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Hysan Development Company Limited

希慎興業有限公司

(Incorporated under Hong Kong Companies Ordinance, Cap. 32, with limited liability)
(Stock Code : 00014)

PRELIMINARY ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

- **Group turnover up 19.7%**
- **Recurring Underlying Profit up 12.2%**
- **Balanced tenant base supports resilience amidst a challenging 2009**
- **Strong balance sheet underlying our building for the future**

RESULTS

	Year ended 31 December		Change %
	<u>2008</u> HK\$ million	<u>2007</u> HK\$ million	
Turnover	1,638	1,368	19.7
Recurring Underlying Profit ¹	1,066	950	12.2
Underlying Profit ²	1,201	1,158	3.7
Statutory Profit ³	1,594	3,949	(59.6)
	<i>HK cents</i>	<i>HK cents</i>	
Earnings per share, based on:			
Recurring Underlying Profit ¹	102.57	90.32	13.6
Underlying Profit ²	115.56	110.09	5.0
Statutory Profit ³	153.37	375.46	(59.2)
Dividends per share	68.00	60.00	13.3
	At 31 December		
	<u>2008</u>	<u>2007</u>	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Shareholders' funds	31,469	31,652	(0.6)
Adjusted Shareholders' Funds ⁴	34,660	35,072	(1.2)
	<i>HK\$</i>	<i>HK\$</i>	
Net assets value per share	30.23	30.51	(0.9)
Adjusted net assets value per share	33.29	33.81	(1.5)

Definitions:

1. 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).

2. 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.

3. Statutory Profit

This is the profit attributable to equity holders 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.

4. 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.

CHAIRMAN'S STATEMENT

Overview

Hong Kong maintained steady growth during the first half of 2008 despite growing concerns about the global economy. The second half of the year saw a marked worsening of the global environment, with the international financial system experiencing severe strain in the fourth quarter. Hong Kong's financial markets were adversely affected, with the impact being felt in the real local economy.

Good Operating Performance and Strong Balance Sheet

Against this background, Hysan achieved another year of good operating performance in our core leasing business. The Group's 2008 turnover was HK\$ 1,638 million, an increase of 19.7 % from 2007. Office sector turnover growth was 24.0%, while Retail followed closely at 20.4% and Residential at 11.5%.

Recurring Underlying Profit, the key measurement of our core business performance, was HK\$1,066 million, up 12.2% from HK\$950 million in 2007. This reflected our more prudent financial investment strategy in light of market conditions. Earnings per share based on Recurring Underlying Profit correspondingly rose to HK102.57 cents (2007: HK90.32 cents).

Underlying Profit, which excludes unrealised changes in fair value of investment properties and related deferred tax, was HK\$1,201 million (2007: HK\$1,158 million). Year 2007 recorded substantial gains derived from the disposal of long-term securities.

Statutory Profit was HK\$1,594 million (2007: HK\$3,949 million). This reflected the impact of property revaluation.

We maintained a strong balance sheet, with improved net interest coverage (2008: 10.2 times; 2007: 7.8 times) and net debt to equity ratios (2008: 5.9 %; 2007: 6.8%) signifying the Group's financial strength.

The external valuation of the Group's investment property portfolio was HK\$35,850 million, a slight rise from HK\$35,711 million in 2007. Adjusted shareholders' funds were HK\$ 34,660 million (2007: HK\$35,072 million).

The Board of Directors (the "Board") recommends the payment of a final dividend of HK54.0 cents per share (2007: HK48.0 cents). Together with the interim dividend of HK14.0 cents per share (2007: HK12.0 cents), there is an aggregate distribution of HK68.0 cents per share, representing a year-on-year increase of 13.3%. Subject to shareholder approval, the final dividend will be payable in cash with a scrip dividend alternative.

Building for the Future

These are challenging times. However, with a strong balance sheet as our platform, we aim to maintain our focus on building the future of our property investment business. Our strengthened management team will enable us to continue to provide high quality products and services to tenants and visitors alike.

We also took further steps to strength our internal controls and risk management. These measures are further described elsewhere in this year's Annual Report.

The development of 500 Hennessy Road, the future northern gateway of our community in Causeway Bay, is in good progress. We believe this building will remain competitive for a long time to come. Environmental sustainability, in particular, has been a key focus of our design and planning considerations.

Directors and Staff

I would like to take this opportunity to express my sincere thanks to Pauline Wong, who retired from the Company during the year, having served the Board since 1991. I would also like to thank all our staff members for their dedication and hard work during the year.

Outlook

The global economic outlook will remain negative in 2009, and Hong Kong's real economy is to be further impacted. Hysan will inevitably be affected by the overall environment. However, the longer-term contractual nature of our core leasing business, and our balanced tenant base with no undue dependence on any particular business sector, mean that we should be more resilient during these challenging times.

Peter T.C. LEE

Chairman

Hong Kong, 10 March 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overall Operation Review

2008 Performance

The Group's turnover continued to grow and reached HK\$1,638 million in 2008 despite the challenging economic environment. Compared to HK\$1,368 million last year, this represented an increase of 19.7%. There were good performances across the Group's property portfolio.

Recurring Underlying Profit (the key measurement of the Group's core leasing business), arrived at by excluding from Statutory Profit asset value changes, gains from disposal of long-term assets and prior years' tax provision, was HK\$1,066 million, up 12.2% from HK\$950 million in 2007. The increase was attributable to higher rental rate achieved and good occupancy rate maintained by all leasing sectors during the year. It also reflects our more prudent financial investment strategy in light of the market conditions.

Underlying Profit, arrived at by excluding from Statutory Profit the change in fair value of investment properties and the related deferred tax, was HK\$1,201 million, increased by 3.7% from HK\$1,158 million in 2007. This reflected smaller gains from disposal of long-term equity investments during the year.

Statutory Profit, prepared in accordance with Hong Kong Financial Reporting Standards, was HK\$1,594 million, decreased by 59.6% from HK\$3,949 million in 2007. In year 2007, substantial fair value gain of HK\$3,131 million was recorded. While the external valuation of the Group's investment property portfolio actually increased to HK\$35,850 million as at year-end 2008 (2007: HK\$35,711 million), the Group incurred capital expenditures for investment properties during the year. This results in a slight decrease in fair value of HK\$212 million recognised in the consolidated income statement.

