

Chairman's Statement



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OVERVIEW

The general improvement in the overall leasing market that emerged during the first part of 2000 continued. This was particularly felt in the Grade "A" office sector in prime locations, where limited supply and a noticeably stronger occupier demand provided support for a significant rise in rentals during the review period.

During the first part of the year, we concentrated our efforts on improving our letting performance. The second half has seen further progress on this front, and in addition, we have spent more time and efforts on building and investing for the future.

Our strategy is to deliver attractive and sustainable results to shareholders by active management. The executive team has carried out an important exercise and completed a review of our strategic directions. The very active management of the business during Year 2000 and our directions moving forward are described under "Chief Executive's Review".

While we saw some slowing in the demand trend in the fourth quarter, demand remains healthy. New supply of Grade "A" office space in prime locations will also remain constrained over the year ahead. The fundamental drivers of our core market remain positive, providing a supportive background for our objective of delivering attractive shareholder value through active management. These will underpin future values particularly when rental reversions turn positive.

PERFORMANCE

Net profit for the year ended 31 December 2000 was HK\$850 million, compared with

HK\$1,204 million in 1999, representing a decrease of 29.4% on the equivalent period in 1999. This is after consideration has been taken of the HK\$482 million non-recurring gains from property sales in 1999. The Group's rental income decreased by 10.2%, mainly attributable to rent reviews and relettings secured at lower rents. Reduced interest expenses have, however, helped to alleviate the impact of such negative rental reversions.

Earnings per share were HK\$0.82, also a decline of 29.3% (HK\$1.16 for the same period in 1999).

The Group's investment property portfolio, as valued externally by independent professional valuers, increased by 13% to HK\$28,433 million (1999: HK\$25,173 million). The revaluation has resulted in a surplus as compared to book value of HK\$3,253 million, which was accordingly credited to reserves. Shareholders' funds at the year end were HK\$23,159 million, up 14.6% from HK\$20,217 million in 1999. Net asset value per share rose 15.3% in 2000, from HK\$19.50 to HK\$22.48. Improved values reflect the generally improved property investment markets in which the Group operates.

DIVIDENDS

The Board recommends the payment of a final dividend of HK\$0.31 per share, which together with the interim dividend of HK\$0.11 per share, represents an aggregate distribution of HK\$0.42 per share, an increase of 5 percent for the year. Subject to shareholder approval, the final dividend will be payable in cash with a scrip dividend alternative. Shareholders who elect for the scrip dividend will be allotted new ordinary

shares of HK\$5 par value each, credited as fully paid, subject further to the Listing Committee of The Stock Exchange of Hong Kong Limited agreeing to grant the listing of and permission to deal in the new shares to be issued by way of scrip dividend. A circular containing details of the scrip dividend and the form of election will be mailed to shareholders on or about Thursday, 10 May and elections will be required to be made on or before Wednesday, 30 May.

The share register will be closed from Friday, 4 May to Tuesday, 8 May, both dates inclusive. Definitive share certificates in respect of the scrip dividend and cheques (for those shareholders who do not elect for scrip dividend) will be despatched to shareholders on or about Tuesday, 5 June.

DIRECTORS AND STAFF

The Honourable Lee Quo-Wei, who has served as our Deputy Chairman and as Chairman of our Emoluments Review Committee for a considerable period after first joining the Board in 1979, has decided to step down as from the Annual General Meeting in May. The Board is greatly indebted to him for his invaluable guidance in attaining continuous growth for the Group.

We are very pleased to announce that Sir David Akers-Jones, who has been on our Board as a non-executive Director since 1989 and is now also Chairman of our Audit Committee, will become our non-executive Deputy Chairman as from 8 May.

After some twenty years with the Company, witnessing its listing on the Hong Kong Stock Exchange to being one of the leaders in our sector, I have decided that it is time for me to

retire. The Board has accepted my resignation as Chairman and Director after the forthcoming Annual General Meeting.

Peter T. C. Lee, Managing Director over the last two years, has been appointed Chairman in addition.

The success of Hysan Development is very much due to the efforts of the whole team. My thanks go to my dedicated colleagues for many years as well as the new generation of management and staff. Under Peter's leadership, I have every reason to believe that Hysan Group will continue to move forward into the millennium and add value to our shareholders.

THE WAY AHEAD

We clearly have the critical mass and strong market position in our core business to deliver attractive returns through active management. Our corporate strategy review exercise provides us with a framework against which targets can be set and progress monitored. We are not, understandably, immune to economic conditions outside our control. Careful risk management will thus be as important as ever. Our strategy therefore also embraces financial objectives, which are founded upon maintaining a strong and flexible balance sheet and an emphasis upon strong financial controls. Looking back on our solid foundation and looking forward with the considerable confidence we have in our future directions, I believe we are well placed to achieve our aim of delivering attractive returns without undue risk.

H. C. Lee

Chairman

Hong Kong, 20 March 2001