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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 2009

- **Resilient Performance**
(Recurring Underlying Profit up 4.1%; Turnover up 2.6%)
- **Final Dividend per share unchanged**
- **Hong Kong Grade “A” office market begins to stabilise**
- **Performance expected to be stable for rest of the year**

RESULTS

	Year ended 31 December		Change %
	<u>2009</u> HK\$ million	<u>2008</u> HK\$ million	
Turnover	1,680	1,638	2.6
Recurring Underlying Profit ¹	1,110	1,066	4.1
Underlying Profit ²	1,113	1,201	(7.3)
Statutory Profit ³	2,716	1,594	70.4
	<i>HK cents</i>	<i>HK cents</i>	
Earnings per share, based on:			
Recurring Underlying Profit ¹	106.09	102.57	3.4
Underlying Profit ²	106.38	115.56	(7.9)
Statutory Profit ³	259.60	153.37	69.3
Dividends per share	68.00	68.00	-
	At 31 December		
	<u>2009</u> HK\$ million	<u>2008</u> HK\$ million	
Shareholders' funds	33,668	31,469	7.0
Adjusted Shareholders' Funds ⁴	37,057	34,660	6.9
	<i>HK\$</i>	<i>HK\$</i>	
Net assets value per share	32.05	30.23	6.0
Adjusted net assets value per share	35.27	33.29	5.9

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 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.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(A) Operation and Financial Review

2009 Performance

The Group's turnover was HK\$1,680 million in 2009, representing an increase of 2.6% from HK\$1,638 million in 2008. The Group maintained rental income growth in its commercial properties portfolio. There was, however, a small decline in income from the residential sector which typically has a two-year lease cycle. There was negative rental reversion on residential renewals and new lettings when compared with rental levels secured in the 2007 market boom.

Recurring Underlying Profit (the key measurement of the Group's core leasing business), which is calculated by excluding from Underlying Profit gains from disposal of long-term assets and prior years' tax provision, was HK\$1,110 million, up 4.1% from HK\$1,066 million in 2008. The increase principally reflected the improvement in gross profit generated from our core leasing activities.

Underlying Profit, which is calculated by excluding from Statutory Profit changes in fair value of investment properties and the related deferred tax, was HK\$1,113 million, decreased by 7.3% from HK\$1,201 million in 2008. This reflected smaller financial investment returns recorded during the year.

Statutory Profit, prepared in accordance with Hong Kong Financial Reporting Standards, was HK\$2,716 million (2008: HK\$1,594 million) mainly attributable to the higher revaluation of the Group's investment properties. At year end 2009, the independent external valuation of the Group's investment property portfolio was HK\$37,363 million (2008: HK\$35,850 million).

Key Performance Indicators

While many factors contributed to the results of the Group's businesses, turnover growth and occupancy rate are the key drivers used by the Group's management for assessment of the performance of our core leasing business. In addition, the management uses property expenses and such expenses as a percentage on turnover to assess cost effectiveness. 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 2009 compared to that in 2008	<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	<ul style="list-style-type: none">Principally being direct costs associated with daily operations of the Group's property portfolio2009: HK\$235 million (2008: HK\$217 million)	<ul style="list-style-type: none">Measures the direct costs incurred in managing the Group's property portfolio
Property Expenses as a Percentage on Turnover	<ul style="list-style-type: none">Calculated by dividing property expenses by turnover2009: 14.0% (2008: 13.2%)	<ul style="list-style-type: none">An indication of the gross margin of our business

Income Statement Items

Turnover

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

Turnover by Sectors

	<u>2009</u>	<u>2008</u>	<u>Change</u>	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	%
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

The Group maintained rental income growth in its commercial properties portfolio, while it experienced a small decline in income from the residential sector. The residential sector typically has a two-year lease cycle and there was negative rental reversion on renewals and new lettings during the year when compared with rental levels secured in the 2007 market boom. Detailed analysis of each segment is as follows:

Office Sector

Hysan's office sector recorded growth of 3.8% to HK\$747 million (2008: HK\$720 million¹). While positive rental reversion continued to benefit our properties as a whole, negative rental reversion was also experienced in some transactions towards the end of the year.

Market conditions were particularly challenging during the first half of the year, which saw significant new supply of Grade "A" office space in decentralised areas coupled with a slow down in the general economy. These factors coincided with the renewal of a substantial majority of our expiring leases. While the rental levels appeared to be stabilising towards the end of the year, competition remains keen. Announced relocations to decentralised locations will also generate additional supply in Central.

We took effective actions to stabilise our occupancy. We fine-tuned the market positioning, sales channels, as well as transaction processes for our office buildings, seeking to maximise Causeway Bay's locational advantages. The sector's occupancy rate stood at 89% as at 2009 year end. On a committed basis, the occupancy rate was 91%, at the same level as at 30 June 2009 (31 December 2008: 98%).

Our premium office hub (comprising The Lee Gardens, Lee Gardens Two, Sunning Plaza and AIA Plaza) provides top quality facilities with good proximity to other business services and clients, as well as an unparalleled range of amenities. We achieved new lettings of around 100,000 square feet during the last quarter of 2009.

Over the years, we have also successfully built up a growing presence of semi-retail tenants in other parts of our portfolio. These tenants, including health and beauty operations, are businesses that require considerable personal interface with customers and value the locational advantages of Causeway Bay. This segment has proven to be more resilient during the recent economic downturn and has helped stabilise our overall portfolio.

We continued to invest to improve our assets. The renovated office lobby of AIA Plaza was well received by the market, and we shall proceed with that of Leighton Centre. We also enhanced our property services standards generally and at the same time provided better value for money from our service charges.

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

Retail Sector

Our retail sector revenue grew 3.5% over last year to HK\$648 million (2008: HK\$626 million¹). Hong Kong again saw an increase in Mainland China visitors whose spending helped support the local retail market. The Group has long believed that landlords and retailers must work closely together as partners, responding to each other's needs to create solutions that are mutually beneficial. We further stepped up our marketing efforts to support our portfolio's retail tenants in capturing the attention and spending power of Mainland Chinese shoppers.

The occupancy rate of our portfolio continued to increase and was virtually fully-let at 99% at 2009 year end (31 December 2008: 97%; 30 June 2009: 98%).