Key Performance Indicators

While many factors contributed to the Group's business results, turnover growth, occupancy rate and property expenses trend are the key drivers used by the Group's management for assessment of the performance of our core leasing business. The nature of these performance indicators, the way they are measured and their significance to the Group are set out below.

Performance Indicator	How it is measured	Significance to the Group
Turnover Growth	<ul style="list-style-type: none">Rental revenue in 2008 compared to that in 2007	<ul style="list-style-type: none">Reflects the combined effect of changes in rental rate and occupancy rate
Occupancy Rate	<ul style="list-style-type: none">Percentage of total area leased to tenants over total lettable area of each sector	<ul style="list-style-type: none">Rental revenue and management fees are directly proportional to occupancy rateOptimises revenue by balancing occupancy rate and rental level
Property Expenses and as a Percentage on Turnover	<ul style="list-style-type: none">Principally being direct costs associated with daily operations of the Group's property portfolioCalculated by dividing property expenses by turnover	<ul style="list-style-type: none">Measures the direct costs incurred in managing the Group's property portfolioAn indication of the gross margin of our business

Income Statement Items

Turnover

Turnover comprises principally rental income derived from the Group's investment properties portfolio in Hong Kong and is analysed by sectors as follows:

Turnover by Sectors

	<u>2008</u> <i>HK\$ million</i>	<u>2007</u> <i>HK\$ million</i>	<u>Change</u> <i>HK\$ million</i>	<u>%</u>
Office sector	703	567	136	24.0
Retail sector	608	505	103	20.4
Residential sector	292	262	30	11.5
Others	35	34	1	2.9
	<u>1,638</u>	<u>1,368</u>	<u>270</u>	<u>19.7</u>

The Group continued to have good performance across all leasing sectors in which it operated. Detailed analysis of each segment is as follows.

Office Sector

- Office sector revenue saw healthy growth of 24.0% to HK\$703 million
- This was attributable mainly to positive rental reversion on renewals throughout the year. Other contributors included new tenants, as well as the expansion of existing tenants requiring more space
- The portfolio has 97.5% (2007: 96.6%) occupancy at the end of the year

Retail Sector

- Retail sector revenue grew 20.4% over last year to HK\$608 million
- Good local consumption growth throughout 2008, even though the growth slowed down somewhat in the second half of the year
- Tourists visiting Hong Kong, especially from Mainland China continued to increase in 2008 which supported the local retail market
- Sales growth in turn helped the rental rate increases and contributed to turnover rent
- Occupancy remained at 97.4% (2007: 97.8%) at the end of the year

Residential Sector

- Residential sector revenue increased 11.5% to HK\$292 million
- Demand for luxury residential properties from expatriates, especially from the financial sector, has weakened during the last quarter of the year
- Our residential portfolio recorded a 89.6% (2007: 90.2%) occupancy at the end of the year amid such challenging environment

Property Expenses

Property expenses are the costs of providing property services directly associated with the daily operations of our investment properties, being primarily related to utilities costs, front-line staff wages, repairs and maintenance, agency fees, government rents and rates, as well as other rent-related expenses.

While the total property expenses increased slightly by HK\$9 million or 4.3% to HK\$217 million (2007: HK\$208 million), such increase is significantly less than the relevant increase in turnover. Property expenses to turnover ratio thus improved from 15.2% to 13.2% against 2007. Our energy efficiency enhancement programme led to continued savings in energy costs.

Investment Income

Investment income of HK\$63 million (2007: HK\$98 million) mainly comprised dividend and interest income. The decrease reflected a lower interest environment in 2008 and lower dividend income derived from the Group's equity investments.

Other Gains and Losses

Other gains and losses dropped to HK\$146 million from HK\$302 million in 2007.

The Group manages financial assets held as long-term investments with the aim of balancing their anticipated liquidity position, funding needs, capital gains as well as industry diversification. For these reasons, certain available-for-sale equity investments were disposed of during the year resulting in a realised gain of HK\$186 million recognised in the consolidated income statement. The remaining available-for-sale investments portfolio will continue to be held as the Group's long-term investments.

In light of the extreme volatility and uncertainty of the financial markets since September 2008, the Group has adopted a more prudent strategy in its financial investment activities. As at the end of 2008, the Group had no outstanding position on held-for-trading investments. Instead, the Group made investments in short-term government bills and notes, which are the most liquid and secure types of investment to maintain the Group's liquid assets.

The Group has made use of derivatives to manage the volatilities or adjust the appropriate risk profile of our treasury assets and liabilities. As at year-end 2008, all of the outstanding derivatives were related to the hedging of, and are commensurate with, our interest rate and foreign exchange exposures.

Administrative Expenses

Administrative expenses increased to HK\$134 million from HK\$106 million in 2007, which was principally due to higher staff costs as a result of the Group's efforts to strengthen our management team.

Finance Costs

In a lower interest rate environment, the Group's finance costs dropped by 11.4% to HK\$155 million (2007: HK\$175 million). In the current year, the Group's average finance costs dropped to 4.4% from 5.6% in 2007. Further discussion of the Group's financial policy, including debt and interest rate management, are set out in the "Financial Policy" section.

Change in Fair Value of Investment Properties

The global financial crisis hit Hong Kong's property market hard, especially in the last quarter of 2008, which led to an adverse movement in fair value of the Group's investment properties. Excluding other movements in investment properties (such as additions and transfer to property, plant and equipment), fair value loss of HK\$212 million (2007: fair value gain of HK\$3,131 million) on revaluation of the Group's investment properties was recognised in the consolidated income statement during the year.

Share of Results of Associates

The Group's share of results of associates improved by 30.5% to HK\$590 million (2007: HK\$452 million). The increase in the share of results of associates was mainly attributable to the positive rental growth and the favourable movement in fair value of the Shanghai Grand Gateway project, of which the Group owns 24.7%. The 2007 comparative figure also included contribution from Singapore Amaryllis Ville project, of which the Group owns 25.0%. All units in this Singapore residential project were sold as at year end 2007.

Shanghai Grand Gateway

Excluding the change in fair value of investment properties and the gain on disposal of certain carparks held by the associate, the Group's share of operating results in Shanghai Grand Gateway project increased by 24.5% to HK\$137 million (2007: HK\$110 million). All the residential units as well as retail and office properties are virtually fully let at year end 2008.

