

NEWS RELEASE

To: Business/Property Editor

Date: 10 March 2009

For immediate release

**HYSAN DEVELOPMENT COMPANY LIMITED
2008 ANNUAL RESULTS**

Highlights

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

Results

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

Definitions:

1. Recurring Underlying Profit

This is a performance indicator of the Group's core property investment business. It is arrived at by excluding from Underlying Profit gains/losses from disposal of assets, impairment, reversal, recovery and tax provisions for prior year(s).

2. Underlying Profit

This is arrived at by excluding from Statutory Profit unrealised fair value changes on investment properties and related deferred tax. As a property investor, the Group's results are principally derived from the rental revenues on its investment properties. The inclusion of the unrealised fair value change on investment properties in the consolidated income statement causes an increase in fluctuation in earnings and poses limitation on the use of the unadjusted earning figures, financial ratios, trends and comparison against prior period(s). Besides, deferred tax on such fair value changes has to be provided for despite the fact that no capital gain tax liability will arise in Hong Kong on disposal of the Group's investment properties. Accordingly, both of these two items are excluded in arriving at the Underlying Profit.

3. Statutory Profit

This is the profit attributable to equity holders of the Company. It is prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance.

4. Adjusted Shareholders' Funds

This is arrived at by adding back the Group's share of cumulative deferred tax on property revaluation to shareholders' funds figure. Deferred tax on property revaluation has to be provided for despite the fact that no capital gains tax liability will arise in Hong Kong on disposal of properties.

**HYSAN DEVELOPMENT TURNOVER
UP 19.7% TO HK\$1,638 MILLION**

Results

Hysan Development Company Limited (Stock Code: 00014) today (10 March 2009) announced the Group's **turnover** for 2008 increased by 19.7% to HK\$1,638 million (2007: HK\$1,368 million). The Group achieved another year of good operating performance. For the office sector, the growth was attributable mainly to positive rental reversion on renewals throughout the year, as well as the contribution from new tenants and the expansion of existing tenants requiring more space. The retail sector benefited from good local consumption growth, which helped rental rate increases and contributed to turnover rent.

Recurring Underlying Profit, which measures the performance of the Group's core property investment business, increased by 12.2% to HK\$1,066 million (2007: HK\$950 million). This reflected our more prudent financial investment strategy in light of the market conditions.

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

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

Finance costs were reduced by 11.4% to HK\$155 million (2007: HK\$175 million). This was mainly due to a lower interest rate environment in 2008 compared with that of 2007. The average finance costs were 4.4% in 2008, compared with 5.6% in 2007.

Taxation for the year dropped significantly to HK\$1 million (2007: HK\$745 million). This was due primarily to the reduction in deferred tax provision arising from the revaluation on investment properties. The tax effect on change in Hong Kong profits tax rate from 17.5% to 16.5% also made the Group's taxation for the year decrease.

As at 31 December 2008, the **investment properties** of the Group were revalued at HK\$35,850 million (31 December 2007: HK\$35,711 million), by an independent professional valuer. In year 2007, substantial fair value gain of HK\$3,131 million was recorded. While the external valuation of the Group's investment property portfolio actually increased, the Group incurred capital expenditures for investment properties during the year. This results in a slight decrease in fair value of HK\$212 million recognised in the consolidated income statement.

Shareholders' funds were HK\$31,469 million in 2008 (2007: HK\$31,652 million).

Adjusted Shareholders' Funds were HK\$34,660 million in 2008 (2007: HK\$35,072 million).

Dividend

A final **dividend** of HK 54.0 cents per share (2007: HK48.0 cents) was announced. Together with the interim dividend of HK14.0 cents per share (2007: HK12.0 cents), there is an aggregate distribution of HK68.0 cents per share, representing a year-on-year increase of 13.3%. The dividend will be payable in cash with a scrip dividend alternative. The ex-dividend date will be 12 May 2009, dividend warrants and definitive share certificates in respect of the scrip dividend will be dispatched on or about 9 June 2009. The share register will be closed from 14 May 2009 to 18 May 2009, both dates inclusive.

Financial Management

The global financial markets experienced unprecedented turmoil in 2008. Hysan adhered to a policy of financial prudence and maintained a strong balance sheet.

Net interest coverage (defined as gross profit less administrative expenses before depreciation divided by net interest expenses) improved to 10.2 times for 2008 (2007: 7.8 times).