Our retail leasing team has been working diligently to create an optimal tenant mix for our retail hubs. The Lee Gardens hub (principally comprising of The Lee Gardens, Lee Gardens Two, AIA Plaza and Sunning Plaza) provides "elegant and luxury" premium retail spaces for high-end brands, which now include a Cartier store in AIA Plaza, as well as other prestigious retailers that are popular with tourists and locals alike.

Moving forward, in order to maximize the potential of One Hysan Avenue and neighbouring Leighton Centre, a new fashion flagship store is to transform the former, while the latter will be revitalised.

Residential Sector

Our residential sector revenue decreased 2.4% over last year to HK\$285 million (2008: HK\$292 million), mainly due to negative rental reversion upon the expiration of leases signed in 2007, but was partially offset by improving occupancy starting from the second quarter of 2009.

The reduction of demand in the first quarter of 2009, due to expatriate manpower reduction following the financial upheavals, was reversed from the second quarter onwards. Both the increased leasing activities and the reduction of supply for leasing due to more sales market activities contributed to improved market environment.

We successfully strengthened our residential occupancy rate, which rebounded to 92% at 2009 year end from 85% on 30 June 2009 (2008 year end: 90%). We improved marketing channels to expand our target customer reach, and also enhanced our transaction process to take advantage of the market momentum. In general, we have striven to provide better services to create the best expatriate-orientated living environment for our tenants.

Property Expenses

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

The increase in property expenses by HK\$18 million or 8.3% to HK\$235 million (2008: HK\$217 million) was mainly attributable to higher repair and maintenance costs for building refurbishment to enhance the quality of our portfolio as well as higher agency fees for incentivised schemes for agents to attract quality tenants.

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

Investment Income

Investment income of HK\$38 million (2008: HK\$63 million) mainly comprised dividend and interest income. The decrease reflected a lower interest environment in 2009 and lower dividend income derived from the Group's equity investments.

Other Gains and Losses

There was a net loss of HK\$3 million (2008: net gain of HK\$146 million). The present small net loss arose from mark-to-market movements of financial instruments, which are required to be reflected under the current accounting standards, whereas the 2008 net gain was mainly due to the disposals of long-term securities investments.

Administrative Expenses

Administrative expenses were broadly the same, at HK\$133 million (2008: HK\$134 million).

Finance Costs

In a lower interest rate environment, the Group's finance costs were reduced to HK\$131 million (2008: HK\$155 million). The Group's average finance costs decreased to 3.1% from 4.4% in 2008. 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

At 31 December 2009, the Group's investment properties were valued at HK\$37,363 million (31 December 2008: HK\$35,850 million) by an independent professional valuer, Knight Frank Petty Limited. Excluding capital expenditures incurred for the Group's property portfolio, fair value gain on investment properties of HK\$1,249 million (2008: fair value loss of HK\$212 million) 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 30.2% to HK\$768 million (2008: HK\$590 million). This increase was mainly attributable to positive rental growth and the favourable movement in fair value of the Shanghai Grand Gateway project, of which the Group owns 24.7%.

Excluding the change in fair value of investment properties and the gain on disposal of certain car parks held by the associate, the Group's share of operating results in the Shanghai Grand Gateway project increased by 18.2% to HK\$162 million (2008: HK\$137 million). All the residential units as well as retail and office properties were virtually fully let at year end 2009.

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\$606 million (2008: HK\$412 million).

Taxation

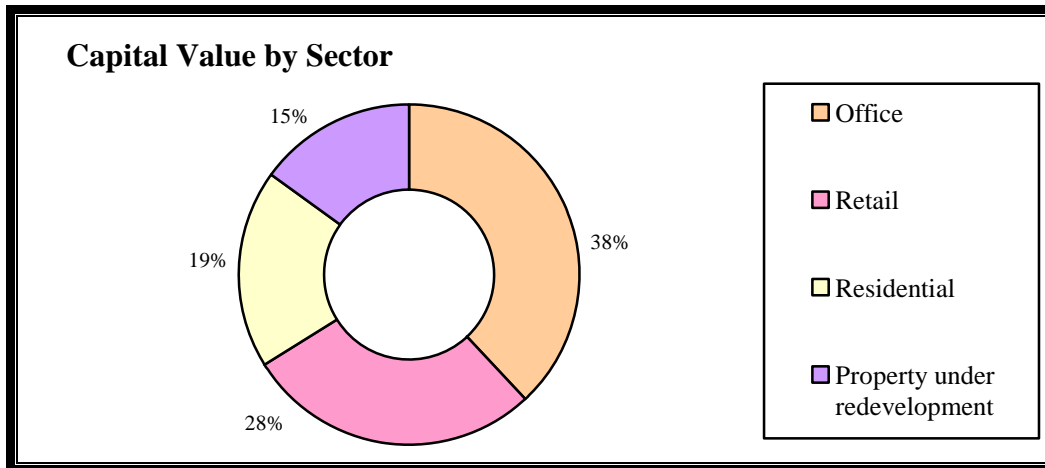
Taxation for the year increased by HK\$395 million to HK\$396 million (2008: HK\$1 million) mainly due to the addition in deferred tax provision arising from the revaluation of investment properties.

Statement of Financial Position Items

Investment Properties

The Group's investment properties were revalued at HK\$37,363 million (2008: HK\$35,850 million).

The diagram illustrates the Group's investment properties value by sectors as at year end 2009.



Available-for-Sale Investments

Available-for-sale investments principally comprised equity securities listed in Hong Kong. In 2009, the Group disposed of certain equity securities at a net gain of HK\$3 million. With regard to the remaining available-for-sale investments portfolio, the Group will continue to hold them as long-term investments. Total return for the year from the remaining securities portfolio including both dividend income and capital value growth, was 6.2%. Total fair value of our listed securities portfolio as at 31 December 2009 was HK\$997 million.

Interests in Associates

Interests in associates increased by HK\$546 million to HK\$2,886 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 for the Shanghai Grand Gateway projects during the year.

Held-to-Maturity Debt Securities, Time Deposits, Cash and Bank Balances

At the end of 2008, the Group placed cash of HK\$700 million in short-term government bills and notes to preserve the Group's liquidity during the global financial markets turmoil. In 2009, with the stress on the banking industry slowly subsiding, funds were placed as time deposits and bank balances in banks with strong credit ratings. This led to the increase in the Group's time deposits, cash and bank balances from HK\$1,015 million at year end 2008 to HK\$1,984 million at year end 2009. Further discussion of the Group's liquidity management is set out in the "Financial Policy" section.