Under Hong Kong Accounting Standards 40 "Investment Property", properties at Shanghai Grand Gateway have been revalued at fair value by an independent professional valuer. The Group's share of the revaluation gain, net of the corresponding deferred tax thereon, of the associate amounted to HK\$412 million (2007: HK\$311 million).

Taxation

Taxation for the year dropped significantly by HK\$744 million to HK\$1 million (2007: HK\$745 million) principally due to the reduction in deferred tax provision arising from the revaluation on investment properties. In addition, the tax effect of a change in the Hong Kong profits tax rate from 17.5% to 16.5% also made the Group's taxation for the year decrease.

As disclosed in the annual and interim reports published in previous years, the Group has over the past few years been in dispute with the Hong Kong Inland Revenue Department ("IRD") on interest deductions made in years of assessment dated back to 1995/96. Taking into consideration professional advice and recent development, the Group has been in discussions with IRD to settle the claims. A formal proposal was submitted to IRD at the end of December 2008 to settle the claims at HK\$450 million, inclusive of tax principal, interest and all amount payable. Full provision for such estimated exposure has been made at the balance sheet date, of which HK\$31 million and HK\$41 million were provided in the first and second half of the year, respectively. Total cash exposure (net of tax reserve certificates already purchased) amounted to HK\$268 million will be satisfied out of cash deposits and credit facilities.

The Group expects to settle the claims in the region of such amount within the next few months.

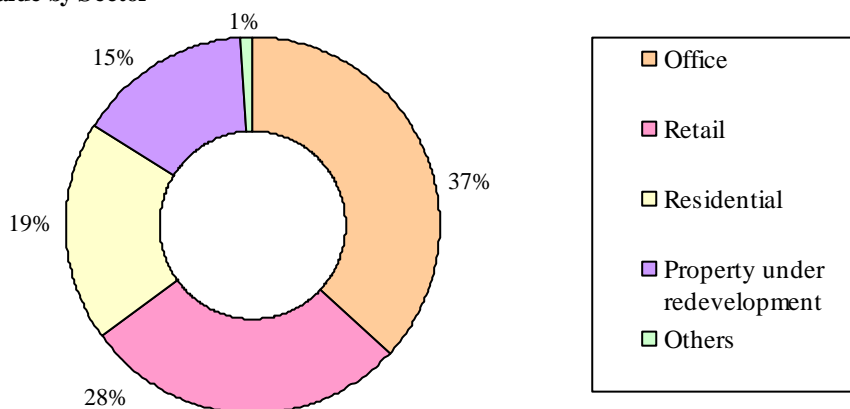
Balance Sheet Items

Investment Properties

Under the Hong Kong real estate price adjustment cycle, the Group's investment properties were revalued at HK\$35,850 million (2007: HK\$35,711 million).

The diagram illustrates the Group's investment properties value by sectors as at year end 2008.

Capital Value by Sector



Available-for-Sale Investments

Available-for-sale investments comprised principally equity securities listed in Hong Kong.

In 2008, the Hong Kong stock market experienced significant turmoil, especially in the last quarter of the year, and the Hang Seng Index dropped by 48% during the year. Consistent with the overall Hong Kong stock market trend and as a result of the disposal of certain equity securities, total fair value of the Group's listed securities portfolio, classified as available-for-sale investments, has also been reduced to HK\$982 million as at year-end 2008 (2007: HK\$2,439 million).

Interests in Associates

Interests in associates had increased by HK\$739 million to HK\$2,340 million. This mainly represented the Group's share of operating results, change in fair values of investment properties as well as exchange gain on translation in the Shanghai Grand Gateway projects during the year.

Time Deposits, Cash and Bank Balances

Time deposits, cash and bank balances amounted to HK\$1,015 million as at 2008 year-end (2007: HK\$484 million). The increase is principally attributable to funds from new bank loan and issuance of fixed rate notes before the credit market deteriorated in the last quarter of 2008. These new funds prepared the Group to better deal with the possible tightened credit situation in 2009.

Held-to-Maturity Debt Securities

Included in short-term investments, approximately HK\$700 million funds were maintained at government bills and notes at 2008 year-end to preserve the Group's liquidity in this most liquid and secure form of investment.

Borrowings

The carrying amount of the Group's borrowings stood at HK\$3,751 million at year end 2008, an increase from HK\$2,861 million as at year end 2007. The increase is mainly due to US\$25.6 million (equivalent to HK\$200 million) new bank loan and issuance of HK\$565 million fixed rate notes during the year.

Taxation

Provision for taxation (aggregation of current tax and deferred tax) decreased to HK\$3,999 million in 2008 (2007: HK\$4,180 million), which was principally due to a HK\$223 million taxation credit on deferred tax resulting from the change in tax rate. Such decrease was offset by a net increase in current tax of HK\$81 million, which was made up of a HK\$192 million charge for the year, a prior year tax provision of HK\$72 million and a tax payment less refunds of HK\$183 million.

Shareholders' Funds

The contribution to shareholders' funds from operating results was largely offset by the decrease in fair value associated with the listed securities portfolio, resulting in a slight decrease in shareholders' funds from HK\$31,652 million in 2007 to HK\$31,469 million in 2008. Adjusted shareholders' funds were also reduced slightly from HK\$35,072 million in 2007 to HK\$34,660 million in 2008.

Minority Interests

The rise of HK\$45 million in minority interests to HK\$1,241 million (2007: HK\$1,196 million) was attributable to profit contribution as well as revaluation surplus from Lee Gardens Two.

Condensed Consolidated Cash Flow Statement for the year ended 31 December 2008

	2008	2007	Change	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>%</i>
Operating activities				
Cash generated from operations	1,362	1,100	262	23.8
Net tax paid	(183)	(140)	(43)	(30.7)
	1,179	960	219	22.8
Investing activities				
Payments in respect of investment properties	(345)	(125)	(220)	(176.0)
Disposals of available-for-sale investments	272	394	(122)	(31.0)
Proceeds upon maturity (placement) of principal-protected deposits	78	(197)	275	n/a
Interest and dividends received	60	87	(27)	(31.0)
Receipts from overseas projects	6	140	(134)	(95.7)
Purchase of property, plant and equipment	(5)	(3)	(2)	(66.7)
	66	296	(230)	(77.7)
Financing activities				
Dividends paid	(641)	(497)	(144)	(29.0)
Finance costs	(140)	(162)	22	13.6
Increase in borrowings	765	-	765	n/a
Proceeds on exercise of share options	2	15	(13)	(86.7)
Share repurchase	-	(513)	513	100.0
	(14)	(1,157)	1,143	98.8
Net increase in cash and cash equivalents	1,231	99	1,132	1,143.4

Operating Activities

There was an increase of HK\$219 million net cash from operations over the previous year which was in line with the growth in the Group's core business operating results. Tax payments less refund of HK\$183 million was also made during the year.

