

To: Business/Property Editor

 Date: 9 March 2011
 For immediate release

**HYSAN DEVELOPMENT COMPANY LIMITED
2010 ANNUAL RESULTS**

HIGHLIGHTS

- Turnover up 5% with growth across core leasing activities
- Full-year dividends per share up 8.8%
- Steady growth expected for rest of the year
- Hysan Place on track for Q2 2012 opening

RESULTS

	Year ended 31 December		Change
	<u>2010</u>	<u>2009</u>	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>%</i>
Turnover	1,764	1,680	+5.0
Recurring Underlying Profit ¹	1,148	1,110	+3.4
Underlying Profit ²	1,148	1,113	+3.1
Statutory Profit ³	3,844	2,914*	+31.9
	<i>HK cents</i>	<i>HK cents</i>	
Earnings per share, based on:			
Recurring Underlying Profit ¹	109.15	106.09	+2.9
Underlying Profit ²	109.15	106.38	+2.6
Statutory Profit ³	365.47	278.52*	+31.2
Full-year dividends per share	74.00	68.00	+8.8
	At 31 December		
	<u>2010</u>	<u>2009</u>	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Shareholders' funds	40,677	37,216*	+9.3
	<i>HK\$</i>	<i>HK\$</i>	
Net assets value per share	38.61	35.42*	+9.0

* The amount has been restated due to changes in accounting policies.

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. 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). Accordingly, unrealised fair value changes on investment properties 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.

Note:

In prior years, adjusted shareholders' funds, arrived at by adding back the Group's share of cumulative deferred tax on property revaluation to shareholders' funds, were presented. Following the amendments to Hong Kong Accounting Standard 12 "Income Taxes" and Hong Kong Accounting Standard 17 "Leases" issued in 2010, the Group's share of cumulative deferred tax on property revaluation became immaterial and hence only shareholders' funds is presented afterwards.

HYSAN DEVELOPMENT RECORDED RECURRING UNDERLYING PROFIT OF HK\$1,148 MILLION IN 2010

Results

Hysan Development Company Limited (Stock Code: 00014) today (9 March 2011) announced the Group's **turnover** was HK\$1,764 million in 2010, representing an increase of 5.0% from HK\$1,680 million in 2009. The Group maintained revenue growth in its core property investment activities.

Recurring Underlying Profit, which measures the performance of the Group's core property investment business, was HK\$1,148 million, up 3.4% from HK\$1,110 million in 2009. **Underlying Profit**, which excludes unrealised changes in fair value of investment properties, was also HK\$1,148 million, an increase of 3.1% from HK\$1,113 million in 2009 when some gains from disposal of long-term assets was recorded. Both Recurring Underlying Profit and Underlying Profit increases reflected the improvement in gross profit generated from the Group's core leasing activities.

Statutory Profit, prepared in accordance with Hong Kong Financial Reporting Standards, was HK\$3,844 million (2009: HK\$2,914 million¹), and mainly due to higher valuation of the Group's investment properties. At the end of 2010, the external valuation of the Group's **investment property portfolio** was HK\$40,833 million (2009: HK\$37,363 million).

Due to the capitalisation of HK\$12 million interest expenses as part of the construction costs of Hysan Place, the Group's **finance costs** were reduced to HK\$117 million (2009: HK\$131 million), despite an increase of the Group's gross debt. The Group's **average finance costs** decreased to 2.7% from 3.1% in 2009.

Shareholders' funds were HK\$40,677 million in 2010 (2009: HK\$37,216 million¹).

Dividend

A final dividend of HK60 cents per share (2009: HK54 cents) was announced. Together with the interim dividend of HK14 cents per share (2009: HK14 cents), there is an aggregate distribution of HK74 cents per share. The dividend will be payable in cash with a scrip dividend alternative. The ex-dividend date will be 3 May 2011. Dividend warrants and definitive share certificates in respect of the scrip dividend will be dispatched on or about 2 June 2011. The share register will be closed from 5 May 2011 to 9 May 2011, both dates inclusive.

¹ The amount has been restated due to changes in accounting policies.

Financial Management

Hysan adhered to a policy of financial prudence and maintained a strong financial position.