Borrowings

The carrying amount of the Group's borrowing was HK\$3,891 million at year end 2009 (2008: HK\$3,751 million). HK\$550 million five-year floating rate notes matured and HK\$70 million bank loan were repaid in the year. To maintain our prudent liquidity position and to enjoy the lower interest rate environment, a total of HK\$799 million was drawn down from both the Medium-term Notes Programme and banking facilities during the year. The Group entered into hedging transactions to hedge interest rate and foreign exchange exposures, which reduced the average finance cost of the Group's total borrowing.

Taxation

Provision for current tax decreased to HK\$45 million at year end 2009 (2008: HK\$351 million), which was principally due to the settlement of a prior-year tax dispute. As disclosed in the annual reports published in previous years, the Group had been in dispute for a considerable period of time with the Hong Kong Inland Revenue Department (the “IRD”) on interest deductions made in years of assessment dating back to 1995/1996. Taking into consideration professional advice and recent developments, the Group entered into a settlement with the IRD. Total claim amount of HK\$450 million, which was fully provided at 31 December 2008, was settled during the year by cash payment of HK\$268 million and tax reserve certificates of HK\$182 million already purchased in prior years.

Provision for deferred tax increased by HK\$233 million to HK\$3,881 million at year end 2009 (2008: HK\$3,648 million) due to the additional provision for the revaluation gain on the Group’s investment properties.

Shareholders’ Funds

Shareholders’ funds increased by 7.0% from HK\$31,469 million at year end 2008 to HK\$33,668 million at year end 2009. This was mainly attributable to the increase in valuation of the Group’s investment properties and the profits generated from the Group’s core leasing activities. Adjusted shareholders’ funds also rose by 6.9% to HK\$37,057 million at year end 2009 (2008: HK\$34,660 million).

Minority Interests

The increase of HK\$45 million in minority interests to HK\$1,286 million (2008: HK\$1,241 million) was attributable to profit contribution as well as revaluation surplus from Lee Gardens Two.

Condensed Consolidated Statement of Cash Flows for the year ended 31 December 2009

	<u>2009</u> <i>HK\$ million</i>	<u>2008</u> <i>HK\$ million</i>	<u>Change</u> <i>HK\$ million</i>	%
Operating activities				
Cash generated from operations	1,349	1,362	(13)	-1.0
Net tax paid	(469)	(183)	(286)	+156.3
	<u>880</u>	<u>1,179</u>	<u>(299)</u>	<u>-25.4</u>
Investing activities				
Payments in respect of investment properties	(242)	(345)	103	-29.9
Disposals of available-for-sale investments	44	272	(228)	-83.8
(Placement) proceeds upon maturity of principal-protected deposits	(72)	78	(150)	n/m
Interest and dividends received	35	60	(25)	-41.7
Receipts from overseas projects	221	6	215	n/m
Purchase of property, plant and equipment	(8)	(5)	(3)	+60.0
Increase in time deposits with original maturity over three months	(1,551)	-	(1,551)	n/a
	<u>(1,573)</u>	<u>66</u>	<u>(1,639)</u>	<u>n/m</u>
Financing activities				
Dividends paid	(642)	(641)	(1)	+0.2
Finance costs	(127)	(140)	13	-9.3
New borrowings	799	765	34	+4.4
Repayment of borrowings	(620)	-	(620)	n/a
Proceeds on exercise of share options	1	2	(1)	-50.0
	<u>(589)</u>	<u>(14)</u>	<u>(575)</u>	<u>n/m</u>
Net (decrease) increase in cash and cash equivalents	<u>(1,282)</u>	<u>1,231</u>	<u>(2,513)</u>	<u>n/m</u>

Operating Activities

Cash flows from operating activities decreased by HK\$299 million as compared with last year, mainly due to the settlement of the prior-year tax dispute by cash payment of HK\$268 million in the current year.

Investing Activities

The Group placed cash as time deposits in banks with strong credit ratings. A majority of these time deposits had original maturity periods for over three months but not exceeding one year. These investments were counted as the Group's investing activities in the consolidated statement of cash flows. As a result, the cash used in investing activities increased considerably by HK\$1,639 million as compared with last year.

Financing Activities

Cash used in financing activities increased by HK\$575 million as compared with last year, mainly due to the repayment of a HK\$70 million bank loan and HK\$550 million five-year floating rate notes maturing during the year. There were no other material changes in use of cash for the Group's financing activities.

n/m – not meaningful

n/a – not applicable

Beyond Financial Statements

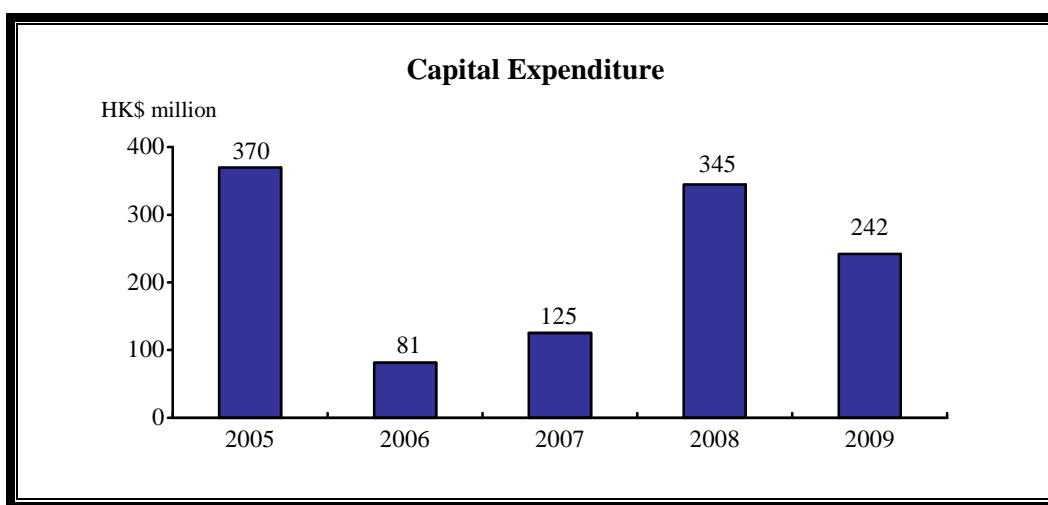
Contingent Liabilities

The Group has underwritten cash calls by its associates 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 its investment property portfolio through selective 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 implement preventive maintenance activities.

