

To: Business/Property Editor

 Date: 6 March 2007  
 For immediate release

**HYSAN DEVELOPMENT COMPANY LIMITED**  
**2006 ANNUAL RESULTS**

**Highlights**

- Overall turnover up 1.4%; like-for-like turnover up 8.3%
- Profit excluding asset value changes and prior year tax provision up 17.8%
- Full-year dividends up 11.1%

**Results**

	Year ended 31 December		Change %
	2006 HK\$'M	2005 HK\$'M	
Turnover - Overall	<b>1,268</b>	1,250	1.4
- Excluding Entertainment Building <sup>1</sup>	<b>1,268</b>	1,171	8.3
Profit excluding asset value changes <sup>2</sup> and prior year tax provision	<b>755</b>	641	17.8
Underlying profit attributable to shareholders <sup>3</sup>	<b>1,012</b>	1,005	0.7
Profit attributable to shareholders	<b>3,099</b>	4,121	(24.8)
	HK cents	HK cents	
Earnings per share, based on:			
Profit excluding asset value changes <sup>2</sup> and prior year tax provision	<b>71.60</b>	60.94	17.5
Underlying profit attributable to shareholders <sup>3</sup>	<b>96.03</b>	95.60	0.4
Dividend per share	<b>50.00</b>	45.00	11.1
	At 31 December		
	2006 HK\$'M	2005 HK\$'M	
Shareholders' funds	<b>27,828</b>	24,667	12.8
Adjusted shareholders' funds <sup>4</sup>	<b>30,729</b>	27,134	13.2
	HK\$	HK\$	
Net assets value per share	<b>26.37</b>	23.42	12.6
Adjusted net assets value per share <sup>4</sup>	<b>29.12</b>	25.76	13.0

*In preparing the Group's 2006 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 independent professional valuer. Fair value changes on investment properties and related deferred tax were recognised through profit and loss. Revaluation changes on owner-occupied properties and related deferred tax arising thereon were taken to equity. Deferred tax on fair value gains 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 gains 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 and prior year tax provision" 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, recovery and prior year tax provision.*

- 1 Entertainment Building was disposed of on 30 December 2005.*
- 2 Asset value changes comprised realised gains on disposal of available-for-sale investments and investment properties and recognition of a recovery item totalling HK\$257 million.*
- 3 Excluded HK\$2,030 million unrealised fair value gains on the investment properties portfolio net of deferred tax and minority interests, and HK\$57 million on unrealised fair value gains included in an associate.*
- 4 Adjusted for HK\$2,901 million being the cumulative deferred tax provided on fair value gains on the investment and owner-occupied properties attributable to shareholders as at 31 December 2006.*

*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 Entertainment Building, which was disposed of at the end of 2005, is excluded.*

## HYSAN DEVELOPMENT TURNOVER UP 1.4% TO HK\$1,268 MILLION

### Results

Hysan Development Company Limited (Stock Code: 00014) today (6 March 2007) announced the Group's turnover for 2006 was HK\$1,268 million, up 1.4% (2005: HK\$1,250 million). If the element of the Entertainment Building (disposed of at the end of 2005) is excluded, the turnover increase would be 8.3%. This was attributable to healthy growth across the office, retail and residential sectors, and, in particular, strong growth in office sector rental rates. **Profit excluding asset value changes and prior year tax provision** was HK\$755 million, 17.8% up from last year (2005: HK\$641 million).

**Underlying profit**, excluding unrealised revaluation changes on investment properties and related items, amounted to HK\$1,012 million (2005: HK\$1,005 million).

**Profit** was HK\$3,099 million, 24.8% down from last year's HK\$4,121 million, due mainly to the HK\$1,650 million less fair value changes on the Group's investment properties taken to the income statement, reflecting a rise in asset value at a moderate rate.

**Finance costs** were reduced substantially by 23.8% to HK\$163 million (2005: HK\$214 million). This was due to the use of the sales proceeds from the Entertainment Building to reduce the Group's debt level.

