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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 2010

- 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		
	<u>2010</u>	<u>2009</u>	<u>Change</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.

CHAIRMAN'S STATEMENT

Overview

The economy of Hong Kong saw its recovery taking shape in 2010, despite uncertainties in global economies including the United States and Europe. Core district Grade "A" office rental levels and occupancy both saw improvements from the market troughs experienced during 2009. Local retail sales continued to perform well, reflecting better consumer sentiment and a remarkable inflow of tourists from the Mainland. These factors helped to create a positive environment for retail rental growth.

Our Performance

The Group's 2010 turnover was HK\$1,764 million, an increase of 5.0% from HK\$1,680 million in 2009. Growth was recorded across our core leasing business. The retail sector recorded 8.0% turnover growth, while that of the office sector was 3.1%. The residential sector's turnover increase was 3.2%. The office sector saw occupancy improving to 95%, while the retail sector was virtually fully let except for those Leighton Centre retail units that were being renovated. The residential sector occupancy was at 94%.

Recurring Underlying Profit, the key measurement of our core leasing business performance, was HK\$1,148 million, an increase of 3.4% from HK\$1,110 million in 2009. Our 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 were recorded. These figures reflected the improvement in gross profit generated from our core leasing activities. Basic earnings per share based on Recurring Underlying Profit correspondingly rose to HK109.15 cents (2009: HK106.09 cents).

Statutory Profit, prepared in accordance with Hong Kong Financial Reporting Standards, was HK\$3,844 million (2009: HK\$2,914 million¹), mainly due to the higher valuation of the Group's investment properties. The external valuation of the Group's investment property portfolio increased to HK\$40,833 million, an increase of 9.3% from HK\$37,363 million in 2009. Shareholders' funds also rose by 9.3% to HK\$40,677 million (2009: HK\$37,216 million¹).

Our financial position remains strong, with improved net interest coverage of 14.0 times (2009: 11.7 times) and net debt to equity ratio of 6.4% (2009: 5.1%).

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

The Board of Directors (the “Board”) recommends the payment of a final dividend of HK60 cents per share (2009: HK54 cents). Together with the interim dividend of HK14 cents per share (2009: HK14 cents), there is an aggregate distribution of HK74 cents per share, representing a year-on-year increase of 8.8%. Subject to shareholder approval, the final dividend will be payable in cash with a scrip dividend alternative.

Platform for Growth

Year 2010 was a year of progress for Hysan. Despite challenges in the economic environment at the beginning of the year, we achieved our near-term objectives of improving occupancy and revenue. They were achieved through making our locations more attractive and by better understanding our customers and meeting their needs. Hysan Place, our latest development project, is on schedule for a grand opening in the second quarter of 2012. The completion of the project will bring Hysan to another level in terms of commercial success, design and sustainability. Together, we are building a platform for growth to further enhance Hysan’s longer-term competitiveness.

Board and People

I have served this Board for over 20 years and shall step down at the conclusion of the May Annual General Meeting. I am pleased to announce that Irene Yun Lien LEE, who brings with her extensive corporate and commercial experience, has been appointed the new non-executive Chairman to take over from me. Deanna Ruth Tak Yung LEE RUDGARD has also decided to step down in May, having served the Board for 18 years. Siu Chuen LAU, who has served as her alternate, will join as a new non-executive Director.

I would like to thank my fellow Board members for their steadfast contribution to the Group and their fellowship to me throughout the years. My special thanks to Fa-Kuang HU and Geoffrey YEH, who stepped down during the year, for their wise counsel throughout their long tenure. I would also like to welcome our new directors who will bring fresh perspectives to the Board to help map our future direction. Finally, I should like to express my heartfelt thanks to the management team and all our staff members for their support, their dedication and their hard work.

Outlook

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.

David AKERS-JONES

Independent non-executive Chairman

Hong Kong, 9 March 2011

MANAGEMENT’S DISCUSSION AND ANALYSIS

(A) Operations and Financial Review

Hysan is principally engaged, together with its subsidiaries and associates, in investment, development and management of quality properties in prime locations. As at 31 December 2010, Hysan’s investment property interests totalled some 3.8 million gross square feet of high-quality office, retail and residential space in Hong Kong, excluding Hysan Place at 500 Hennessy Road, which is currently under redevelopment.

2010 Performance

The Group’s turnover continued to grow and recorded HK\$1,764 million in 2010, representing an increase of 5.0% from HK\$1,680 million in 2009. There were good performances across all leasing sectors of the Group.