Investing Activities

There was a decrease in net cash from investing activities to HK\$66 million (2007: HK\$296 million). This principally reflects increased capital expenditure, including the re-development of Hennessy Centre, during the year. Year 2007 also recorded substantial proceeds from disposal, firstly, of available-for-sales investments; and, secondly, of all the remaining units in the Group's Singapore joint-venture residential project.

Financing Activities

Net cash used in financing activities was HK\$14 million, a decrease of HK\$1,143 million from last year. This was mainly due to new borrowings of HK\$765 million, comprising bank loan of HK\$200 million and fixed rate notes of HK\$565 million issued under the Medium Term Notes Programme. No share repurchase was undertaken during the year.

Beyond Financial Statements

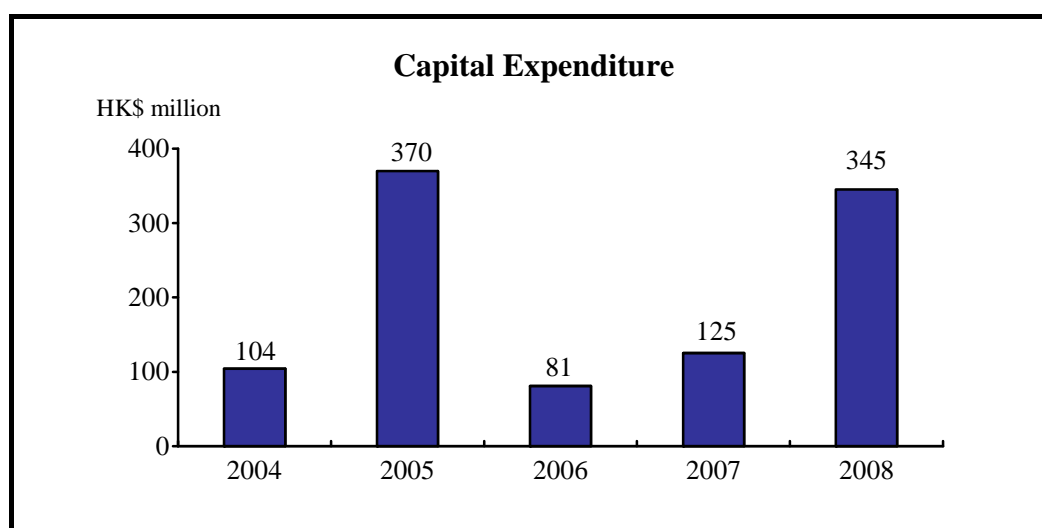
Contingent Liabilities

The Group has underwritten its associates on cash calls to finance working capital requirements. Based on currently available information, management does not anticipate any major call for cash contributions in the foreseeable future.

Capital Expenditure and Management

The Group is committed to enhancing the asset value of our investment property portfolio through selective re-tenanting, refurbishment, repositioning and redevelopment. The Group also has in place a portfolio-wide whole-life cycle maintenance programme as part of its ongoing strategy to pro-actively review and implement maintenance activities.

Total cash outlay of capital expenditure (excluding purchase of plant and equipment) during the review year was HK\$345 million. The following graph illustrates capital expenditure patterns during the last five years.



The Group has an internal control system for scrutinising capital expenditures. Detailed analysis of expected risks and returns is submitted to unit heads, Executive Directors or the Board for consideration and approval, depending on strategic importance, cost/benefit and the size of the projects. The criteria for assessment of financial feasibility are generally based on net present value, pay back period and internal rate of return from projected cash flow.

At year end, the Group had HK\$3,550 million undrawn committed bank facilities. These facilities, together with the Medium Term Notes Programme, available-for-sale investments and positive cash flows from local and overseas operations, provide adequate financial resources to fund the level of planned capital expenditure, including the Hennessy Centre redevelopment project.

Hennessy Centre Redevelopment

The former Hennessy Centre (at 500 Hennessy Road) redevelopment project will be completed at the end of 2011. Sub-structure works are in progress and the Group has proceeded to awarding the main construction contract. The 36-storey mixed-use office and retail building, with four additional levels of basement, will have a gross floor area of approximately 710,000 square feet. 500 Hennessy Road will be the future northern gateway to Hysan's community in Causeway Bay. It aims to attain the highest international standards in architectural design, including environmental sustainability.

Financial Policy

The global financial markets experienced unprecedented turmoil in 2008. In addition to the volatility in most markets around the world, the supply of credit contracted markedly, which translated into wider credit spreads even to borrowers with good credit ratings. Despite the extensive measures rolled out by governments of major countries, the global financial system remains under stress. Therefore, maintaining sufficient liquidity is the key to ensure financial strength. In the wake of the collapse of some major financial institutions, counterparty risk has also become a highly important issue that requires constant monitoring.