Total cash outlay of capital expenditure (excluding purchase of plant and equipment) during the review year was HK\$242 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 business 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\$2,250 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 Hennessy Centre (at 500 Hennessy Road) redevelopment project remains on schedule to be completed at the end of 2011. Substructure and the tower foundation works have been completed. Lifts and major building services sub-contracts have been awarded. Basement construction has commenced and is expected to be completed by June 2010. 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. This future northern gateway to Hysan's community in Causeway Bay 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 (LEED) standard. The project is also pre-certified for the top Platinum level in Hong Kong's Building Environmental Assessment Method (BEAM).

(B) Financial Policy

Market Highlight

The world economy was at a crossroads in 2009. The unprecedented uncertainty continued to undermine the financial markets at the beginning of the year. In the second half of 2009, the global economy improved mainly due to massive fiscal stimulus programmes and the relaxed monetary policies of various governments which helped to stabilise the global financial and credit markets. Under such market condition, the Group will continue to focus on liquidity and interest rate risk management in 2010.

Objectives

We adhere to a policy of financial prudence. Our objectives are to:

- maintain a strong financial position 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, diversified 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 counter-party risks by imposing proper counter-party 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 gross debt for the year• 2009: 3.1% (2008: 4.4%)	<ul style="list-style-type: none">• Our treasury aims to manage and optimise finance costs• HIBOR was generally lower in 2009 compared with 2008
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 gross debt• 2009: 37.2% : 62.8% (2008: 24.9% : 75.1%)	<ul style="list-style-type: none">• As a measure of diversification of funding sources• More bank loans were drawn to replenish matured borrowings in the year to achieve a more balanced ratio
Average Debt Maturity	<ul style="list-style-type: none">• The weighted average of remaining maturity period of the Group's gross debt• 2009: 3.4 years (2008: 3.9 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 was slightly shortened
Floating Rate Debt (% on Total Debt)	<ul style="list-style-type: none">• Debt effectively in floating interest rate divided by gross debt• 2009: 64.9% (2008: 59.5%)	<ul style="list-style-type: none">• A measure to calculate the percentage of borrowings subject to fluctuation in market interest rates• A higher ratio allowed the Group to benefit from the low interest rate environment

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 2009: 11.7 times (2008: 10.2 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 our stable profit against lower interest expenses
Net Debt to Equity	<ul style="list-style-type: none"> Borrowings less short-term investments, time deposits, cash and bank balances divided by adjusted shareholders' funds 2009: 5.1% (2008: 5.9%) 	<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 The ratio remains low and the Group's ability to raise further debt remains strong

Credit Ratings		
Moody's Standard and Poor's	<ul style="list-style-type: none"> 2009: Baal (2008: Baal) 2009: BBB (2008: BBB) 	<ul style="list-style-type: none"> Investment-grade ratings unchanged

Hysan's 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.

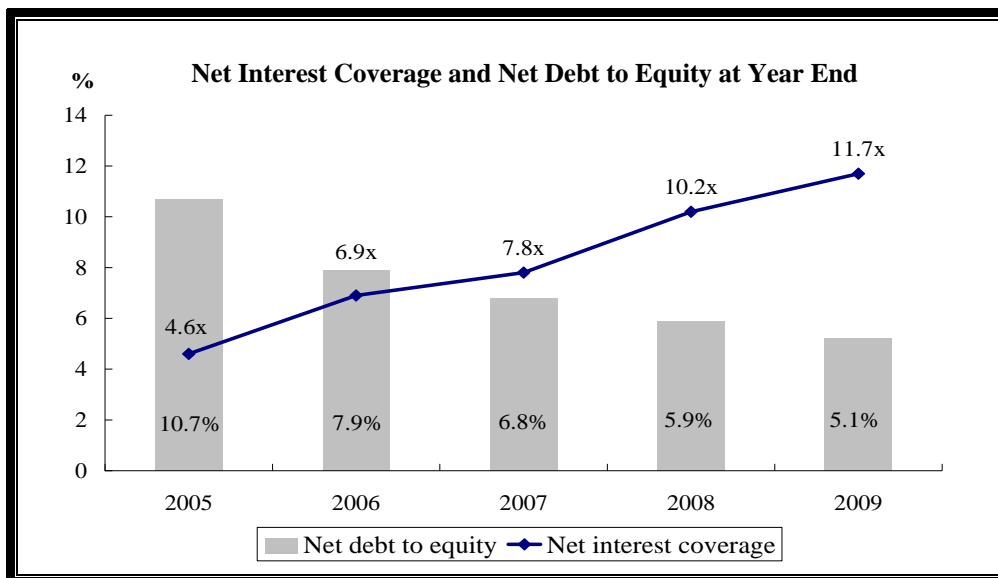
Treasury has an overall objective of optimisation of borrowing costs and management of associated risks: that is to minimise the finance costs subject to the constraints of the operational parameters. The cost of financing was 3.1% for 2009.

Debt Management

Credit markets in Hong Kong remained tight for the first quarter of 2009. Liquidity improved afterwards when the financial markets stabilised and credit spreads normalised as banks started to lend to selected companies with strong credits. At the same time, capital markets also became more active as the risk appetite of investors returned.

As we had completed the majority refinancing of debts in 2008, we experienced little pressure to refinance during the year. To maintain our prudent liquidity position, we concluded a new bilateral bank loan of US\$25.6 million and issued HK\$200 million of notes from the Medium-term Notes Programme during the year.

