
Turnover	4	791	663
Property expenses		(98)	(94)
Gross profit		693	569
Investment income		33	42
Other gains and losses		84	122
Administrative expenses		(62)	(52)
Finance costs		(74)	(85)
Change in fair value of investment properties		2,995	795
Share of results of associates		339	261
Profit before taxation		4,008	1,652
Taxation	5	(369)	(206)
Profit for the period	6	3,639	1,446
Attributable to:			
Equity holders of the Company		3,437	1,373
Minority interests		202	73
		3,639	1,446
Dividends			
Paid	7	498	422
Declared	7	146	127
Earnings per share (expressed in HK cents)			
Basic	8	331.20	130.10
Diluted	8	331.16	129.99

HYSAN DEVELOPMENT COMPANY LIMITED**CONDENSED CONSOLIDATED BALANCE SHEET***At 30 June 2008*

	At 30 June 2008 HK\$ million (unaudited)	At 31 December 2007 HK\$ million (audited)
Non-current assets		
Investment properties	38,762	35,711
Property, plant and equipment	76	73
Prepaid lease payments	123	123
Investments in associates	1,346	1,011
Available-for-sale investments	1,770	2,479
Other financial assets	173	235
Other receivables	57	22
	<hr/> 42,307	<hr/> 39,654
Current assets		
Accounts receivable and other receivables	121	66
Amount due from an associate	590	590
Held for trading investments	101	95
Other financial assets	1	1
Time deposits	645	478
Cash and bank balances	14	6
	<hr/> 1,472	<hr/> 1,236
Current liabilities		
Accounts payable and accruals	299	278
Other financial liabilities	51	40
Rental deposits from tenants	136	124
Amounts due to minority shareholders	327	327
Taxation payable	333	270
	<hr/> 1,146	<hr/> 1,039
Net current assets	<hr/> 326	<hr/> 197
Total assets less current liabilities	<hr/> 42,633	<hr/> 39,851
Non-current liabilities		
Borrowings	2,847	2,861
Other financial liabilities	22	17
Rental deposits from tenants	248	215
Deferred taxation	4,174	3,910
	<hr/> 7,291	<hr/> 7,003
NET ASSETS	<hr/> 35,342	<hr/> 32,848
Capital and reserves		
Share capital	5,203	5,187
Reserves	28,779	26,465
Equity attributable to equity holders of the Company	<hr/> 33,982	<hr/> 31,652
Minority interests	1,360	1,196
TOTAL EQUITY	<hr/> 35,342	<hr/> 32,848

HYSAN DEVELOPMENT COMPANY LIMITED

Notes:

1. Independent Review

The interim results for the six months ended 30 June 2008 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 unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2008 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 and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA.

3. Principal Accounting Policies

The unaudited condensed consolidated financial statements have been prepared on 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 unaudited 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 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2008.

HK(IFRIC) - Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) - Int 12	Service Concession Arrangements
HK(IFRIC) - Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new interpretations had no material effect on the results and financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new or revised standards, amendments and interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Cost ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statement ²
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹

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3. Principal Accounting Policies - continued

HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) - Int 13	Customer Loyalty Programmes ³

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 July 2009.

³ Effective for annual periods beginning on or after 1 July 2008.

The Directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. Turnover

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

The Group's principal activities are property investment, management and development. As the Group currently does not have any active development projects and its turnover and results are principally derived from investment properties located in Hong Kong, no business or geographical segment analysis is presented.

5. Taxation

	Six months ended 30 June	
	<u>2008</u>	<u>2007</u>
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
Current tax		
Hong Kong profits tax		
- current year	75	60
- overprovision in prior years	(1)	-
- prior years' tax provision	31	-
	<u>105</u>	<u>60</u>
Deferred tax		
Change in fair value of investment properties	494	138
Other temporary differences	(7)	8
Attributable to change in tax rate	(223)	-
	<u>264</u>	<u>146</u>
	<u>369</u>	<u>206</u>

Hong Kong profits tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the period. In June 2008, the Hong Kong profits tax rate was decreased from 17.5% to 16.5% with effect from the 2008/09 year of assessment. The effect of this decrease has been reflected in the calculation of current and deferred tax balances at 30 June 2008.