Net interest coverage (defined as gross profit less administrative expenses before depreciation divided by net interest expenses) improved to 14.0 times in 2010 (2009: 11.7 times).

Net debt to equity (defined as borrowings less time deposits, cash and bank balances divided by shareholders' funds) as at 31 December 2010 was 6.4% (31 December 2009: 5.1%).

Total gross debt was HK\$4,540 million as at the end of 2010 (31 December 2009: HK\$3,889 million). All the outstanding debts of the Group are on an unsecured basis.

Average debt maturity as at 31 December 2010 was about 4.3 years (31 December 2009: 3.4 years) with HK\$650 million repayable within one year, HK\$1,357 million repayable in more than one year but not exceeding two years, HK\$1,298 million repayable in more than two years but not exceeding five years and HK\$1,235 million repayable beyond five years.

Floating rate debt was 53.6% (31 December 2009: 64.9%) of the total debt as at the year end.

To ensure sufficient liquidity for the Group's operations, the Group maintained **undrawn committed facilities** of HK\$2,550 million as at 31 December 2010 (31 December 2009: HK\$2,250 million).

Credit Ratings

The Group maintained its investment-grade credit ratings of Baa1 as rated by Moody's and BBB as rated by Standard and Poor's in 2010.

**COMMENTS BY SIR DAVID AKERS-JONES,
INDEPENDENT NON-EXECUTIVE CHAIRMAN**

We expect Grade “A” office rentals in the core districts to continue to improve during the year. Against this background, we shall be renewing leases negotiated during the 2008 rental peak. The retail segment should continue to benefit from good retail sales and inbound tourists. Our performance is expected to experience steady growth as a whole.

**COMMENTS ON OPERATIONS BY GERRY YIM,
CHIEF EXECUTIVE OFFICER**

Office Sector

There was a 3.1% increase in office sector revenue in 2010 (2010: HK\$770 million; 2009: HK\$747 million). The sector’s occupancy rate, as at 2010 year end, was 95% (31 December 2009: 89%). Rental reversion on renewals and new lettings remained generally positive for the portfolio as a whole in 2010.

“We successfully improved our occupancy,” said Mr. Yim. “In 2010, we achieved more than 320,000 square feet of office space new lettings. Around 44% of the new-let space was taken by banking and finance sector tenants, with other major tenant groups being professional services and high-end retailers.”

“The top five industry categories within our office tenant mix by area leased are: Insurance, Professionals, Banking and Finance, Semi-Retail and High-End Retailers, at 2010 year end. These tenants all treasure Causeway Bay’s locational advantages.”

“On asset enhancement, Leighton Centre underwent office lobby renovations and improvements in other public areas. Those were well received,” said Mr. Yim.

Retail Sector

The retail sector revenue increased by 8.0% (2010: HK\$700 million; 2009: HK\$648 million). The occupancy was 96% at 2010 year end (31 December 2009: 99%). It was virtually fully let, excluding Leighton Centre retail units which were being renovated.

“Better consumer sentiment stemming from the improved economy, as well as Mainland China visitors spending have buoyed retail sales,” said Mr. Yim.

“Against this background, we also strengthened our marketing activities for both local shoppers and tourists, including events and promotions for local shoppers, as well as targeted tourist advertising and joint promotions. We also optimised our tenant mix by recruiting more renowned brands into our retail portfolio, especially in the Lee Gardens hub.”

“It must be noted that Mainland tourist spending in the Lee Gardens and Lee Gardens Two increased by more than 60% in 2010, when compared to the year before.”

“In fact, the retail tenants’ turnover in the Lee Gardens and Lee Gardens Two increased by 25% in 2010, while Hong Kong’s total retail sales revenue went up by 18% in comparison.”

“Our Leighton Centre retail podium renovations will see significant improvement in the retail atmosphere there. At One Hysan Avenue, fashion retailer I.T will soon open its 30,000 square foot shop.”

“The reinvigorated Lee Theatre Plaza hub will pursue a stylish and chic, fashion forward character, whereas the Lee Gardens hub will maintain an elegant and luxury image.”