Hysan adheres to a policy of financial prudence. Our objectives are to:

- maintain a strong balance sheet by actively managing debt level and cash flow
- secure diversified funding sources from both banks and capital markets
- minimise refinancing and liquidity risks by attaining healthy debt repayment capacity, maturity profile, and availability of banking facilities with minimum collateral on debt
- manage the exposures arising from adverse market movements in interest rates and foreign exchange through appropriate hedging strategies
- monitor counterparty risks by imposing proper counterparty limits and reduce financial investment risks by holding quality marketable securities

Key Performance Indicators

Performance Indicator	How it is measured	Significance to the Group
Average Finance Costs	<ul style="list-style-type: none"> - Interest expenses divided by average borrowing for the year - 2008: 4.4% (2007: 5.6%) 	<ul style="list-style-type: none"> - Our treasury aims to manage and optimise finance costs - HIBOR was generally lower in 2008 as compared to 2007
Bank Facilities : Capital Market Issuance	<ul style="list-style-type: none"> - The proportion of the borrowings from banks and from capital market relative to the total borrowings - 2008: 24.9% : 75.1% (2007: 24.7% : 75.3%) 	<ul style="list-style-type: none"> - As a measure of diversification of funding sources - No significant change
Average Debt Maturity	<ul style="list-style-type: none"> - The weighted average of the remaining maturity period of the Group's borrowings - 2008: 3.9 years (2007: 4.0 years) 	<ul style="list-style-type: none"> - An indicator of the pressure for refinancing or repaying the existing borrowings in the near term - The average maturity remains broadly the same
Floating Rate Debt (% on Total Debt)	<ul style="list-style-type: none"> - Debt effectively in floating interest rate divided by total debt - 2008: 59.5% (2007: 60.1%) 	<ul style="list-style-type: none"> - A measure to calculate the percentage of borrowings subject to fluctuation in market interest rates - No significant change

Key Performance Indicators

Performance Indicator	How it is measured	Significance to the Group
Net Interest Coverage	<ul style="list-style-type: none">- Gross profit less administrative expenses before depreciation divided by net interest expenses- 2008: 10.2 times (2007: 7.8 times)	<ul style="list-style-type: none">- It represents the Group's financial strength from operating activities to meet its interest payment obligations- Improved ratio reflects higher gross profit and lower average finance cost
Net Debt to Equity	<ul style="list-style-type: none">- Borrowings less cash and cash equivalents divided by adjusted shareholders' funds- 2008: 5.9% (2007: 6.8%)	<ul style="list-style-type: none">- A benchmark as to the healthy debt level as well as an indicator of the Group's ability to raise further debt- Improvement principally due to lower net debt level

Credit Ratings

<ul style="list-style-type: none">- Moody's- Standard and Poor's	<ul style="list-style-type: none">- 2008: Baal (2007: Baal)- 2008: BBB (2007: BBB)	<ul style="list-style-type: none">- Investment-grade ratings unchanged
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The Treasury policy manual lays down the acceptable range of operational parameters and gives guidance on the above areas in order to achieve the objective of financial prudence.

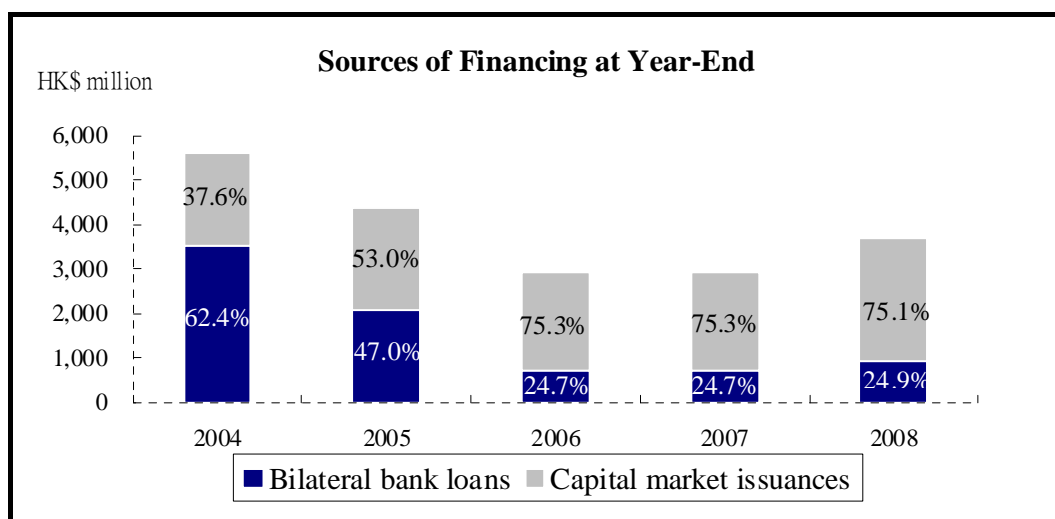
Treasury has an overall objective of optimisation of borrowing costs and management of the associated risks: that is, to minimise finance costs subject to the constraints of the operational parameters. The cost of financing was 4.4% for 2008.

Debt Management

During 2008, the credit market in Hong Kong tightened significantly due to the deleveraging activities and shrunken balance sheets of many financial institutions. Therefore, a prudent approach to managing our debt portfolio is particularly crucial. While the Group always strives to lower the borrowing margin, the more important consideration in the current environment is to ensure sufficient available facilities, to diversify the funding sources and to maintain a suitable maturity profile relative to the overall duration of the use of such funds.

The Group managed to secure a total of HK\$765 million of new borrowings, comprising a US\$25.6 million bank loan and HK\$565 million of notes issued from the Medium Term Notes Programme, before the credit market nearly dried up in the fourth quarter of 2008. This new financing is a precautionary measure taken by the Group in case the credit market remains tight or deteriorates further in 2009. The new financing raised will be sufficient to refinance the maturing debts in 2009 amounting to HK\$550 million. As at 31 December 2008, the outstanding gross debt of the Group was about HK\$3,698 million (2007: HK\$2,921 million). All the outstanding borrowings are on an unsecured and committed basis.

In order to diversify our funding sources, the Group has established long-term relationships with a number of local and overseas banks. At present, 10 local and overseas banks have provided bilateral banking facilities to the Group and such bank borrowings accounted for about 24.9% of the Group's outstanding gross debt. Notes issued from the Medium Term Notes Programme serve as an important source of funding for the Group. The Programme allows the Group to access a broad investor base in the local and international debt capital markets. These markets are more flexible with respect to the longer-tenor debts. For instance, the three notes that the Group issued in 2008 have maturities ranging from 7 to 12 years. As at the end of 2008, about 75.1% of the Group's outstanding gross debts were sourced from the debt capital markets. The following graph shows the percentages of total outstanding gross debts sourced from banks and the debt capital markets in the past five years.



The Group also strives to maintain an appropriate maturity profile and reduce the concentration of debts maturing in the near term. The average maturity of the debt portfolio was about 3.9 years. As at 31 December 2008, only about HK\$620 million or 16.8% of the outstanding debts will be due in less than two years. Therefore, there will not be significant refinancing pressure on the Group in the near term, especially when the level of cash and the undrawn committed facilities available to the Group are taken into account.