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5. Taxation - continued

As disclosed in the annual reports published in previous years, the Group has over the past few years been in dispute with the Hong Kong Inland Revenue Department (“IRD”) on interest deductions dated back to the 1995/96 year of assessment. Full provisions for the estimated exposure (HK\$392 million) plus estimated interest from the end of current period till settlement have been made, taking into consideration professional advice and recent developments. Total cash exposure (net of tax reserve certificates already purchased) amounted to HK\$210 million will be satisfied out of cash deposits and credit facilities.

Discussions with the IRD to settle the claims within these parameters are still on-going. On the issue of payment of additional penalty amount, the Group has received advice of leading counsel that the Group has a strong case and intends to contest the same vigorously.

6. Profit For The Period

	Six months ended 30 June	
	<u>2008</u>	<u>2007</u>
	HK\$ million	HK\$ million
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Depreciation for property, plant and equipment	<u>3</u>	<u>4</u>
Dividends from		
- listed investments	(26)	(20)
- unlisted investments	(1)	-
	<u>(27)</u>	<u>(20)</u>
Gross rental income from investment properties	(791)	(663)
Less:		
- Direct operating expenses that generated rental income	96	92
- Direct operating expenses that did not generate rental income	2	2
	<u>(693)</u>	<u>(569)</u>
Interest income	<u>(6)</u>	<u>(21)</u>
Staff costs, comprising:		
- Directors’ emoluments	9	7
- Share-based payments	1	1
- Other staff costs	58	56
	<u>68</u>	<u>64</u>
Share of income tax of an associate (included in share of results of associates)	<u>120</u>	<u>11</u>

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7. Dividends

(a) Dividends recognised as distribution during the period:

	Six months ended 30 June	
	<u>2008</u>	<u>2007</u>
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
2007 Final dividend paid – HK48 cents per share	498	-
2006 Final dividend paid – HK40 cents per share	-	422
	<u>498</u>	<u>422</u>

Scrip dividend alternatives were offered to shareholders in respect of the above dividends. These alternatives were accepted by the shareholders as follows:

	Six months ended 30 June	
	<u>2008</u>	<u>2007</u>
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
2007 final dividend (2006 final dividend):		
Cash payment	428	346
Share alternative	70	76
	<u>498</u>	<u>422</u>

(b) Dividend declared after the balance sheet date:

	Six months ended 30 June	
	<u>2008</u>	<u>2007</u>
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
Interim dividend declared – HK14 cents per share (2007: HK12 cents per share)	<u>146</u>	<u>127</u>

The above interim dividends were declared after the balance sheet dates and have not been recognised as liabilities at the respective balance sheet dates.

The declared 2008 interim dividend will be payable in cash with a scrip dividend alternative.

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8. 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:

	Earnings	
	Six months ended 30 June	
	<u>2008</u>	<u>2007</u>
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to equity holders of the Company	<u>3,437</u>	<u>1,373</u>
	Number of shares	
	Six months ended 30 June	
	<u>2008</u>	<u>2007</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,037,748,046	1,055,695,990
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	<u>130,317</u>	<u>902,647</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,037,878,363</u>	<u>1,056,598,637</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.

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8. 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 period attributable to the equity holders of the Company should be adjusted in the calculation of basic earnings per share as follows:

	Six months ended 30 June			
	2008		2007	
	Basic earnings per share		Basic earnings per share	
	<u>Profit</u>	<u>share</u>	<u>Profit</u>	<u>share</u>
	<i>HK\$ million</i>	<i>HK cents</i>	<i>HK\$ million</i>	<i>HK cents</i>
Profit for the period attributable to equity holders of the Company	3,437	331.20	1,373	130.10
Gain arising from change in fair value of investment properties	(2,995)		(795)	
Effect of deferred taxation on change in fair value of investment properties (included the effect of change in tax rate)	286		138	
Effect of minority interests' shares	162		46	
Gain arising from share of change in fair value of investment properties (net of deferred taxation) of an associate	(272)		(178)	
Underlying profit attributable to equity holders of the Company	618	59.55	584	55.28
Prior years' tax provision	31		-	
Net realised gain on disposal of available-for-sale investments	(44)		(72)	
Recurring underlying profit	605	58.30	512	48.54

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