**Taxation** was also reduced to HK\$558 million in 2006 (2005: HK\$856 million) principally due to reduced deferred tax provision relating to lower revaluation gains on investment properties, and the absence of the prior year tax provision of HK\$103 million.

As at 31 December 2006, the **investment properties** of the Group were revalued at HK\$32,473 million by an independent professional valuer, being 8.9% higher than the corresponding value for last year.

Shareholders' funds increased by 12.8% to HK\$27,828 million in 2006.

Adjusted shareholders' funds also rose to HK\$30,729 million in 2006.

### Dividend

A final dividend of HK40.0 cents per share (2005: HK35.0 cents) was announced. Together with the interim dividend of HK10.0 cents per share (2005: HK10.0 cents), there is an aggregate distribution of HK50.0 cents per share, representing a year-on-year increase of 11.1%. The dividend will be payable in cash with a scrip dividend alternative. The ex-dividend date will be 2 May 2007, dividend warrants and definitive share certificates in respect of the scrip dividend will be despatched on or about 12 June 2007. The share register will be closed from 4 May 2007 to 8 May 2007, both dates inclusive.

### **Financial Management**

**Total gross debt** was HK\$2.9 billion as at 31 December 2006, a year-on-year decrease of 34.1% (2005: HK\$4.4 billion) This reflects the Group's debt reduction utilising cash flow from operations and the application of sales proceeds of the Entertainment Building and equity investment.

**Average debt maturity** as at 31 December 2006 was about five years (repayable in more than two years but not more than five years: 43.7%; more than five years: 56.3%).

The Group's **foreign exchange** risk was minimal. With the exception of the US\$182 million 10-year fixed rate notes, which have been hedged by appropriate hedging instruments, all of the Group's other borrowings were denominated in Hong Kong dollars. Other foreign exchange exposure relates to the investments in overseas projects in Singapore and Shanghai. These foreign exchange exposures amounted to the equivalent of HK\$1,283 million or 3.5% of the total assets.

**Net interest coverage** (defined as gross profit less administrative expenses before depreciation divided by net interest expenses) was 6.9 times as at 31 December 2006 (2005: 4.6 times).

**Net debt-to-equity** (defined as gross debt less cash and cash equivalents divided by adjusted shareholders' funds) as at 31 December 2006 was 7.9% (2005: 10.7%).

### **Credit Ratings**

Credit ratings remained unchanged, being Baa1 from Moody's and BBB from Standard and Poor's.

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

“Further growth in the Hong Kong economy is projected for 2007, though at a more moderate rate when compared with last year. The stabilization of interest rates and improving employment conditions should continue to provide a favourable environment for our property investment business.”

## **OPERATIONS REVIEW BY MICHAEL T.H. LEE, MANAGING DIRECTOR**

Hysan continues to invest in its core commercial assets, against a background of strengthening office and retail property markets. The redevelopment of the Hennessy Centre, with demolition works commencing in the fourth quarter of 2006, is on schedule.

### Office Sector

Positive rental reversion, which began in the second half of 2005, continued into 2006.

“Market condition continued to be favourable, and we achieved strong growth in rental rates in concluding renewals and new leases in 2006,” said Mr. Lee.

“At the same time, we recorded a high occupancy of 97%,” noted Mr. Lee.

Mr. Lee said looking forward, Hysan will continue to benefit from positive rental reversion.

In 2006, the like-for-like revenue growth derived from the office sector was 10.2%. Overall office sector revenue, otherwise, increased by 1.6%, reflecting the disposal of the Entertainment Building at the end of 2005.

### Retail Sector

Stronger domestic demand, on the back of favourable employment conditions, a strong financial market and continuous tourists spending, was the key to rental growth in the retail sector. The Group’s retail properties remained virtually fully let as at 31 December 2006 and recorded a like-for-like rental income increase of 6.0%. Overall retail sector revenue, however, saw a slight decrease of 2.4%, in light of the disposal of the Entertainment Building as at end of 2005.

“We also have renewals and new leases successfully concluded with satisfactory rental rates growth during the year,” said Mr. Lee. “As most of these renewals and new leases were completed during the second half of the year, the rental rate increases will be translated into a full year contribution in 2007.”