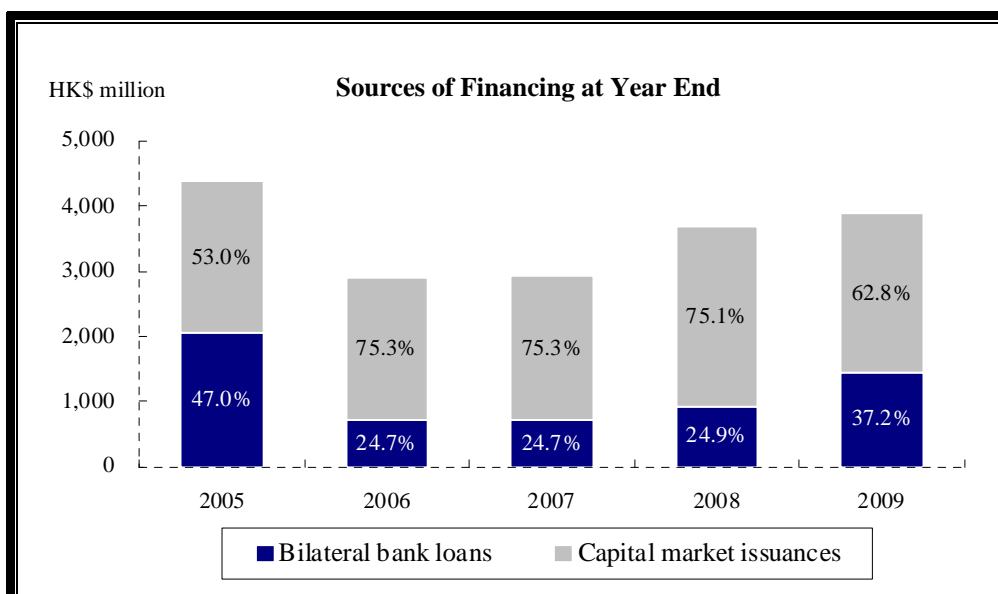
The graph below shows the strong financial strength of the Group in meeting the interest payment obligations and to raise further debts if necessary.



The Group always strives to lower the borrowing margin, to diversify the funding sources and to maintain a suitable maturity profile relative to the overall use of funds. As at 31 December 2009, the outstanding gross debt of the Group was HK\$3,889 million, an increase of HK\$191 million compared to 2008. All the outstanding borrowings are on an unsecured basis.

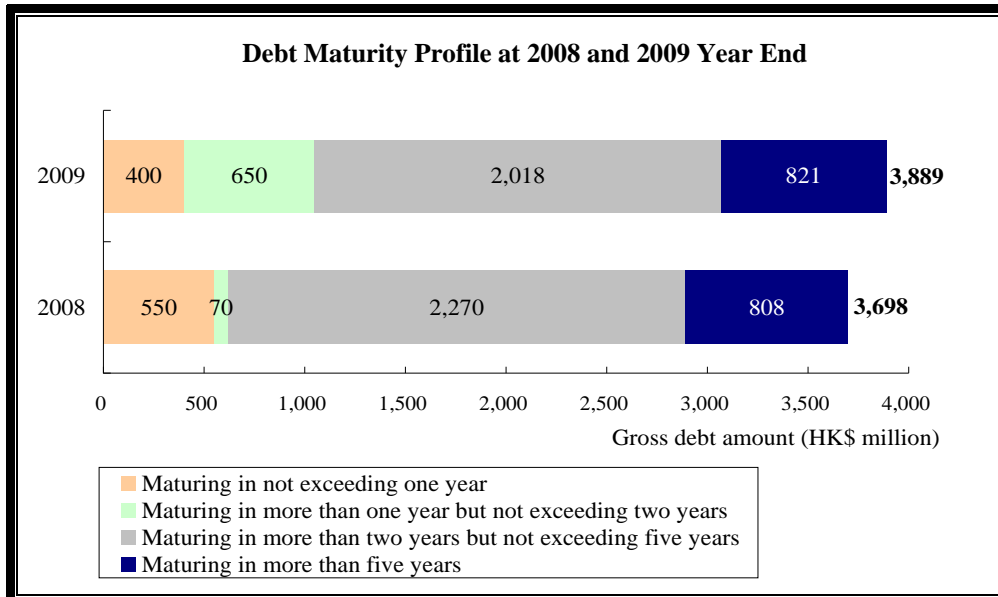
In order to diversify the funding sources, the Group has established long-term relationships with a number of local and overseas banks. Nine local and overseas banks have provided bilateral banking facilities to the Group and such bank borrowings accounted for about 37.2% of the Group's outstanding gross 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 both the local and international debt capital markets. These markets are more flexible with respect to the longer-tenor debts. As at the end of 2009, about 62.8% of the Group's outstanding gross debts were sourced from the debt capital markets through the Programme.

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. The average maturity of the debt portfolio was about 3.4 years. As at 31 December 2009, about HK\$1,050 million or 27.0% of the outstanding debts will be due in less than two years. There will not be significant refinancing pressure on the Group in the near term, especially taking into account the level of cash and the undrawn committed facilities available to the Group. Hysan will continue to monitor the financial market closely to identify the appropriate time to secure borrowings to pre-finance maturing debts.

The debt maturity profile of the Group at 2008 and 2009 year end is as follows:



Liquidity Management

The Group always places great emphasis on liquidity management. Benefiting from the strong recurring cash flows from its business, the Group was in a favourable position to withstand the liquidity crunch in early 2009. In the first half of 2009, when counterparty risk mounted as the banking industry experienced stress, the Group increased its holding of short-term government bills and notes issued by the Hong Kong Monetary Authority and US Treasury to preserve both liquidity and security.

As at 31 December 2009, the Group had funds placed as cash and bank deposits totalling HK\$1,984 million (2008: HK\$1,015 million). All the deposits are placed with banks with strong credit ratings and the counterparty risk is monitored on a regular basis. Additional liquidity reserve is maintained in the form of highly liquid securities listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The market value of these securities amounted to HK\$997 million at the end of 2009 (2008: HK\$982 million).

Further liquidity, if needed, is available from the undrawn committed facilities offered by the Group’s relationship banks. These facilities, which amounted to HK\$2,250 million at 31 December 2009, essentially allow the Group to obtain additional liquidity as the needs arise.

