

# CHAIRMAN'S STATEMENT

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The year under review has been challenging, but strategically rewarding for the Company. Amidst worsened business conditions, our office portfolio achieved a 98% occupancy rate. We made solid steps across all sectors of our portfolio by strengthening our fundamentals, following the strategic directions mapped out last year.



**Peter T. C. Lee**  
*Chairman and Managing Director*

## STRATEGIC FOCUS

It is commonplace to think of property investment as an assets business. However, asset accumulation alone will no longer deliver the necessary returns to satisfy investors. We must look beyond the bricks and mortar, by actively anticipating and satisfying occupiers' ever changing needs for real estate accommodation and services. Occupiers today demand a broader as well as different range of services.

Our major refurbishment project for the luxury Bamboo Grove residential development goes beyond upgrading the building facilities as part of our selective building upgrading programme. A full range of enhanced and personalized services will also be introduced.

The goal of our retail sector is to ensure that our space is not only rented to its maximum capacity but that the mix of retailers meets the needs of today's customers. An important step in the delivery of this strategy is the introduction of a new "lifestyle" theme in the Lee Theatre Plaza area. This has further progressed our objective to strengthen our retail portfolio as a distinct neighbourhood for shopping and entertainment in the retail hub of Causeway Bay.

We consolidated the minority interests in the Lee Theatre Plaza, one of our retail centres, hence further strengthening our asset base. We shall continue to take advantage of our critical mass and combine this with an innovative service-based culture.

We have a strong balance sheet geared to complement the Company's strategic decisions. Our Medium Term Note Programme established during the year and its first US\$200 million issuance received solid investment grade ratings.

Details of our strategic advancement and financial performance during the year are set out in "Operating and Financial Review" on page 16.

## PERFORMANCE

Net profit for the year ended 31 December 2001 was HK\$600 million, 29.4% lower than in 2000. The major factor underlying this fall was the realization of gains on disposal of long-term investment in marketable securities of HK\$294 million recorded in year 2000.

The Group continues to have solid core leasing earnings, at HK\$728 million.

Earnings per share were HK\$0.58, a decline of 29.3% (HK\$0.82 for the same period in 2000).

The Group's investment property portfolio, as valued externally by independent professional valuers, was HK\$26,639 million (2000: HK\$28,433 million). Largely due to the HK\$1,841 million net valuation deficit, shareholders' funds at the year end were HK\$21,267 million, compared to HK\$23,478 million in 2000. Net asset value per share (before final dividend) decreased by 9.5% to HK\$20.62.

Detailed commentary on our performance and assets valuation are set out in "Operating and Financial Review" on page 16.

## DIVIDENDS

The Board recommends the payment of a final dividend of HK\$0.28 per share, which together with the interim dividend of HK\$0.10 per share, represents an aggregate distribution of HK\$0.38 per share, a decrease of 9.5% for the year. Subject to shareholder approval, the final dividend will be payable in cash with a scrip dividend alternative. Details on the payment of final dividend, including the scrip dividend arrangements, are set out in "Shareholder Information" on the inside back cover.

## SHAREHOLDER FOCUS, FINANCIAL PRUDENCE AND TRANSPARENCY

The Company values dialogue with our shareholders, and aims to continually improve on the quality of our reporting. This Annual Report aims to present a balanced and understandable assessment of the Group's position and prospects to our shareholders. Senior management team also holds regular meetings with the investment community to discuss strategic and other issues.

It is our Company policy to adhere to financial prudence and corporate transparency. I am very pleased that our efforts in this area were recognized; our previous Annual Report won the Gold Award (Hang Seng Index company category) of the Year 2001 Best Corporate Governance Disclosure Award given by the Hong Kong Society of Accountants.

Details on our financial policy are set out in "Operating and Financial Review" on page 16.