### Residential Sector

There was a sustained demand for luxury residential properties from expatriates with more flexible housing budgets.

Year-on-year growth was up 11.0% from last year.

“This was mainly attributable to a higher occupancy of 92% at the end of 2006 (2005: 89%) and increased rental levels,” noted Mr. Lee.

## **Development Properties**

The Group has 23.7% and 25.0% ownership in the Shanghai Grand Gateway and the Singapore Amaryllis Ville projects respectively.

The Shanghai Grand Gateway development continued to deliver a good performance. The Group's share of results, excluding revaluation gains, recorded a 3.5% increase year-on-year. 100% occupancy was recorded for the retail and office properties. Satisfactory occupancy was achieved for the residential properties, including the luxury residential and serviced apartment development completed in 2006.

Singapore's Amaryllis Ville project continued to make a small positive contribution in 2006, reflecting the sale of additional units and increased rental income derived from the remaining units.

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

CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2006

	<i>NOTES</i>	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Turnover	3	<b>1,268,115</b>	1,249,796
Property expenses		<b>(240,561)</b>	(237,351)
Gross profit		<b>1,027,554</b>	1,012,445
Other income		<b>147,089</b>	38,327
Administrative expenses		<b>(111,336)</b>	(102,889)
Finance costs		<b>(162,762)</b>	(214,585)
Fair value changes on investment properties		<b>2,575,611</b>	4,226,005
Fair value changes on financial instruments		<b>31,395</b>	(24,777)
Net realised gain on disposal of available-for-sale investments		<b>170,277</b>	-
Share of results of associates		<b>120,053</b>	241,358
Profit before taxation		<b>3,797,881</b>	5,175,884
Taxation	4	<b>(558,342)</b>	(856,583)
Profit for the year	5	<b>3,239,539</b>	4,319,301
Attributable to:			
Equity holders of the parent		<b>3,098,789</b>	4,120,555
Minority interests		<b>140,750</b>	198,746
		<b>3,239,539</b>	4,319,301
Dividends	6		
Dividends paid		<b>474,147</b>	420,213
Dividends proposed		<b>422,055</b>	368,641
Earnings per share	7		
Basic		<b>HK293.96 cents</b>	HK391.87 cents
Diluted		<b>HK293.70 cents</b>	HK391.62 cents

HYSAN DEVELOPMENT COMPANY LIMITED

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2006

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Non-current assets		
Investment properties	32,473,158	29,815,430
Property, plant and equipment	69,309	69,477
Prepaid lease payments	122,933	123,096
Investments in associates	443,569	333,514
Amount due from an associate	186,117	171,131
Available-for-sale investments	1,745,427	1,256,100
Derivative financial instruments	2,474	32,004
Other receivables	21,571	29,549
	<u>35,064,558</u>	<u>31,830,301</u>
Current assets		
Amount due from an associate	642,338	642,596
Derivative financial instruments	2,315	14,195
Accounts receivable and other receivables	158,831	102,273
Time deposits	381,971	1,401,230
Cash and bank balances	3,031	284
	<u>1,188,486</u>	<u>2,160,578</u>
Current liabilities		
Derivative financial instruments	39,495	64,057
Accounts payable and accruals	198,736	217,358
Rental deposits from tenants	102,418	121,604
Amounts due to minority shareholders	327,256	-
Advances from investees	54,060	54,068
Taxation payable	225,781	198,139
	<u>947,746</u>	<u>655,226</u>
Net current assets	<u>240,740</u>	<u>1,505,352</u>
Total assets less current liabilities	<u>35,305,298</u>	<u>33,335,653</u>

HYSAN DEVELOPMENT COMPANY LIMITED

CONSOLIDATED BALANCE SHEET (*Continued*)