Debt maturity profile of the Group

	<u>2008</u> HK\$ million	<u>2007</u> HK\$ million
Maturing in not exceeding one year	550	-
Maturing in more than one year but not exceeding two years	70	550
Maturing in more than two years but not exceeding five years	2,270	2,140
Maturing in more than five years	808	231
Total Gross Debt	3,698	2,921

Total gross debt at the end of 2008 was HK\$3,698 million, increased by around HK\$777 million as compared to 2007.

Liquidity Management

To cope with the tightening credit market, the maintenance of sufficient liquidity is of utmost importance to all businesses. The Group always places great emphasis on liquidity management. Benefited from the strong recurring cash flows from its business, the Group stands in a favourable position to withstand the liquidity crunch. As at 31 December 2008, the Group had cash and bank deposits totalling about HK\$1,015 million (2007: HK\$484 million). All the deposits are diversified with banks of strong credit ratings and the counterparty risk is monitored on a regular basis.

Apart from bank deposits, the Group also invested in short-term government bills and notes issued by the Hong Kong Monetary Authority and US Treasury, thereby preserving the Group's liquidity in the most liquid and secure form of investment. As at 31 December 2008, the outstanding balance of funds invested in these government bills and notes amounted to about HK\$700 million. Additional liquidity reserve is maintained in the form of highly liquid securities listed on The Stock Exchange of Hong Kong (the "Stock Exchange"). The market value of these securities amounted to HK\$982 million as at the end of 2008.

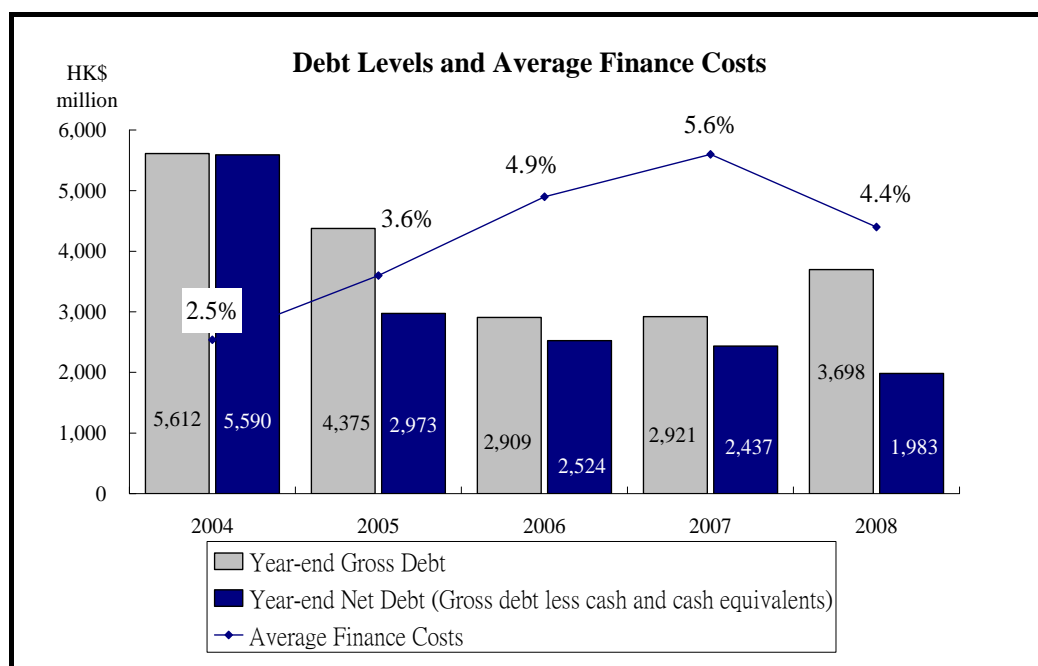
Further liquidity, if needed, is available from the undrawn committed facilities offered by the Group's relationship banks. These facilities, which amounted to HK\$3,550 million as at 31 December 2008, essentially allow the Group to obtain the same level of liquidity as holding the equivalent amount of cash.

Interest Rate Management

Interest expenses account for a significant proportion of the Group's total expenses. Therefore, the Group closely monitors its interest rate exposures. Depending on our medium-term projections of interest rates, an appropriate hedging strategy is adopted to manage the exposure.

Since the second half of 2008, when the economic outlook worsened and inflation pressure subsided, most of the central banks in the advanced economies have introduced strong measures to cut policy rates. In tandem with the slash of the Fed Fund target rate, the 3-month Hong Kong Inter-bank Offered Rate ("HIBOR") has dropped from its yearly peak of 4.44% in October 2008 to 0.95% at the end of 2008. However, the benefit of the rate reduction was partially offset by the widened credit spreads on the new borrowings.

As at 31 December 2008, about 59.5% of the Group's debts were at floating rates that can reap the full benefit of the lower interest rate environment. As a result, the Group's average cost of financing lowered from 5.6% in 2007 to 4.4% in 2008. The diagram below shows the Group's debt levels and average finance costs in the past five years.



Foreign Exchange Management

The Group aims to have minimal mismatches in currency and does not speculate in currency movements. With the exception of the US\$182 million 10-year notes and the US\$25.6 million bank loan, which have been hedged by appropriate hedging instruments, all of the Group's other borrowings were denominated in Hong Kong dollars. On the investment side, US\$27 million of held-to-maturity debt securities were denominated in US dollars and the investments have also been fully hedged against foreign exchange exposure. Other foreign exchange exposure relates to our investments in overseas project in Shanghai. These foreign exchange exposures amounted to the equivalent of HK\$2,340 million or 5.6% of our total assets.

Use of Derivatives

As at 31 December 2008, all of the outstanding derivatives were related to, and commensurate with, the hedging of interest rate and foreign exchange exposures. The Group has made use of derivatives to manage the volatilities or adjust the appropriate risk profile of our treasury assets and liabilities. To prevent the Group from being exposed to undue risks arising from the use of derivatives, all such transactions have to strictly follow our internal guidelines.

Before entering into any hedging transaction, the Group will ensure that the counterparty possesses strong investment-grade ratings so that the transaction will not expose the Group to undue credit risk. As part of our risk management, a limit on maximum risk-adjusted credit exposure is assigned to each counterparty. The level of the limit is basically in line with the credit quality of the counterparty.