Recurring Underlying Profit (the key measurement of the Group's core leasing business), which is arrived at principally by excluding from Underlying Profit gains on disposal of long-term assets, was HK\$1,148 million, up 3.4% from HK\$1,110 million in 2009. As there was no gain from disposal of long-term assets during the year, our Underlying Profit, which is arrived at by excluding from Statutory Profit changes in fair value of investment properties, was also HK\$1,148 million. Both principally reflected the improvement in gross profit generated from our core leasing activities.

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

Turnover Growth	Occupancy Rate	Property Expenses	Property Expenses as a Percentage of Turnover
<u>How is it measured?</u> Rental revenue in 2010 compared to that in 2009 <u>Why is it significant?</u> - Reflects the combined effect of changes in rental rate and occupancy rate - Growth was recorded in our core leasing business <u>Office Sector</u> +3.1% for 2010 (+3.8% for 2009) <u>Retail Sector</u> +8.0% for 2010 (+3.5% for 2009) <u>Residential Sector</u> +3.2% for 2010 (-2.4% for 2009)	<u>How is it measured?</u> Percentage of total area leased to tenants over total lettable area of each sector <u>Why is it significant?</u> - Rental revenue and management fees are directly proportional to occupancy rate - Optimises revenue by balancing occupancy rate and rental level - Improved occupancy in office and residential sectors - Retail sector was virtually fully let except for units under renovations <u>Office Sector</u> 95% at year end 2010 (89% at year end 2009) <u>Retail Sector</u> 96% at year end 2010 (99% at year end 2009) <u>Residential Sector</u> 94% at year end 2010 (92% at year end 2009)	<u>How are they measured?</u> Principally being costs directly associated with day-to-day operations of the Group's property portfolio <u>Why are they significant?</u> - Measures the costs incurred in operating the Group's property portfolio - Property expenses rose in line with the increase in turnover <u>Total Property Expenses</u> HK\$250 million for 2010 (HK\$235 million for 2009)	<u>How is it measured?</u> Calculated by dividing property expenses by turnover <u>Why is it significant?</u> - An indication of the gross margin of our business - Ratio increased slightly in 2010 compared with 2009 <u>Property Expenses to Turnover Ratio</u> 14.2% for 2010 (14.0% for 2009)

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

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:

	2010 <i>HK\$ million</i>	2009 <i>HK\$ million</i>	Change <i>HK\$ million</i>	Change %
Office sector	770	747	23	+3.1
Retail sector	700	648	52	+8.0
Residential sector	294	285	9	+3.2
	1,764	1,680	84	+5.0

The Group recorded growth across all three leasing sectors during the year. Detailed analysis of each sector's performance is as follows:

Office Sector

Hysan owns and manages 2.1 million gross square feet of high quality office buildings in the core commercial district of Causeway Bay. We organise our office portfolio into two primary hubs: Grade "A" office hub and semi-retail office hub. Grade "A" office hub (principally comprising The Lee Gardens, Lee Gardens Two, Sunning Plaza and 18 Hysan Avenue) provides a core location with premium facilities and prestige for tenants and their clients. Leighton Centre is a quality office building that recently underwent renovations of the lobby and common areas. The semi-retail office hub (principally comprising One Hysan Avenue and 111 Leighton Road), is valued by tenants, including health and beauty operations, whose mode of operations requires frequent personal interface with customers and who appreciate Causeway Bay's core location.

In 2010, Hysan's office sector saw growth of 3.1% to HK\$770 million (2009: HK\$747 million). Its occupancy was at 95% as at 31 December 2010, as compared to 91% on 30 June 2010 and 89% on 31 December 2009. Rental reversion on renewals and new lettings remained generally positive for the portfolio as a whole in 2010.

During the year, we successfully improved our occupancy. More than 320,000 square feet of office space new lettings were achieved. Around 44% of the new-let space was taken by tenants in the banking and finance sector, with other major tenant groups being professional services and high-end retailers. This reflects the positive market response to our Grade "A" office hub, which is positioned as the most natural extension of Central, in terms of proximity, quality of facilities and supporting amenities.

We further strengthened our business processes including sales channels, and raised property service standards across our portfolio. Other initiatives such as asset enhancement and forming closer tenant relationships also helped to increase our office portfolio's longer-term competitiveness.

In line with our established asset enhancement programme, Leighton Centre underwent office lobby renovations as well as improvements in other public areas. These were well received, as reflected in the improved leasing performance.

