



“Overview” starts with Hysan’s tribute to the Group’s past Chairman, whose leadership helped establish and ground our mission and core values, as well as strategic focus. Also in this section, the Chairman’s Statement explains how Hysan met and overcame the challenges of 2009 to move forward in strides.

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OVERVIEW

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Peter T.C. Lee Leaves a Lasting Legacy



Peter T.C. Lee, Chairman and Acting Chief Executive Officer, passed away unexpectedly on 17 October 2009. Peter joined the Group as Board Director in 1988. He became Managing Director in 1999 and Chairman in 2001. He led the Company to be both a successful and responsible business, paying attention to the results as well as how they were achieved. This is now Hysan's entrenched Guiding Principle in business.

Peter contributed to transforming Causeway Bay as well as Hysan. Our latest Hennessy Centre redevelopment project is the first Hong Kong candidate to have been pre-certified at Platinum level for the United States Green Building Council's Leadership in Energy and Environmental Design (LEED).

"We believe our initiative will enhance asset value by creating a better working and shopping environment for tenants and visitors alike," remarked Peter. "Hysan and Causeway Bay's histories and growth are very much entwined. We hope this project will not only be the pride of Hysan, but also bring benefit to Causeway Bay and Hong Kong."

Peter's legacy lies also in his relentless support and guidance in the development of Hysan's corporate governance culture.

"We always believe that good governance is the only way to achieve sustainable, long-term growth," commented Peter in 2008, on Hysan taking the top honour in one of Hong Kong's most prestigious corporate governance awards.

The principle of being a successful and responsible business is also a perfect reflection of Peter's own personal attributes – Peter was a man of the highest integrity, ethics, and sense of duty. Those who were privileged to work with Peter know that his genuine respect for others and his passion for doing his best are truly inspirational. While we mourn his loss, we are all better people for having known him and shall strive to take Hysan to the next level the way Peter always intended.

Mission

To build, own and manage quality buildings, and being the occupiers' partner of choice in the provision of real estate accommodation and services, thereby delivering attractive and sustainable returns to our shareholders.

Responsible Business as the Guiding Principle

Hysan aims to be a successful as well as responsible business. We pay attention not only to the results achieved, but also to how we deliver the same. The principle of being a responsible business is at the heart of our Company.

Corporate Values

We foster the highest **business ethics** and **accountability**. At Hysan, we take pride in our work, acknowledge responsibility for our actions and endeavour to complete our tasks in the right way.

Our **thought leadership** applies to all strategic and operational issues in the quest to create innovative solutions through collective insight. We aim to take a **market leadership** position in whatever we do.

Hysan maintains long-term and mutually beneficial **partnerships** with our shareholders, clients, business partners, employees and the community.

We take responsibility by **giving back to the community**. This is achieved through everyday business operations as well as active participation in community activities.

Competitive Advantages

Largest Commercial Landlord

in Causeway Bay, Hong Kong's prime office and retail district

Balanced Portfolio

of superior investment properties

Quality Client Base

with prominent multinational and strong local tenants

Sustainable Income

with high occupancy consistently achieved

Established Asset Enhancement Programme

with track record of adding value

Exceptional Services

for our commercial and residential customers

Strong Financial Position

with debts of long maturity and diversified funding sources

Financial Prudence

to keep risk and return in balance

Effective Corporate Governance

with widespread industry recognition achieved

Strategic Focus

In the course of conducting our business during the year, we have adhered to the following:

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- 1. Established asset enhancement programme**
 - Hennessy Centre redevelopment
 - Various renovation and/or building upgrades including planning for rejuvenation of Leighton Centre in 2010

 - 2. Maximising our Causeway Bay locational advantages including further growing the retail sector**
 - Avid marketing to attract locals and visiting Mainland Chinese shoppers to our retail centres
 - Further enhancing tenant mix in our retail hubs targeting different customer groups
 - Our Grade “A” offices, which offer prestige as well as convenience, successfully attracted new major tenants from other districts
 - Strengthening the presence of semi-retail tenants for the rest of our office portfolio, who require considerable personal interface with customers and value the locational advantages