FINANCIAL INFORMATION

The financial information in this announcement does not constitute the Group's financial statements for the year, but represents an extract from those financial statements. The accounting policies used are consistent with those set out in the Annual Report 2007. The financial statements for the year have been reviewed by the Audit Committee of the Company.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2008 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	<u>Notes</u>	<u>2008</u> <i>HK\$ million</i>	<u>2007</u> <i>HK\$ million</i>
Turnover	3	1,638	1,368
Property expenses		(217)	(208)
Gross profit		1,421	1,160
Investment income		63	98
Other gains and losses		146	302
Administrative expenses		(134)	(106)
Finance costs		(155)	(175)
Change in fair value of investment properties		(212)	3,131
Share of results of associates		590	452
Profit before taxation		1,719	4,862
Taxation	4	(1)	(745)
Profit for the year	5	1,718	4,117
Attributable to:			
Equity holders of the Company		1,594	3,949
Minority interests		124	168
		1,718	4,117
Dividends			
Paid	6	644	549
Proposed	6	562	498
Earnings per share (expressed in HK cents)			
Basic	7	153.37	375.46
Diluted	7	153.36	375.25

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	<u>Notes</u>	<u>2008</u> <i>HK\$ million</i>	<u>2007</u> <i>HK\$ million</i>
Non-current assets			
Investment properties		35,850	35,711
Property, plant and equipment		80	73
Prepaid lease payments		123	123
Investments in associates		1,750	1,011
Available-for-sale investments		1,022	2,479
Other financial assets		242	235
Other receivables		29	22
		<u>39,096</u>	<u>39,654</u>
Current assets			
Accounts receivable and other receivables	8	94	66
Amount due from an associate		590	590
Other financial assets		41	1
Short-term investments		700	95
Time deposits		964	478
Cash and bank balances		51	6
		<u>2,440</u>	<u>1,236</u>
Current liabilities			
Accounts payable and accruals	9	320	278
Other financial liabilities		-	40
Rental deposits from tenants		158	124
Amounts due to minority shareholders		327	327
Borrowings		550	-
Taxation payable		351	270
		<u>1,706</u>	<u>1,039</u>
Net current assets		<u>734</u>	<u>197</u>
Total assets less current liabilities		<u>39,830</u>	<u>39,851</u>
Non-current liabilities			
Borrowings		3,201	2,861
Other financial liabilities		41	17
Rental deposits from tenants		230	215
Deferred taxation		3,648	3,910
		<u>7,120</u>	<u>7,003</u>
NET ASSETS		<u>32,710</u>	<u>32,848</u>
Capital and reserves			
Share capital		5,206	5,187
Reserves		26,263	26,465
Equity attributable to equity holders of the Company		<u>31,469</u>	<u>31,652</u>
Minority interests		1,241	1,196
TOTAL EQUITY		<u>32,710</u>	<u>32,848</u>

Notes:

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

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 2007.

In the current year, the Group had adopted, for the first time, the following amendments and new interpretations ("new HKFRSs") issued by the HKICPA, which are or have become effective.

HKAS 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – INT 12	Service Concession Arrangements
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the Group's results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

3. Turnover

Turnover represents gross rental income from investment properties for the year.

The Group's principal activities are property investment, management and development. As the Group did not have any active development projects during the years ended 31 December 2008 and 2007 and its turnover and results are principally derived from investment properties located in Hong Kong, no business or geographical segment analysis is presented.

4. Taxation

	<u>2008</u> <i>HK\$ million</i>	<u>2007</u> <i>HK\$ million</i>
Current tax		
Hong Kong profits tax		
- current year	166	130
- under(over)provision in prior years	26	(3)
- prior years' tax provision	72	58
	<u>264</u>	<u>185</u>
Deferred tax		
Change in fair value of investment properties	(28)	540
Other temporary differences	(12)	20
Attributable to change in tax rate	(223)	-
	<u>(263)</u>	<u>560</u>
	<u>1</u>	<u>745</u>

Hong Kong profits tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year. In June 2008, the Hong Kong profits tax rate was decreased from 17.5% to 16.5% with effect from the 2008/09 year of assessment. The effect of this decrease has been reflected in the calculation of current and deferred tax balances as at and for the year ended 31 December 2008.

As disclosed in the annual and interim reports published in previous years, the Group has over the past few years been in dispute with IRD on interest deductions made in years of assessment dated back to 1995/96. Taking into consideration professional advice and recent development, the Group has been in discussions with IRD to settle the claims. A formal proposal was submitted to IRD at the end of December 2008 to settle the claims at HK\$450 million, inclusive of tax principal, interest and all amount payable. Full provision for such estimated exposure has been made at the balance sheet date, of which HK\$31 million and HK\$41 million were provided in the first and second half of the year, respectively. Total cash exposure (net of tax reserve certificates already purchased) amounted to HK\$268 million will be satisfied out of cash deposits and credit facilities.

The Group expects to settle the claims in the region of such amount within the next few months.

5. Profit For The Year

	<u>2008</u> <i>HK\$ million</i>	<u>2007</u> <i>HK\$ million</i>
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	<u>2</u>	<u>2</u>
Amortisation of prepaid lease payments (Note)	<u>-</u>	<u>-</u>
Depreciation of property, plant and equipment	<u>6</u>	<u>7</u>
Gross rental income from investment properties	(1,638)	(1,368)
Less:		
- Direct operating expenses arising from properties that generated rental income	214	205
- Direct operating expenses arising from properties that did not generate rental income	<u>3</u>	<u>3</u>
	<u>(1,421)</u>	<u>(1,160)</u>
Staff costs, comprising:		
- Directors' emoluments	17	13
- Share-based payments	2	3
- Other staff costs	<u>126</u>	<u>111</u>
	<u>145</u>	<u>127</u>
Share of income tax of an associate (included in share of results of associates)	<u>181</u>	<u>81</u>

Note:

The Group's prepaid lease payments represent leasehold land in Hong Kong held under long lease, and are amortised on a straight-line basis over the terms of leases. The amortisation of prepaid lease payments for the year was approximately HK\$163,000 (2007: HK\$163,000).