AT 31 DECEMBER 2006

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Total assets less current liabilities from previous page	<b>35,305,298</b>	33,335,653
Non-current liabilities		
Borrowings	<b>2,820,621</b>	4,300,523
Derivative financial instruments	<b>44,560</b>	39,802
Amounts due to minority shareholders	-	327,256
Rental deposits from tenants	<b>183,282</b>	135,009
Deferred taxation	<b>3,348,828</b>	2,879,451
	<b>6,397,291</b>	7,682,041
NET ASSETS	<b>28,908,007</b>	25,653,612
Capital and reserves		
Share capital	<b>5,275,687</b>	5,266,304
Reserves	<b>22,552,019</b>	19,400,992
Equity attributable to equity holders of the parent	<b>27,827,706</b>	24,667,296
Minority interests	<b>1,080,301</b>	986,316
	<b>28,908,007</b>	25,653,612

*NOTES*

**1. Basis of Preparation**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). 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 and by the Hong Kong Companies Ordinance.

**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 2005.

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA that are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has no material effect on how the results for the current or prior accounting years have been prepared and presented. Accordingly, no prior period adjustments has been required.

**3. Turnover**

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Turnover comprises:		
Gross rental income from investment properties	<b>1,267,576</b>	1,249,392
Management fee and security service income	<b>539</b>	404
	<hr/> <b>1,268,115</b> <hr/>	<hr/> 1,249,796 <hr/>

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

**4. Taxation**

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Hong Kong Profits Tax for the year	<b>90,163</b>	75,270
(Over) underprovision in prior years	<b>(924)</b>	25
Prior years provision	-	103,000
	<hr/> <b>89,239</b> <hr/>	<hr/> 178,295 <hr/>
Deferred tax:		
- changes in fair value of investment properties	<b>448,378</b>	668,351
- changes in fair value of disposed leasehold properties	-	(4,903)
- other temporary differences	<b>20,725</b>	14,840
	<hr/> <b>469,103</b> <hr/>	<hr/> 678,288 <hr/>
	<hr/> <b>558,342</b> <hr/> <hr/>	<hr/> 856,583 <hr/> <hr/>

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

At the date of issue of the consolidated financial statements, the Group has disputes with the Hong Kong Inland Revenue Department regarding additional tax assessments for prior years. A tax provision of HK\$193 million has been made in previous years.

However, it remains the Directors' view that the Group still has ample grounds to contest the assessments based on tax principles as well as facts and the Group will continue to pursue the objection against the additional assessments vigorously.

**HYSAN DEVELOPMENT COMPANY LIMITED**

**5. Profit For The Year**

	<b>2006</b> <b>HK\$'000</b>	2005 <b>HK\$'000</b>
Profit for the year has been arrived at after charging (crediting):		
Staff costs	<b>133,976</b>	131,354
Retirement benefits scheme contributions	<b>5,230</b>	5,301
Forfeited contributions	<b>(2,876)</b>	(3,789)
Share-based payments	<b>4,382</b>	2,171
	<b>140,712</b>	135,037
Amortisation of prepaid lease payments	<b>163</b>	163
Depreciation for property, plant and equipment	<b>6,738</b>	5,787
Revaluation deficit (reversal of revaluation deficit) on building for own use	<b>58</b>	(65)
Auditors' remuneration	<b>1,770</b>	1,740
Gross rental income from investment properties	<b>(1,267,576)</b>	(1,249,392)
Less: Direct operating expenses that generated rental income	<b>234,156</b>	233,575
Direct operating expenses that did not generate rental income	<b>6,405</b>	3,776
	<b>(1,027,015)</b>	(1,012,041)
Dividends from		
- listed investments	<b>(41,081)</b>	(33,714)
- unlisted investments	<b>(20)</b>	-
	<b>(41,101)</b>	(33,714)
Interest income	<b>(18,075)</b>	(2,914)
Share of tax of an associate (included in share of results of associates)	<b>57,090</b>	107,646
Recovery of a loan to an associate	<b>(87,043)</b>	-
Loss on disposal of property, plant and equipment	<b>432</b>	9
Net foreign exchange (gain) loss	<b>(287)</b>	19