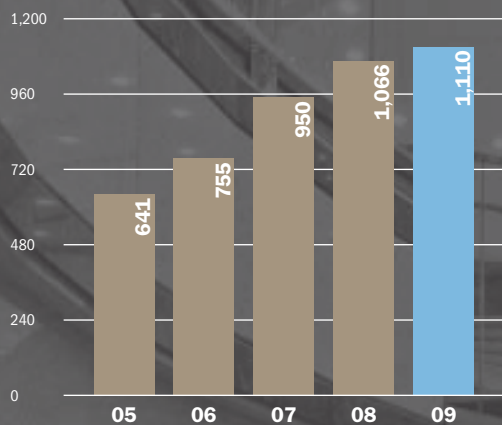
 - 3. Anticipating and meeting customer needs as well as continuous enhancement of operational quality and efficiency**
 - Creating best expatriate-orientated living environment for residential portfolio tenants
 - Enhancing property services standards generally
 - Maximising operating efficiency including energy savings through hardware as well as operational improvements, without compromising service standard

 - 4. Enhancing corporate governance**
 - Maintaining highest standards; industry recognitions include 2009 Best Corporate Governance Disclosure Gold Award from the Hong Kong Institute of Certified Public Accountants

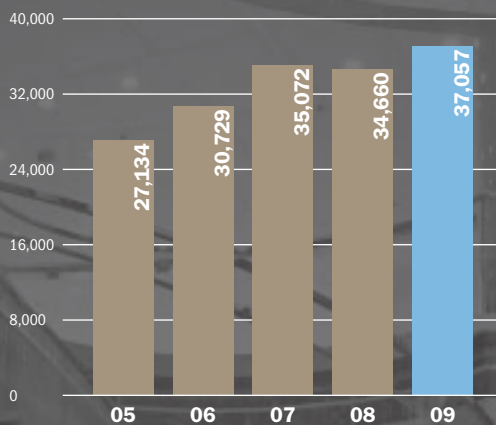
 - 5. Strengthening corporate responsibility**
 - Aiming to be successful and responsible through daily operations and community involvement; recognised as a constituent member of FTSE4Good, a renowned international index for social investment

Value Creation

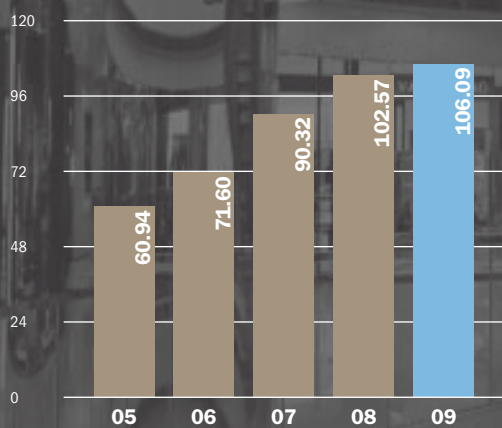
Recurring Underlying Profit
HK\$ million



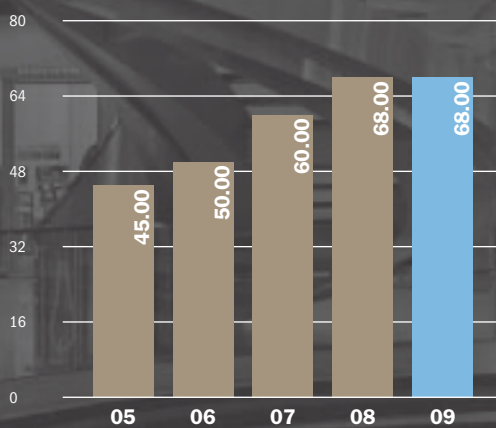
Adjusted Shareholders' Funds
HK\$ million



Recurring Underlying Earnings per Share
HK cents



Dividends per Share
HK cents



YEAR 2009 IN REVIEW

Overview of the Group's Financial Performance

| TURNOVER | 2009 HK\$ million | 2008 HK\$ million | CHANGE HK\$ million | CHANGE % |
|--------------------|----------------------|----------------------|------------------------|-------------|
| Office sector | 747 | 720 ¹ | 27 | +3.8 |
| Retail sector | 648 | 626 ¹ | 22 | +3.5 |
| Residential sector | 285 | 292 | (7) | -2.4 |
| | 1,680 | 1,638 | 42 | +2.6 |