## HYSAN AND THE COMMUNITY

With its long history in Hong Kong, Hysan has strong ties with the community. Hysan supports various charitable and civic institutions in Hong Kong, including environmental

organizations, through donations, sponsorships and the provision of free venues. Members of our management and staff also serve on various government as well as industry organizations. We believe it is important for our business to support the community in which it operates and from which it generates its revenue. For us, this not only means Hong Kong but more specifically our hub in Causeway Bay.

## DIRECTORS AND STAFF

Mr. H. C. Lee, our former Chairman, retired after the last Annual General Meeting in May 2001 after some twenty years with the Company. Under H. C.'s distinguished tenure, the Company became one of the leaders in the Hong Kong property sector, laying the foundation for its continuing development. The Honourable Lee Quo-wei, who has served as our Deputy Chairman, also decided to step down as from the last Annual General Meeting. The Board is greatly indebted to them for their invaluable guidance and contribution to the success of Hysan.

We are very pleased to have Sir David Akers-Jones as our independent non-executive Deputy Chairman as from 8 May 2001. He also chairs our two corporate governance board committees.

This has been an active year during which solid progress was made. My thanks go to all of Hysan's staff, whose commitment and efforts have made this possible.

## THE WAY AHEAD

It has been a challenging year not only for most businesses, but for Hong Kong as a whole. At Hysan, we have chosen to demonstrate our commitment and belief in our vision by taking significant steps to strengthen our fundamentals. Recent positive economic indicators regarding U.S. economy and China's accession to the World Trade Organization should add a positive tone to the market. We shall build on this year's efforts and believe that through these actions, our shareholders and customers will recognize that we are in a position to further grow our business by being the occupier's partner of choice in the provision of real estate accommodation and services.