Residential Sector

The residential sector’s turnover increased by 3.2% (2010: HK\$294 million; 2009: HK\$285 million). Residential sector occupancy rate was 94% at 2010 year end (31 December 2009: 92%).

“The turnover growth reflected the success of our strategy in improving occupancy, offsetting the effect of negative rental reversion for most of the year when compared with 2008 peak.”

“The improvement in occupancy can be attributed to our strengthened marketing strategy, supported by renovations of units with eco-friendly themes, which were well received by the market,” said Mr. Yim. “Enhanced services and clubhouse activities for tenants also helped to further improve tenant retention.”

Hysan Place

Construction works remain on schedule for Hysan Place, with a grand opening for the shopping mall in the second quarter of 2012. The approximate gross floor area for the building is 710,000 square feet, including 15 floors for office use and 17 floors for retail.

“Hysan Place will play a significant strategic role both for our office and retail portfolio’s development,” said Mr. Yim.

“It will be an important part of Hysan’s office cluster evolution, with top quality building specifications and full harbour views from all office floors.”

“Retail-wise, it is also significant for the portfolio both in terms of size and tenant mix. It will in fact increase the retail portfolio by 50% in gross floor area. The shops will concentrate on youthfulness and trendiness, with many international brands new to Hong Kong.”

“Leasing on the retail portions started late in 2010, and around 25% of retail space was leased by the end of the year. Office space pre-marketing has also commenced. The office and retail show suites are to be opened for viewing in March.”

“Hysan Place is also Hong Kong’s most sustainable commercial building, on track for highest standards both for the United States Green Building Council’s LEED and Hong Kong’s BEAM.”

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For enquiries, please contact:

Mark Tung
Head of Corporate Communications
Hysan Development Company Limited
Tel: (852) 2830 5154 Fax: (852) 2577 5219
E-mail: mark.tung@hysan.com.hk

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	<u>Notes</u>	<u>2010</u> <i>HK\$ million</i>	As restated <u>2009</u> <i>HK\$ million</i>
Turnover	3	1,764	1,680
Property expenses		(250)	(235)
Gross profit		1,514	1,445
Investment income		49	38
Other gains and losses		(42)	(3)
Administrative expenses		(140)	(133)
Finance costs		(117)	(131)
Change in fair value of investment properties		2,594	1,249
Share of results of associates		394	768
Profit before taxation		4,252	3,233
Taxation	5	(201)	(189)
Profit for the year	6	4,051	3,044
Profit for the year attributable to:			
Owners of the Company		3,844	2,914
Non-controlling interests		207	130
		4,051	3,044
Earnings per share (expressed in HK cents)	7		
Basic		365.47	278.52
Diluted		365.16	278.42

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the year ended 31 December 2010*

	<u>Note</u>	<u>2010</u> <i>HK\$ million</i>	As restated <u>2009</u> <i>HK\$ million</i>
Profit for the year		4,051	3,044
Other comprehensive income:	8		
Fair value gains on available-for-sale investments		150	37
Net (losses) gains on cash flow hedges		(22)	5
Gain on revaluation of properties held for own use		29	9
Share of translation reserve of an associate		103	(1)
Other comprehensive income for the year (net of tax)		260	50
Total comprehensive income for the year		4,311	3,094
Total comprehensive income attributable to:			
Owners of the Company		4,104	2,964
Non-controlling interests		207	130
		4,311	3,094