Net debt to equity (defined as borrowings less cash and cash equivalents divided by Adjusted Shareholders' Funds) as at 31 December 2008 improved to 5.9% (31 December 2007: 6.8%).

Total gross debt was HK\$3,698 million as at the end of 2008 (31 December 2007: HK\$2,921 million). New borrowings, amounting to HK\$765 million, raised in 2008 through notes issued from the Medium Term Notes Programme and from a bank loan will be sufficient to refinance the maturing debt in 2009.

Average debt maturity as at 31 December 2008 was about 3.9 years (31 December 2007: 4.0 years) (gross debt repayable in not exceeding one year: HK\$550 million; more than one year but not exceeding two years: HK\$70 million; more than two years but not exceeding five years: HK\$2,270 million; more than five years: HK\$808 million).

Fixed rate borrowing was approximately 40.5% of the total debt as at the year end (31 December 2007: 39.9%).

All Group debts are unsecured and on a committed basis. To ensure sufficient liquidity for the Group's operations, the Group maintained undrawn committed facilities of HK\$3,550 million as at 31 December 2008 (31 December 2007: HK\$3,600 million).

Credit Ratings

Credit ratings, as at 31 December 2008 remained unchanged, being Baa1 from Moody's and BBB from Standard and Poor's.

COMMENT BY PETER T.C. LEE, CHAIRMAN

“The global economic outlook will remain negative in 2009, and Hong Kong’s real economy is to be further impacted,” said Mr. Peter T.C. Lee.

“Hysan will inevitably be affected by the overall environment. However, the longer-term contractual nature of our core leasing business, and our balanced tenant base with no undue dependence on any particular business sector, mean that we should be more resilient during these challenging times.”

Comments on Operations

The Group continued to enjoy good performance across all leasing sectors in which it operated.

Office Sector

There was a 24.0% increase in office sector revenue in 2008 (2008: HK\$703 million; 2007: HK\$567 million). Occupancy at 31 December 2008 was 97.5% (2007: 96.6%).

“Despite the local economic conditions, we expect positive rental reversion on renewals to continue,” said Mr. Lee.

“Furthermore, our balanced tenant base means no single industry sector takes up more than 25% of our office portfolio’s floor area, and not relying on any individual sector gives us more resilience during these times.”

Retail Sector

The retail sector revenue increased by 20.4% (2008: HK\$608 million; 2007: HK\$505 million), while the occupancy remained high at 97.4% (2007: 97.8%).

“Causeway Bay has been and will be Hong Kong’s unique shopping and entertainment district,” said Mr. Lee.

“Tourists visiting Hong Kong, especially from Mainland China, continued to increase in 2008 supporting the local retail market. We will expand our efforts to market our retail portfolio through a variety of channels to further attract overseas visitors.”

Residential Sector

Demand for Hong Kong’s luxury residential properties from expatriates, especially from the financial sector, has weakened towards the end of the year. The rental revenue for the sector in 2008 was HK\$292 million, representing an increase of 11.5% (2007: HK\$262 million). However, the occupancy for the sector at 31 December 2008 was still at 89.6% amidst such challenging environment (2007: 90.2%).

Hennessy Centre Redevelopment

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

"We have been and will continue to develop our portfolio in Causeway Bay as a distinct community," said Mr. Lee.

"We can do this well as we have a critical mass of properties in the prime commercial district of Causeway Bay. You can see it having a right balance of offices, retail shops, food and beverage, as well as entertainment outlets. 500 Hennessy Road, as the northern gateway, will further contribute to the development of this community."

Hysan Development is a leading property investment, management and development company in Hong Kong, with a major portfolio in high-quality office, retail and residential properties. It is the largest commercial landlord in the prime office/retail Causeway Bay district.

- ends -

This press release and other corporate information can also be found at: www.hysan.com.hk or www.irasia.com/listco/hk/hysan/index.htm

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

HYSAN DEVELOPMENT COMPANY LIMITED
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

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

CONSOLIDATED BALANCE SHEET

At 31 December 2008

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

Notes:

1. Basis of Preparation

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

2. Principal Accounting Policies

The principal accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

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

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

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

3. Turnover

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

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

4. Taxation

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

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

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

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

5. Profit For The Year

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

Note:

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

6. Dividends

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

7. Earnings Per Share

(a) Basic and diluted earnings per share

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

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

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices are higher than the average market price per share.

(b) Adjusted basic earnings per share

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

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

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

8. Accounts Receivable

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

9. Accounts Payable

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