**6. Dividends**

	<b>2006</b> <b>HK\$'000</b>	2005 <b>HK\$'000</b>
Dividends recognised as distribution during the year:		
Interim dividend paid - HK10 cents per share (2005: HK10 cents)	<b>105,461</b>	105,224
Additional prior year's dividend paid on exercise of share options subsequent to 31 December 2005	<b>45</b>	-
2005 Final dividend paid - HK35 cents per share	<b>368,641</b>	-
2004 Final dividend paid - HK30 cents per share	<b>-</b>	314,989
	<b>474,147</b>	420,213
Final dividend proposed – HK40 cents per share (2005: HK35 cents)	<b>422,055</b>	368,641

**7. Earnings Per Share**

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

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to equity holders of the parent)	<u><b>3,098,789</b></u>	<u>4,120,555</u>
	<b>2006</b> <i>'000</i>	2005 <i>'000</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>1,054,166</b>	1,051,502
Effect of dilutive potential ordinary shares: Share options	<b>924</b>	682
	<u><b>1,055,090</b></u>	<u>1,052,184</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.

For the purpose of assessing the underlying performance of the Group, the management is of the view that the profit for the year 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". In 2006, net realised gain on disposal of available-for-sale investments and investment properties 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". In 2005, net realised gain on disposal of investment properties and prior year tax provision was adjusted in arriving at "Profit excluding asset value changes and prior year tax provision 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 consolidated income statement for the year is reconciled as follows:

HYSAN DEVELOPMENT COMPANY LIMITED

**7. Earnings Per Share - continued**

	<b>2006</b>	<b>Earnings</b>
	<b>HK\$'000</b>	<b>per share</b>
		<b>(Basic)</b>
		<b>HK cents</b>
Profit attributable to equity holders of the parent as shown in the consolidated income statement	<b>3,098,789</b>	<b>293.96</b>
Gains arising from fair value changes on investment properties	<b>(2,575,420)</b>	<b>(244.31)</b>
Increase in deferred taxation in relation to fair value gains on investment properties	<b>448,378</b>	<b>42.54</b>
Gain arising from fair value changes on investment properties net of related deferred taxation attributable to minority interests	<b>97,019</b>	<b>9.20</b>
Gain arising from fair value changes on investment properties net of related deferred taxation from an associate	<b>(56,521)</b>	<b>(5.36)</b>
	<hr/>	<hr/>
Underlying profit attributable to equity holders of the parent	<b>1,012,245</b>	<b>96.03</b>
Recovery of a loan to an associate	<b>(87,043)</b>	<b>(8.26)</b>
Net realised gain on disposal of available-for-sale investments	<b>(170,277)</b>	<b>(16.15)</b>
Realised fair value gain on disposal of investment properties	<b>(191)</b>	<b>(0.02)</b>
	<hr/>	<hr/>
Profit excluding asset value changes attributable to equity holders of the parent	<b>754,734</b>	<b>71.60</b>
	<hr/> <hr/>	<hr/> <hr/>
	<b>2005</b>	<b>Earnings</b>
	<b>HK\$'000</b>	<b>per share</b>
		<b>(Basic)</b>
		<b>HK cents</b>
Profit attributable to equity holders of the parent as shown in the consolidated income statement	4,120,555	391.87
Gains arising from fair value changes on investment properties	(4,226,005)	(401.90)
Less: Gains arising from fair value changes on disposed investment properties	467,019	44.41
	<hr/>	
Increase in deferred taxation in relation to fair value gains on investment properties	668,351	63.56
Gain arising from fair value changes on investment properties net of related deferred taxation attributable to minority interests	156,874	14.92
Gain arising from fair value changes on investment properties net of related deferred taxation from an associate	(181,523)	(17.26)
	<hr/>	<hr/>
Underlying profit attributable to equity holders of the parent	1,005,271	95.60
Prior year tax provision	103,000	9.80
Realised fair value gain on disposal of investment properties	(467,453)	(44.46)
	<hr/>	<hr/>
Profit excluding asset value changes and prior year tax provision attributable to equity holders of the parent	<b>640,818</b>	<b>60.94</b>
	<hr/> <hr/>	<hr/> <hr/>