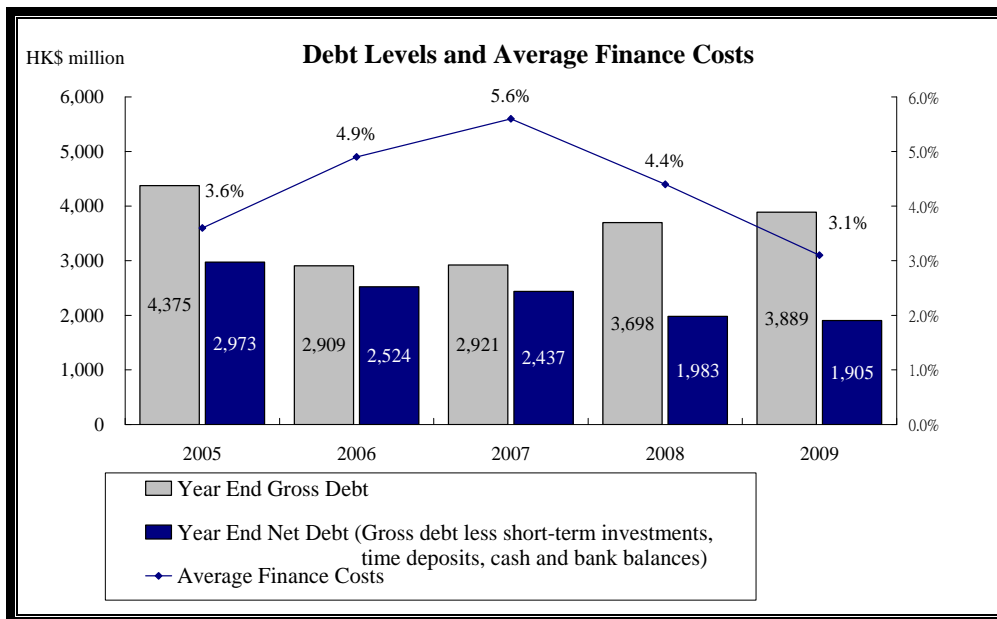
Interest Rate Management

Interest expenses account for a significant proportion of the Group’s total expenses and warrant close monitoring. Appropriate hedging strategies are adopted to manage exposure to projected movements in interest rate.

In tandem with the low Fed Fund target rate and ample liquidity in the interbank market of Hong Kong, the 3-month Hong Kong Inter-bank Offered Rate (“HIBOR”) hovered at a historical low level in 2009. As at 31 December 2009, 3-month HIBOR was fixed at 0.14%. The benefit of a low interest rate, however, was partly offset by the widened credit spreads in the credit market.

As at 31 December 2009, about 64.9% 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 4.4% in 2008 to 3.1% in 2009.

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\$51 million bank loans, 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\$31 million of deposits were denominated in US dollars and the investments have also been fully hedged against foreign exchange exposure. Other foreign exchange exposure mainly relates to investments in the overseas project in Shanghai. These foreign exchange exposures amounted to the equivalent of HK\$2,886 million or 6.6% of the total assets.

Use of Derivatives

As at 31 December 2009, all outstanding derivatives were related to the hedging of interest rate and foreign exchange exposures. Strict internal guidelines have been established to ensure derivatives are used mainly to manage volatilities or adjust the appropriate risk profile of the Group’s treasury assets and liabilities.

Before entering into any hedging transaction, the Group will ensure that its counterparty possesses strong investment-grade ratings to control credit risk. As part of our risk management, a limit on maximum risk-adjusted credit exposure is assigned to each counterparty which reflects 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 final results of the Group for the year ended 31 December 2009 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 statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2009 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 2009

	<u>Notes</u>	<u>2009</u> <i>HK\$ million</i>	<u>2008</u> <i>HK\$ million</i>
Turnover	3	1,680	1,638
Property expenses		(235)	(217)
Gross profit		1,445	1,421
Investment income		38	63
Other gains and losses		(3)	146
Administrative expenses		(133)	(134)
Finance costs		(131)	(155)
Change in fair value of investment properties		1,249	(212)
Share of results of associates		768	590
Profit before taxation		3,233	1,719
Taxation	5	(396)	(1)
Profit for the year	6	2,837	1,718
Profit for the year attributable to:			
Owners of the Company		2,716	1,594
Minority interests		121	124
		2,837	1,718
Earnings per share (expressed in HK cents)	7		
Basic		259.60	153.37
Diluted		259.50	153.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	<u>Note</u>	<u>2009</u> <i>HK\$ million</i>	<u>2008</u> <i>HK\$ million</i>
Profit for the year		<u>2,837</u>	<u>1,718</u>
<i>Other comprehensive income</i>	8		
Fair value gains (losses) on available-for-sale investments		37	(1,351)
Fair value gains (losses) on cash flow hedges		5	(28)
Gain on revaluation of properties held for own use		1	3
Share of translation reserve of an associate		<u>(1)</u>	<u>155</u>
Other comprehensive income (expense) for the year (net of tax)		<u>42</u>	<u>(1,221)</u>
Total comprehensive income for the year		<u><u>2,879</u></u>	<u><u>497</u></u>
Total comprehensive income attributable to:			
Owners of the Company		2,758	373
Minority interests		<u>121</u>	<u>124</u>
		<u><u>2,879</u></u>	<u><u>497</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	<u>Notes</u>	<u>2009</u> <i>HK\$ million</i>	<u>2008</u> <i>HK\$ million</i>
Non-current assets			
Investment properties		37,363	35,850
Property, plant and equipment		81	80
Prepaid lease payments		121	123
Investments in associates		2,517	1,750
Available-for-sale investments		1,002	1,022
Other financial assets		177	242
Other receivables		31	29
		41,292	39,096
Current assets			
Accounts receivable and other receivables	10	83	94
Amount due from an associate		369	590
Other financial assets		120	41
Short-term investments		-	700
Time deposits		1,945	964
Cash and bank balances		39	51
		2,556	2,440
Current liabilities			
Accounts payable and accruals	11	314	320
Rental deposits from tenants		127	158
Amounts due to minority shareholders		327	327
Borrowings		400	550
Taxation payable		45	351
		1,213	1,706
Net current assets		1,343	734
Total assets less current liabilities		42,635	39,830
Non-current liabilities			
Borrowings		3,491	3,201
Other financial liabilities		36	41
Rental deposits from tenants		273	230
Deferred taxation		3,881	3,648
		7,681	7,120
NET ASSETS		34,954	32,710
Capital and reserves			
Share capital		5,253	5,206
Reserves		28,415	26,263
Equity attributable to owners of the Company		33,668	31,469
Minority interests		1,286	1,241
TOTAL EQUITY		34,954	32,710

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 2008.

In the current year, the Group had applied a number of new and revised Standards, Amendments to Standards and Interpretations (“new and revised HKFRSs”) issued by the HKICPA.

Except as described below, the adoption of these new and revised HKFRSs had no material effect on the financial statements of the Group for the current and/or prior accounting years. Accordingly, no prior year adjustment has been required.

HKAS 1 (Revised 2007) – Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 – Operating Segments

HKFRS 8 is a disclosure Standard that has resulted in a disclosure of the Group’s reportable segments (see note 4).

Amendments to HKFRS 7 – Financial Instruments: Disclosures

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group have not early applied the following new and revised Standards, Amendments to Standards or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 27 (Revised)	Consolidated and Separate Financial Statement ¹
HKAS 32 (Amendment)	Classification of Rights Issues ⁴
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁵
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters ⁶
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁵
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁷

HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁶

¹ Effective for annual periods beginning on or after 1 July 2009.