6. Dividends

	<u>2008</u> <i>HK\$ million</i>	<u>2007</u> <i>HK\$ million</i>
Dividends recognised as distribution during the year:		
2008 interim dividend paid – HK14 cents per share	146	-
2007 interim dividend paid – HK12 cents per share	-	127
2007 final dividend paid – HK48 cents per share	498	-
2006 final dividend paid – HK40 cents per share	-	422
	<u>644</u>	<u>549</u>
Dividends proposed after the balance sheet date:		
Final dividend proposed – HK54 cents per share (2007: HK48 cents per share)	<u>562</u>	<u>498</u>

7. Earnings Per Share

(a) Basic and diluted earnings per share

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

	<u>2008</u> <i>HK\$ million</i>	<u>2007</u> <i>HK\$ million</i>
<u>Earnings</u>		
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to equity holders of the Company	<u>1,594</u>	<u>3,949</u>
	<u>2008</u>	<u>2007</u>
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,039,339,066	1,051,770,437
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	<u>73,471</u>	<u>607,460</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,039,412,537</u>	<u>1,052,377,897</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.

(b) Adjusted basic earnings per share

For the purpose of assessing the performance of the Group's principal activities (i.e. leasing of investment properties), the management is of the view that the profit for the year attributable to the equity holders of the Company should be adjusted in the calculation of basic earnings per share as follows:

	2008		2007	
	<u>Profit</u>	<u>Basic earnings per share</u>	<u>Profit</u>	<u>Basic earnings per share</u>
	<i>HK\$ million</i>	<i>HK cents</i>	<i>HK\$ million</i>	<i>HK cents</i>
Profit for the year attributable to equity holders of the Company	1,594	153.37	3,949	375.46
Change in fair value of investment properties	212	20.40	(3,131)	(297.69)
Effect of deferred taxation on change in fair value of investment properties	(236)	(22.71)	540	51.34
Effect of minority interests' shares	43	4.14	111	10.55
Share of change in fair value of investment properties (net of deferred taxation) of an associate	(412)	(39.64)	(311)	(29.57)
	1,201	115.56	1,158	110.09
Underlying profit attributable to equity holders of the Company	72	6.93	58	5.52
Prior years' tax provision	(41)	(3.95)	-	-
Gain on disposal of investment properties of an associate	(166)	(15.97)	(255)	(24.24)
Net realised gain on disposal of available-for-sale investments	-	-	(11)	(1.05)
Reversal of impairment loss recognised in respect of investment in an associate	1,066	102.57	950	90.32
Recurring underlying profit	1,066	102.57	950	90.32

The denominators used are the same as those detailed above for basic earnings per share.

8. Accounts Receivable

Rents from leasing of investment properties are normally received in advance. At the balance sheet date, accounts receivable of the Group with carrying amount of HK\$10 million (2007: HK\$10 million) mainly represented rents receipts in arrears, which were aged less than 90 days.

9. Accounts Payable

At the balance sheet date, accounts payable of the Group with carrying amount of HK\$90 million (2007: HK\$69 million) were aged less than 90 days.

ADDITIONAL INFORMATION

Corporate Governance

The Board and management of the Company are committed to maintaining high standards of corporate governance. The Board had adopted a Statement of Corporate Governance Policy which gives guidance on how corporate governance principles are applied to the Company. In addition to complying with applicable statutory requirements, we aim to continually review and enhance our corporate governance practices in the light of local and international best practices.

The Company meets the Code Provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules as amended effective on 1 January 2009, except that its Emoluments Review Committee (established since 1987) has the responsibility for determining executive Director compensation. The Board is of the view that, in light of the current organisational structure and the relatively simple nature of Hysan's business activities, the current arrangements for Emoluments Review Committee to determine executive Director compensation is appropriate. The Company's Corporate Governance Guidelines provide for separate roles of Chairman and Managing Director. Peter Ting Chang LEE serves as the Chairman. An open search is currently underway for a Chief Executive Officer. Further information on the Company's corporate governance practices are set out in the Corporate Governance Report contained in the Annual Report 2008.

Compliance of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Director's securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the review year.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Human Resources Practices

The Group aims to attract, retain and develop high calibre individuals committed to attaining our objectives. The total number of employees as at 31 December 2008 was 488. The Group's human resources practices are aligned with our corporate objectives so as to maximise shareholder value and achieve growth. Details on our human resources policy, including performance measurement and reward, training and development are set out in the Annual Report 2008.

Scrip Dividend Arrangement

A circular containing details of the scrip dividend and the form of election will be mailed to shareholders on or about Wednesday, 20 May 2009. The scrip dividend alternative is conditional upon (1) the shareholders' approval of the 2008 final dividend at the Company's forthcoming annual general meeting (the "AGM") and (2) the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the new shares to be issued pursuant thereto.

Closure of Register of Members

The register of members will be closed from Thursday, 14 May 2009 to Monday, 18 May 2009, both dates inclusive, for the purposes of determining shareholders' entitlements to attend and vote at the AGM and the proposed final dividend, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM and the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrars, Tricor Standard Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Wednesday, 13 May 2009. The final dividend will be paid to shareholders whose names appear on the register of members on Monday, 18 May 2009 and the payment date will be on or about Tuesday, 9 June 2009.

AGM

The AGM will be held at Salon 5-6, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 18 May 2009. The Notice of AGM will be published on the website of the Company (www.hysan.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk), and despatched to shareholders around end of March 2009.

By Order of the Board
Wendy W.Y. YUNG
Executive Director and Company Secretary

Hong Kong, 10 March 2009

*As at the date of this announcement, the Board comprises: **Chairman** - Peter Ting Chang LEE; **Independent non-executive Deputy Chairman** - Sir David AKERS-JONES; **Independent non-executive Directors** - Tom BEHRENS-SORENSEN (Timothy John SMITH as his alternate), Fa-kuang HU (Raymond Liang-ming HU as his alternate) and Dr. Geoffrey Meou-tsen YEH; **Non-executive Directors** - Hans Michael JEBSEN (Kam Wing LI as his alternate), Anthony Hsien Pin LEE (Peter Ting Chang LEE as his alternate), Chien LEE and Dr. Deanna Ruth Tak Yung RUDGARD (Peter Ting Chang LEE as her alternate); and **Executive Directors** - Ricky Tin For TSANG and Wendy Wen Yee YUNG.*

This final results announcement is published on the website of the Company (www.hysan.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk). The Annual Report 2008 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites around end of March 2009.