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	At 31 Dec 2010 <i>HK\$ million</i>	As restated At 31 Dec 2009 <i>HK\$ million</i>	As restated At 1 Jan 2009 <i>HK\$ million</i>
Non-current assets				
Investment properties		40,833	37,363	35,850
Property, plant and equipment		429	396	387
Investments in associates		3,014	2,517	1,750
Principal-protected investments		378	82	85
Term notes		168	-	-
Available-for-sale investments		1,152	1,002	1,022
Other financial assets		90	95	157
Other receivables		79	31	29
		<u>46,143</u>	<u>41,486</u>	<u>39,280</u>
Current assets				
Accounts receivable and other receivables	10	98	83	94
Amount due from an associate		139	369	590
Principal-protected investments		84	118	40
Term notes		95	-	700
Other financial assets		2	2	1
Time deposits		1,930	1,945	964
Cash and bank balances		63	39	51
		<u>2,411</u>	<u>2,556</u>	<u>2,440</u>
Current liabilities				
Accounts payable and accruals	11	433	314	320
Rental deposits from tenants		175	127	158
Amounts due to non-controlling interests		327	327	327
Borrowings		650	400	550
Taxation payable		50	45	351
		<u>1,635</u>	<u>1,213</u>	<u>1,706</u>
Net current assets		<u>776</u>	<u>1,343</u>	<u>734</u>
Total assets less current liabilities		<u>46,919</u>	<u>42,829</u>	<u>40,014</u>
Non-current liabilities				
Borrowings		3,937	3,491	3,201
Other financial liabilities		52	36	41
Rental deposits from tenants		276	273	230
Deferred taxation		337	297	269
		<u>4,602</u>	<u>4,097</u>	<u>3,741</u>
NET ASSETS		<u>42,317</u>	<u>38,732</u>	<u>36,273</u>
Capital and reserves				
Share capital		5,267	5,253	5,206
Reserves		35,410	31,963	29,605
Equity attributable to owners of the Company		<u>40,677</u>	<u>37,216</u>	<u>34,811</u>
Non-controlling interests		1,640	1,516	1,462
TOTAL EQUITY		<u>42,317</u>	<u>38,732</u>	<u>36,273</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 2009, except for the changes set out below.

In the current year, the Group has applied all of the new and revised Standards, Amendments to Standards and Interpretations (“new and revised HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for the financial year beginning on 1 January 2010. In addition, the Group has early adopted the amendments to HKAS 12 “Income Taxes”, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40 “Investment Property”.

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.

Amendments to HKAS 17 “Leases”

As part of Improvements to HKFRSs issued in 2009, HKAS 17 “Leases” has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. The amendments to HKAS 17 require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not risks and rewards incidental to ownership of a leased asset have been transferred substantially to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of these leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments to property, plant and equipment and has been measured using the revaluation model on a retrospective basis. The application of the amendments has had no significant financial impact to the Group’s consolidated income statements for the current and prior periods.

Amendments to HKAS 12 “Income Taxes”

Amendments to HKAS 12 titled “Deferred Tax: Recovery of Underlying Assets” have been applied in advance of their effective date (annual periods beginning on or after 1 January 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment Property” are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances.

As a result, the Group’s investment properties that are measured using the fair value model have been presumed to be recovered through sale for the purpose of measuring deferred tax liabilities and deferred tax assets in respect of such properties. This resulted in deferred tax liabilities being decreased by HK\$3,409 million and HK\$3,616 million as at 1 January 2009 and 31 December 2009 respectively, with the corresponding adjustment being recognised in retained profits.

In the current year, no deferred tax has been provided for in respect of changes in fair value of such investment properties, whereas previously deferred tax liabilities were provided for in relation to the changes in fair value of such investment properties. The application of the amendments has resulted in profit for the year being increased by HK\$426 million.

Summary of the effects of the above changes in accounting policies

(a) The effects of changes in accounting policies described above on the results for the current and prior years by line items are as follows:

	2010 <i>HK\$ million</i>	2009 <i>HK\$ million</i>
Decrease in taxation and increase in profit for the year	426	207
Increase in profit for the year attributable to owners of the Company	406	198

(b) The effects of the above changes in accounting policies on the financial positions of the Group as at 1 January 2009 and 31 December 2009 is as follows:

	At 31 Dec 2009				At 1 Jan 2009			
	Originally stated <i>HK\$ million</i>	Amendments to HKAS 12 <i>HK\$ million</i>	Amendments to HKAS 17 <i>HK\$ million</i>	Restated <i>HK\$ million</i>	Originally stated <i>HK\$ million</i>	Amendment to HKAS 12 <i>HK\$ million</i>	Amendments to HKAS 17 <i>HK\$ million</i>	Restated <i>HK\$ million</i>
Property, plant and equipment	81	-	315	396	80	-	307	387
Prepaid lease payments	121	-	(121)	-	123	-	(123)	-
Deferred taxation	(3,881)	3,616	(32)	(297)	(3,648)	3,409	(30)	(269)
Total effects on net assets	(3,679)	3,616	162	99	(3,445)	3,409	154	118
Properties revaluation reserve	13	-	162	175	12	-	154	166
Retained profits	25,373	3,386	-	28,759	23,361	3,188	-	26,549
Non-controlling interests	(1,286)	(230)	-	(1,516)	(1,241)	(221)	-	(1,462)
Total effects on equity	24,100	3,156	162	27,418	22,132	2,967	154	25,253

