

# 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