- Group turnover rose by 2.6%
- Retail sector remained virtually fully let at 99%
- Office and Residential sectors' occupancy are 89% (91% on committed basis) and 92% respectively

| PROFIT INDICATORS | 2009 HK\$ million | 2008 HK\$ million | CHANGE HK\$ million | CHANGE % |
|-----------------------------|----------------------|----------------------|------------------------|-------------|
| Recurring Underlying Profit | 1,110 | 1,066 | 44 | +4.1 |
| Underlying Profit | 1,113 | 1,201 | (88) | -7.3 |
| Statutory Profit | 2,716 | 1,594 | 1,122 | +70.4 |

- Recurring Underlying Profit increased, reflecting improvements in gross profit generated from our core leasing activities
- Underlying Profit change reflected smaller financial investment returns during the year
- Statutory Profit increased due to higher valuation of the Group's investment properties

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).

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.

Statutory Profit

This is the profit attributable to owners 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.

| ASSET VALUE INDICATORS | 2009 HK\$ million | 2008 HK\$ million | CHANGE HK\$ million | CHANGE % |
|------------------------------|----------------------|----------------------|------------------------|-------------|
| Total assets | 43,848 | 41,536 | 2,312 | +5.6 |
| Shareholders' funds | 33,668 | 31,469 | 2,199 | +7.0 |
| Adjusted Shareholders' Funds | 37,057 | 34,660 | 2,397 | +6.9 |

- Shareholders' funds mainly attributable to the increase in valuation of the Group's investment properties and the profits from our core leasing activities

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.

¹ Prior year figure has been reclassified to conform to current year presentation.

Key Financial Data

| PER SHARE DATA | 2009 | 2008 | CHANGE % |
|--|--------|--------|----------|
| Earnings per share, based on: | | | |
| Recurring Underlying Profit | | | |
| Basic (HK cents) | 106.09 | 102.57 | +3.4 |
| Diluted (HK cents) | 106.05 | 102.56 | +3.4 |
| Underlying Profit | | | |
| Basic (HK cents) | 106.38 | 115.56 | -7.9 |
| Diluted (HK cents) | 106.34 | 115.55 | -8.0 |
| Statutory Profit | | | |
| Basic (HK cents) | 259.60 | 153.37 | +69.3 |
| Diluted (HK cents) | 259.50 | 153.36 | +69.2 |
| Shareholders' returns: | | | |
| Dividends per share (HK cents) | 68.00 | 68.00 | - |
| Shareholders' return per share (HK\$) | 10.21 | (9.11) | n/m |
| Total shareholders' returns per share (HK\$) | 2.66 | 0.10 | n/m |
| Assets value: | | | |
| Net assets value per share (HK\$) | 32.05 | 30.23 | +6.0 |
| Adjusted net assets value per share (HK\$) | 35.27 | 33.29 | +5.9 |
| Net debt per share (HK\$) | 1.82 | 1.96 | -7.1 |

| FINANCIAL DATA | 2009 | 2008 | CHANGE |
|--|---------------|---------------|--------|
| Average finance costs | 3.1% | 4.4% | -1.3pp |
| Net debt to equity | 5.1% | 5.9% | -0.8pp |
| Net interest coverage (times) | 11.7x | 10.2x | +1.5x |
| Floating rate debt (% on total debt) | 64.9% | 59.5% | +5.4pp |
| Average debt maturity | 3.4 years | 3.9 years | n/a |
| Bank facilities: Capital market issuance | 37.2% : 62.8% | 24.9% : 75.1% | n/a |

Non-financial Performance

GOVERNANCE

- Recognitions by industry for excellence in corporate governance including the Gold Award (Non-Hang Seng Index Large Market Capitalisation Category) in the Hong Kong Institute of Certified Public Accountants' Best Corporate Governance Disclosure Awards 2009
- Top 5 Best Corporate Governance Practices in Asia Pacific Award for 2009: IR Global Rankings

ENVIRONMENT

- Hennessy Centre redevelopment is the first Hong Kong building pre-certified at the highest Platinum level for the United States Green Building Council's Leadership in Energy and Environmental Design standard (LEED Platinum)
- The project is also pre-certified at the top level in Hong Kong's Building Environmental Assessment Method (BEAM)

COMMUNITY

- A constituent member of the FTSE4Good Global Index, one of the best known indices to track responsible business practices around the world

n/a – not applicable

n/m – not meaningful

pp – percentage point

CHAIRMAN'S STATEMENT



Overview

Year 2009 began with the Hong Kong economy being adversely impacted by the global economic crisis. Signs of stabilisation began to emerge in the second quarter, leading to further improvement in the second half of the year. The recovery in the local financial and property sales markets from the second quarter onwards also contributed to the improvement of sentiment.