(c) The effects of the above changes in accounting policies on the Group's basic and diluted earnings per share for the current and prior years are as follows:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	<u>2010</u> <i>HK cents</i>	<u>2009</u> <i>HK cents</i>	<u>2010</u> <i>HK cents</i>	<u>2009</u> <i>HK cents</i>
Figures before adjustments	326.87	259.60	326.59	259.50
Adjustments arising from changes in the Group's accounting policies in relation to:				
Deferred tax for investment properties	38.60	18.92	38.57	18.92
Figures after adjustments	365.47	278.52	365.16	278.42

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 ¹
HKAS 24 (as revised in 2009)	Related Party Disclosures ²
HKAS 32 (Amendments)	Classification of Rights Issues ³
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ⁴
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ²
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁶

¹ Amendments that are effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 January 2011.

³ Effective for annual periods beginning on or after 1 February 2010.

⁴ Effective for annual periods beginning on or after 1 July 2011.

⁵ Effective for annual periods beginning on or after 1 January 2013.

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

HKFRS 9 “Financial Instruments” (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 “Financial Instruments” (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors of the Company anticipate that HKFRS 9 will be adopted in the financial statements for the year ending 31 December 2011 and that the application of HKFRS 9 may affect the classification and measurement of the Group's available-for-sale investments. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

Other than as described above, the Directors of the Company anticipate that the application of the other new and revised Standards, Amendments to Standards and Interpretations will have no material impact on the results and the financial position 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

Based on the internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. Chief Executive Officer of the Group) in order to allocate resources to segments and to assess their performance, the Group's reportable segments are 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 2010</u>				
Turnover				
Gross rental income from investment properties	654	636	264	1,554
Management fee income	116	64	30	210
	<u>770</u>	<u>700</u>	<u>294</u>	<u>1,764</u>
Property expenses	(119)	(81)	(50)	(250)
	<u>651</u>	<u>619</u>	<u>244</u>	<u>1,514</u>
Investment income				49
Other gains and losses				(42)
Administrative expenses				(140)
Finance costs				(117)
Change in fair value of investment properties				2,594
Share of results of associates				394
Profit before taxation				<u>4,252</u>

	<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
	<hr/>	<hr/>	<hr/>	<hr/>
Segment revenue	747	648	285	1,680
Property expenses	(109)	(73)	(53)	(235)
	<hr/>	<hr/>	<hr/>	<hr/>
Segment profit	638	575	232	1,445
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
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
				<hr/>
Profit before taxation				3,233
				<hr/> <hr/>

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the "Significant Accounting Policies" section. 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 2010</u>				
Segment assets	14,708	11,900	7,822	34,430
Investment properties under redevelopment				6,408
Investments in associates				3,014
Other assets				4,702
				<hr/>
Consolidated assets				48,554
				<hr/> <hr/>
<u>As at 31 December 2009 (restated)</u>				
Segment assets	14,100	10,580	7,051	31,731
Investment properties under redevelopment				5,640
Investments in associates				2,517
Other assets				4,154
				<hr/>
Consolidated assets				44,042
				<hr/> <hr/>

	<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 1 January 2009 (restated)</u>				
Segment assets	13,602	10,156	6,832	30,590
Investment properties under redevelopment				5,270
Investments in associates				1,750
Other assets				4,110
Consolidated assets				<u>41,720</u>

Segment assets represented the fair value of investment properties and accounts receivable of each segment without allocation of property, plant and equipment, 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 profit. No segment liabilities analysis is presented as the Group's management monitors and manages all the liabilities on a group basis.