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2011.

⁴ Effective for annual periods beginning on or after 1 February 2010.

⁵ Effective for annual periods beginning on or after 1 January 2010.

⁶ Effective for annual periods beginning on or after 1 July 2010.

⁷ Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” to be measured at either amortised cost or fair value. Specially, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 will affect the classification and measurement of the Group’s financial assets.

In addition, as part of “Improvements to HKFRSs 2009”, HKAS 17 “Leases” has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 will affect the classification and measurement of the Group’s leasehold land.

The Directors of the Company anticipate that the application of the other new and revised Standards, Amendments to Standards or Interpretations will have no material impact on the financial statements of the Group.

3. Turnover

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

The Group’s principal activities are property investment, management and development and its turnover and results are principally derived from investment properties located in Hong Kong.

4. Segment Information

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 “Segment Reporting”) required an entity to identify two sets of segment (business and geographical) using a risks and returns approach.

In the past, the Group's turnover and results are principally derived from investment properties located in Hong Kong, no business or geographical segment is therefore presented. However, information reported to the Group's management for the purpose of resource allocation and assessment of performance is specifically focused on the type of usage of space (e.g. commercial, residential) within the Group's properties portfolio as each type of usage has different tenant base and requires different marketing strategies. As such, the application of HKFRS 8 has resulted in a disclosure of the Group's reportable segments as follows:

Office segment – leasing of high quality office space and related facilities

Retail segment – leasing of space and related facilities to a variety of retail and leisure operators

Residential segment – leasing of luxury residential properties and related facilities

Segment turnover and results

The following is an analysis of the Group's turnover and results by reportable segment.

	<u>Office</u> <i>HK\$ million</i>	<u>Retail</u> <i>HK\$ million</i>	<u>Residential</u> <i>HK\$ million</i>	<u>Consolidated</u> <i>HK\$ million</i>
<u>For the year ended 31 December 2009</u>				
Turnover				
Gross rental income from investment properties	635	584	257	1,476
Management fee income	112	64	28	204
	<u>747</u>	<u>648</u>	<u>285</u>	<u>1,680</u>
Property expenses	(109)	(73)	(53)	(235)
Segment profits	<u><u>638</u></u>	<u><u>575</u></u>	<u><u>232</u></u>	<u><u>1,445</u></u>
Investment income				38
Other gains and losses				(3)
Administrative expenses				(133)
Finance costs				(131)
Change in fair value of investment properties				1,249
Share of results of associates				768
Profit before taxation				<u><u>3,233</u></u>
<u>For the year ended 31 December 2008</u>				
Turnover				
Gross rental income from investment properties	603	563	264	1,430
Management fee income	117	63	28	208
	<u>720</u>	<u>626</u>	<u>292</u>	<u>1,638</u>
Property expenses	(101)	(71)	(45)	(217)
Segment profits	<u><u>619</u></u>	<u><u>555</u></u>	<u><u>247</u></u>	<u><u>1,421</u></u>
Investment income				63
Other gains and losses				146
Administrative expenses				(134)
Finance costs				(155)
Change in fair value of investment properties				(212)
Share of results of associates				590
Profit before taxation				<u><u>1,719</u></u>

All of the segment turnover reported above is from external customers.

The accounting policies of the reporting segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of investment income, central administration costs and directors' salaries, other gains and losses, finance costs, change in fair value of investment properties and share of results of associates. This is the measure reported to the Group's management for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets by reportable segment.

	<u>Office</u> <i>HK\$ million</i>	<u>Retail</u> <i>HK\$ million</i>	<u>Residential</u> <i>HK\$ million</i>	<u>Consolidated</u> <i>HK\$ million</i>
<u>As at 31 December 2009</u>				
Segment assets	14,100	10,580	7,051	31,731
Investment properties under redevelopment				5,640
Investments in associates				2,517
Other assets				3,960
Consolidated assets				43,848
<u>As at 31 December 2008</u>				
Segment assets	13,602	10,156	6,832	30,590
Investment properties under redevelopment				5,270
Investments in associates				1,750
Other assets				3,926
Consolidated assets				41,536

Segment assets represented the fair value of investment properties and accounts receivable of each segment without allocation of property, plant and equipment, prepaid lease payments, investments in associates, amount due from an associate, financial instruments and other receivables. This is the measure reported to the Group's management for the purpose of monitoring segment performances and allocating resources between segments. The investment properties are included in segment assets at their fair values whilst the change in fair value of investment properties is not included in segment profits. No segment liabilities analysis is presented as the Group's management monitored and managed all the liabilities on a group basis.

Other than the investments in associates, which operated in the People's Republic of China and Singapore with carrying amounts of HK\$2,514 million and HK\$3 million respectively, all the Group's assets are located in Hong Kong.

Other segment information

	<u>Office</u> <i>HK\$ million</i>	<u>Retail</u> <i>HK\$ million</i>	<u>Residential</u> <i>HK\$ million</i>	<u>Consolidated</u> <i>HK\$ million</i>
<u>For the year ended 31 December 2009</u>				
Additions to non-current assets	33	42	2	77
Additions to investment properties under redevelopment				<u>184</u>
				<u><u>261</u></u>
<u>For the year ended 31 December 2008</u>				
Additions to non-current assets	39	201	8	248
Additions to investment properties under redevelopment				<u>107</u>
				<u><u>355</u></u>

5. Taxation

	<u>2009</u> <i>HK\$ million</i>	<u>2008</u> <i>HK\$ million</i>
Current tax		
Hong Kong profits tax		
- current year	161	166
- underprovision in prior years	2	26
- prior years' tax provision (<i>Note</i>)	-	72
	<u>163</u>	<u>264</u>
Deferred tax		
Change in fair value of investment properties	207	(28)
Other temporary differences	26	(12)
Attributable to change in tax rate	-	(223)
	<u>233</u>	<u>(263)</u>
	<u><u>396</u></u>	<u><u>1</u></u>

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Note:

As disclosed in the annual reports published in previous years, the Group had been in dispute for a considerable period of time with the Hong Kong Inland Revenue Department (the "IRD") on interest deductions made in years of assessment dating back to 1995/1996. Taking into consideration professional advice and recent developments, the Group entered into a settlement with the IRD. Total claim amount of HK\$450 million, which was fully provided at 31 December 2008, was settled during the year by cash payment of HK\$268 million and tax reserve certificates of HK\$182 million already purchased in prior years.