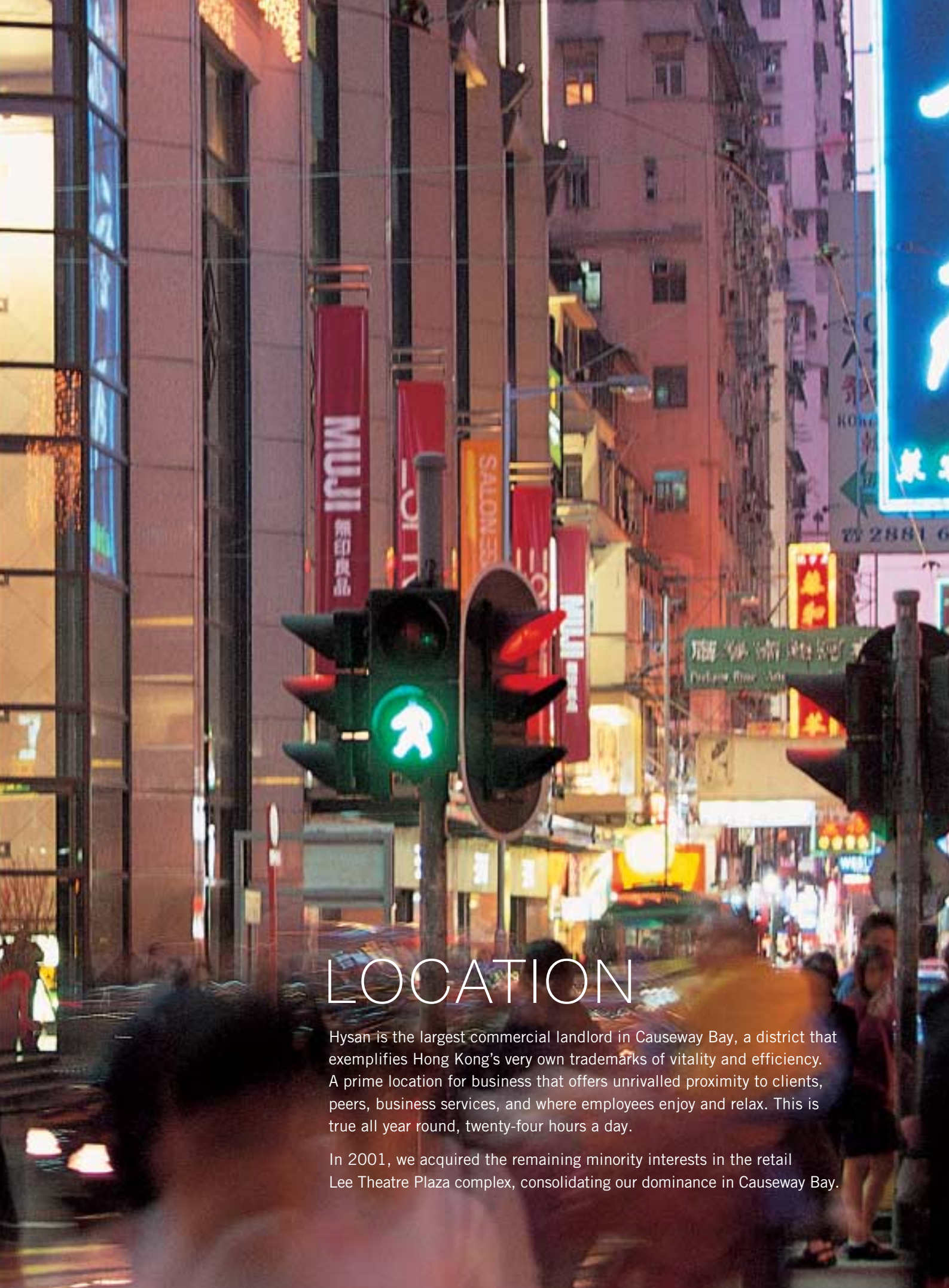
### **Peter T. C. Lee**

*Chairman and Managing Director*

Hong Kong, 12 March 2002



*Lee Theatre Plaza – a landmark building on a historical site. The retail plaza's lifestyle theme makes it an ideal venue for one-stop shopping and dining in the retail hub of Causeway Bay.*



# LOCATION

Hysan is the largest commercial landlord in Causeway Bay, a district that exemplifies Hong Kong's very own trademarks of vitality and efficiency. A prime location for business that offers unrivalled proximity to clients, peers, business services, and where employees enjoy and relax. This is true all year round, twenty-four hours a day.

In 2001, we acquired the remaining minority interests in the retail Lee Theatre Plaza complex, consolidating our dominance in Causeway Bay.



*Looking through the skylight of the Lee Theatre Plaza dome, with the Plaza soaring, depicting Hysan's objective of moving forward to a dynamic future.*



# BUILDINGS

Fine buildings provide the ultimate environment to work. We continually review our portfolio and improve its quality by selective enhancement and refurbishment.

In 2001, our Bamboo Grove luxury residential development underwent a major renovation programme to enhance the value of the property.



*An on-site briefing session is one of many such communication channels to ensure effective and efficient management of our properties, providing quality service for our tenants. From left: Mr LEUNG Siu Ming (Building Manager, Lee Gardens), discusses issues with his team: NG Ho Lam (customer servicing), TO Lai Mei (customer servicing), HO Yee Leung (security - traffic control), LI Kai Yin (security), LEUNG Ka On (building services), JIM Tung Cheung (building services).*





# PEOPLE

It is our people that make our buildings work. We oversee the development, marketing, leasing and management of our property portfolio to anticipate and to meet tenants' needs and to ensure the quality of our investments.

In 2001, our property management has been enhanced with upgraded operational efficiency, focusing on good customer service. The Bamboo Grove project will be accompanied by a full range of enhanced and personalized property management services.



*The renowned "Tap Dogs" dancers performing at the outdoor Hysan Street Party held on Hysan Avenue every November. This Party is one of many marketing efforts to the mutual benefit of ourselves and our tenants.*

# PARTNERSHIPS

We regard our tenants as business partners beyond the traditional landlord-tenant relationship and have forged lasting partnerships throughout the years. Many of our tenants have been with us since the original lettings of our properties.