Performance

Against this background, Hysan maintained revenue growth in its core property investment activities. The Group's 2009 turnover was HK\$1,680 million, an increase of 2.6% from HK\$1,638 million in 2008. The Office and Retail sectors showed turnover growth of 3.8% and 3.5% respectively, while the Residential sector recorded a slight decline of 2.4%. The Retail sector remained virtually fully let, while the Office and Residential sectors maintained over 90% occupancy on a committed basis.

Recurring Underlying Profit, the key measurement of our core business performance, was HK\$1,110 million, up 4.1% from HK\$1,066 million in 2008. This principally reflected the improvement in gross profit generated from our core leasing activities. Earnings per share based on Recurring Underlying Profit correspondingly rose to HK106.09 cents (2008: HK102.57 cents).

Underlying Profit, which excludes unrealised changes in fair value of investment properties and related deferred tax, was HK\$1,113 million (2008: HK\$1,201 million). This reflected smaller financial investment returns during the year, when compared to 2008.

Statutory Profit increased to HK\$2,716 million (2008: HK\$1,594 million), mainly due to higher valuation of the Group's investment properties.

The external valuation of the Group's investment property portfolio increased to HK\$37,363 million, an increase of 4.2% from HK\$35,850 million in 2008. Adjusted shareholders' funds rose by 6.9% to HK\$37,057 million (2008: HK\$34,660 million).

Our financial position remains strong, with improved net interest coverage (2009: 11.7 times; 2008: 10.2 times) and net debt to equity ratio (2009: 5.1%; 2008: 5.9%), highlighting the Group's financial strength.

The Board of Directors (the “Board”) recommends the payment of a final dividend of HK54.0 cents per share (2008: HK54.0 cents). Together with the interim dividend of HK14.0 cents per share (2008: HK14.0 cents), there is an aggregate distribution of HK68.0 cents per share, which is the same as the year before. Subject to shareholder approval, the final dividend will be payable in cash with a scrip dividend alternative.

Moving Forward on a Solid Foundation

Year 2009 was a challenging one for the Group. Like others, we were impacted by the wider economic conditions, which saw a significant downturn at the beginning of the year. We also experienced the unexpected passing of our Chairman and Acting Chief Executive Officer, Peter T.C. LEE in October 2009. During his eight-year tenure as Chairman, Peter laid a solid foundation for the Group. He further consolidated our position as a leading property investment company. He also guided the Group to maintain the highest standards of corporate governance, including the commitment to apply the principle of meritocracy and professional management. Peter will be greatly missed by us all.

Based on the foundation Peter built, Hysan is moving forward. I am honoured to become the Group’s Independent non-executive Chairman. I also welcome new non-executive Directors Nicholas C. ALLEN, Philip Y.H. FAN, Joseph C.Y. POON, and Michael T.H. LEE. They will bring their professional expertise and experience from diverse backgrounds to further strengthen the Board.

I look forward to leading the Board in raising the Group’s existing high quality properties and services to the next level. The Hennessy Centre redevelopment is on schedule for completion at the end of 2011. As Hysan’s future northern gateway, it will further enhance our Causeway Bay hub. Its sustainability features will also highlight our commitment towards the environment and the community.

I am delighted to announce the appointment of Gerry L.F. YIM, Executive Director, as our new Chief Executive Officer. Gerry has brought great experience of general management, as well as that of the banking and finance sector from his previous positions in major companies. His background very much complements and strengthens that of our management team.

I would also like to take this opportunity to express my sincere thanks to our dedicated staff members. They have worked as a team, and collectively they have taken on the external and internal challenges. I would like to thank Tom BEHRENS-SORENSEN and Ricky T.F. TSANG, who resigned as Independent non-executive Director and Executive Director, Finance respectively during the year, for their contributions.

Outlook

While Grade “A” office rentals began to stabilise, competition remains keen. Hysan has strengthened its occupancy and our performance is expected to remain stable for the rest of the year. At the same time, we shall continue to enhance our portfolio to maximise Causeway Bay’s locational advantages as a prime retail hub as well as office community.

David AKERS-JONES

Independent non-executive Chairman

Hong Kong, 10 March 2010