6. Profit For The Year

	<u>2009</u> <i>HK\$ million</i>	<u>2008</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	<u>1</u>	<u>-</u>
Depreciation of property, plant and equipment	<u>6</u>	<u>6</u>
Gross rental income from investment properties	(1,476)	(1,429)
Less:		
- Direct operating expenses arising from properties that generated rental income	231	214
- Direct operating expenses arising from properties that did not generate rental income	<u>4</u>	<u>3</u>
	<u>(1,241)</u>	<u>(1,212)</u>
Staff costs, comprising:		
- Directors' emoluments	17	17
- Share-based payments	2	2
- Other staff costs	<u>135</u>	<u>126</u>
	<u>154</u>	<u>145</u>
Share of income tax of an associate (included in share of results of associates)	<u>286</u>	<u>181</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 owners of the Company is based on the following data:

	<u>Earnings</u>	
	<u>2009</u> <i>HK\$ million</i>	<u>2008</u> <i>HK\$ million</i>
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	<u>2,716</u>	<u>1,594</u>
	<u>Number of shares</u>	
	<u>2009</u>	<u>2008</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,046,243,250	1,039,339,066
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	<u>384,981</u>	<u>73,471</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,046,628,231</u>	<u>1,039,412,537</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 of those options are higher than the average market price for shares for both 2009 and 2008.

(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 owners of the Company should be adjusted in the calculation of basic earnings per share as follows:

	2009		2008	
	Profit	Basic earnings per share	Profit	Basic earnings per share
	<i>HK\$ million</i>	<i>HK cents</i>	<i>HK\$ million</i>	<i>HK cents</i>
Profit for the year attributable to owners of the Company	2,716	259.60	1,594	153.37
Change in fair value of investment properties	(1,249)	(119.38)	212	20.40
Effect of deferred taxation on change in fair value of investment properties	207	19.78	(236)	(22.71)
Effect of minority interests' shares	45	4.30	43	4.14
Share of change in fair value of investment properties (net of deferred taxation) of an associate	(606)	(57.92)	(412)	(39.64)
Underlying profit attributable to owners of the Company	1,113	106.38	1,201	115.56
Net realised gain on disposal of available-for-sale investments	(3)	(0.29)	(166)	(15.97)
Prior years' tax provision	-	-	72	6.93
Gain on disposal of investment properties of an associate	-	-	(41)	(3.95)
Recurring underlying profit	1,110	106.09	1,066	102.57

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

8. Other Comprehensive Income

	<u>2009</u> <i>HK\$ million</i>	<u>2008</u> <i>HK\$ million</i>
Other comprehensive income comprises:		
Available-for-sale investments		
- Gains (losses) arising during the year	40	(1,165)
- Reclassification adjustments for the cumulative gain included in profit or loss upon disposal	(3)	(186)
	<u>37</u>	<u>(1,351)</u>
Cash flow hedges		
- Losses arising during the year	(12)	(31)
- Reclassification adjustments for losses included in profit or loss	17	3
	<u>5</u>	<u>(28)</u>
Gain on revaluation of properties held for own use	1	4
Share of translation reserve of an associate	(1)	155
Other comprehensive income (expense)	42	(1,220)
Income tax relating to components of other comprehensive income	-	(1)
Other comprehensive income (expense) for the year (net of tax)	<u>42</u>	<u>(1,221)</u>

9. Dividends

Dividends recognised as distribution during the year:

	<u>2009</u> <i>HK\$ million</i>	<u>2008</u> <i>HK\$ million</i>
2009 interim dividend paid – HK14 cents per share	147	-
2008 interim dividend paid – HK14 cents per share	-	146
2008 final dividend paid – HK54 cents per share	562	-
2007 final dividend paid – HK48 cents per share	-	498
	<u>709</u>	<u>644</u>

Dividends proposed after the end of the reporting period:

Final dividend proposed – HK54 cents per share (2008: HK54 cents per share)	<u>567</u>	<u>562</u>
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10. Accounts Receivable

Rents from leasing of investment properties are normally received in advance. At the end of the reporting period, accounts receivable of the Group with carrying amount of HK\$8 million (2008: HK\$10 million) mainly represented rents receipts in arrears, which were aged less than 90 days.

11. Accounts Payable

At the end of the reporting period, accounts payable of the Group with carrying amount of HK\$139 million (2008: HK\$90 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 contained in 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 compensation at Director level. 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 compensation at executive Director level is appropriate. The Company's Corporate Governance Guidelines provide for separate roles of Chairman and Chief Executive Officer. Peter T.C. LEE served as Chairman and Acting Chief Executive Officer until 17 October 2009. Sir David AKERS-JONES became Acting Chairman on 18 October 2009, and the Independent non-executive Chairman in January 2010. Gerry L.F. YIM was appointed Chief Executive Officer effective 10 March 2010. Further information on the Company's corporate governance practices are set out in the Corporate Governance Report contained in the Annual Report 2009.

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 2009 was 487. 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 2009.

Scrip Dividend Arrangement

A circular containing details of the scrip dividend and the form of election will be mailed to shareholders on or about Thursday, 13 May 2010. The scrip dividend alternative is conditional upon (1) the shareholders' approval of the 2009 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 Friday, 7 May 2010 to Tuesday, 11 May 2010, 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 Thursday, 6 May 2010. The final dividend will be paid to shareholders whose names appear on the register of members on Tuesday, 11 May 2010 and the payment date will be on or about Thursday, 3 June 2010.

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 Tuesday, 11 May 2010. 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 beginning of April 2010.

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

Hong Kong, 10 March 2010

*As at the date of this announcement, the Board comprises: **Independent non-executive Chairman** - Sir David AKERS-JONES; **Chief Executive Officer** – Gerry Lui Fai YIM; **Independent non-executive Directors** - Nicholas Charles ALLEN, Philip Yan Hok FAN, Fa-kuang HU (Raymond Liang-ming HU as his alternate), Joseph Chung Yin POON and Dr. Geoffrey Meou-tsen YEH; **Non-executive Directors** - Hans Michael JEBSEN (Kam Wing LI as his alternate), Anthony Hsien Pin LEE, Chien LEE, Michael Tze Hau LEE and Dr. Deanna Ruth Tak Yung RUDGARD; and **Executive Director** - 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 2009 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites around beginning of April 2010.