Other than the investments in associates, which operated in the People's Republic of China (the "PRC") and Singapore with carrying amounts of HK\$3,011 million (2009: HK\$2,514 million) and HK\$3 million (2009: 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 2010</u>				
Additions to non-current assets	88	326	10	424
Additions to investment properties under redevelopment				502
				<u>926</u>
<u>For the year ended 31 December 2009</u>				
Additions to non-current assets	33	42	2	77
Additions to investment properties under redevelopment				184
				<u>261</u>

5. Taxation

	<u>2010</u> <i>HK\$ million</i>	As restated <u>2009</u> <i>HK\$ million</i>
Current tax		
Hong Kong profits tax		
- current year	172	161
- (overprovision) underprovision in prior years	(6)	2
	<u>166</u>	<u>163</u>
Deferred tax	<u>35</u>	<u>26</u>
	<u>201</u>	<u>189</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

6. Profit For The Year

	<u>2010</u> <i>HK\$ million</i>	As restated <u>2009</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>
Depreciation of property, plant and equipment	<u>8</u>	<u>7</u>
Gross rental income from investment properties	(1,554)	(1,476)
Less:		
- Direct operating expenses arising from properties that generated rental income	247	231
- Direct operating expenses arising from properties that did not generate rental income	3	4
	<u>(1,304)</u>	<u>(1,241)</u>
Staff costs, comprising:		
- Directors' emoluments	14	17
- Share-based payments	4	2
- Other staff costs	147	135
	<u>165</u>	<u>154</u>
Share of income tax of an associate (included in share of results of associates)	<u>153</u>	<u>286</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>2010</u>	As restated
	<i>HK\$ million</i>	<u>2009</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>3,844</u>	<u>2,914</u>
	<u>Number of shares</u>	
	<u>2010</u>	<u>2009</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,051,785,240	1,046,243,250
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	<u>900,002</u>	<u>384,981</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,052,685,242</u>	<u>1,046,628,231</u>

For 2009, the computation of diluted earnings per share did not assume the exercise of certain of the Company's outstanding share options as the exercise prices of those options were higher than the average market price for shares.

(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:

	2010		As restated 2009	
	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	3,844	365.47	2,914	278.52
Change in fair value of investment properties	(2,594)	(246.63)	(1,249)	(119.38)
Effect of non-controlling interests' shares	125	11.89	54	5.16
Share of change in fair value of investment properties (net of deferred taxation) of an associate	(227)	(21.58)	(606)	(57.92)
Underlying profit attributable to owners of the Company	1,148	109.15	1,113	106.38
Net realised gain on disposal of available-for-sale investments	-	-	(3)	(0.29)
Recurring underlying profit	1,148	109.15	1,110	106.09

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

8. Other Comprehensive Income

	<u>2010</u> <i>HK\$ million</i>	As restated <u>2009</u> <i>HK\$ million</i>
Other comprehensive income comprises:		
Available-for-sale investments:		
- Gains arising during the year	150	40
- Reclassification adjustments for the cumulative gain included in profit or loss upon disposal	-	(3)
	<u>150</u>	<u>37</u>
Cash flow hedges:		
- Losses arising during the year	(40)	(12)
- Reclassification adjustments for losses included in profit or loss	18	17
	<u>(22)</u>	<u>5</u>
Gain on revaluation of properties held for own use	34	11
Share of translation reserve of an associate	103	(1)
Other comprehensive income	265	52
Income tax relating to components of other comprehensive income	(5)	(2)
Other comprehensive income for the year (net of tax)	<u>260</u>	<u>50</u>

9. Dividends

Dividends recognised as distribution during the year:

	<u>2010</u> <i>HK\$ million</i>	<u>2009</u> <i>HK\$ million</i>
2010 interim dividend paid – HK14 cents per share	147	-
2009 interim dividend paid – HK14 cents per share	-	147
2009 final dividend paid – HK54 cents per share	567	-
2008 final dividend paid – HK54 cents per share	-	562
	<u>714</u>	<u>709</u>
Dividends proposed after the end of the reporting period:		
Final dividend proposed – HK60 cents per share (2009: HK54 cents per share)	<u>632</u>	<u>567</u>

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\$5 million (2009: HK\$8 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\$229 million (2009: HK\$139 million) were aged less than 90 days.