Retail Sector

Hysan's retail portfolio, approximately 0.9 million gross square feet in size, takes full advantage of its position in Causeway Bay, Hong Kong's prime retail area. The Lee Gardens hub (principally comprising of The Lee Gardens, Lee Gardens Two, Sunning Plaza and 18 Hysan Avenue) provides elegant and luxury premium retail spaces for high-end brands, while the Lee Theatre hub is home to stylish and chic lifestyle shops and renowned restaurants.

Hong Kong’s retail sales continued to benefit from better consumer sentiment stemming from the improved economy, as well as spending by Mainland China visitors. Against this background, the Group’s retail sector’s revenue grew 8.0% to HK\$700 million (2009: HK\$648 million). The retail sector occupancy at 31 December 2010 was 96% (99% on both 30 June 2010 and 31 December 2009), with the only vacancies being due to the renovation of the retail units in Leighton Centre.

Hysan aims to create the right environment for our tenants’ businesses to grow. Our objectives in 2010 included strengthening marketing activities for both local shoppers and tourists. Among these are events and promotions for home-grown shoppers, as well as targeted tourist advertising, joint promotions and tours for the Mainland media. These programmes achieved good results with Mainland tourists spending in The Lee Gardens and Lee Gardens Two increasing by more than 60% as compared to the year before. Furthermore, a number of international renowned retail brands were recruited, thereby optimising our tenant mix, especially for the Lee Gardens hub.

To enhance the longer-term competitiveness of our retail portfolio, we undertook renovations of Leighton Centre’s retail podium. At One Hysan Avenue, a popular fashion outlet took up 30,000 square feet over four levels.

Residential Sector

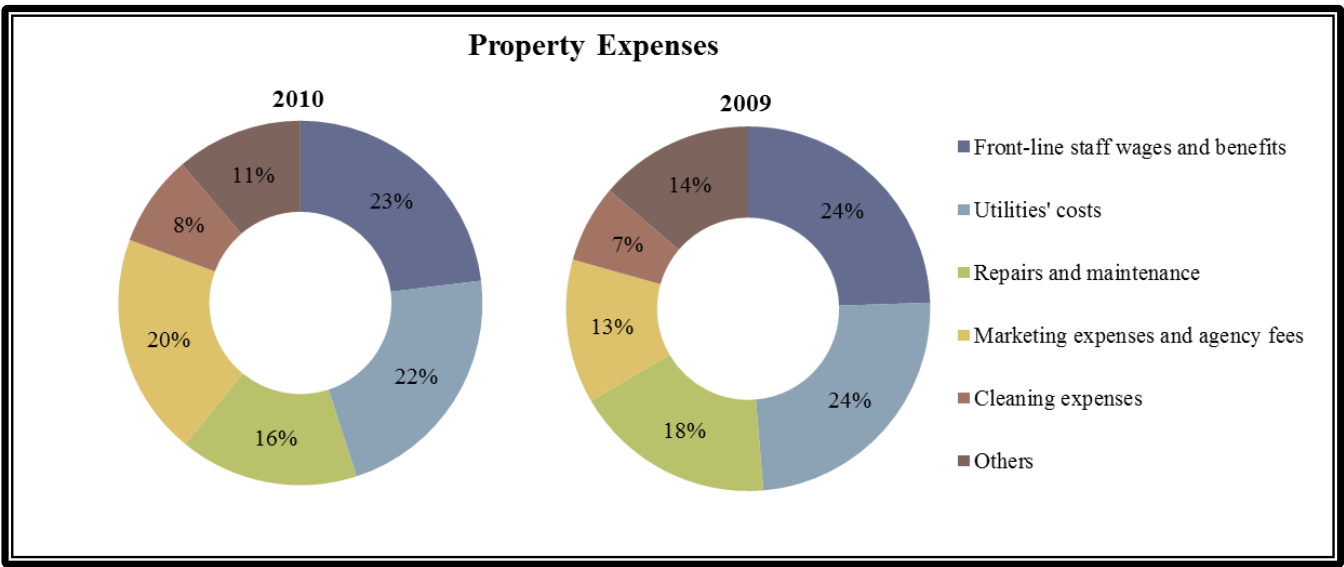
Our residential portfolio comprises the Bamboo Grove residential development located in Mid-Levels and Sunning Court in Causeway Bay. We offer top quality facilities and one-stop personalised services to provide an expatriate-focused living experience. Residential leases are typically for two years.

The Group’s residential sector revenue increased by 3.2% to HK\$294 million (2009: HK\$285 million). Occupancy, as at 31 December 2010, was 94% (94% as at 30 June 2010 and 92% as at 31 December 2009). This was attributable to increased occupancy despite negative rental reversion for most of the year.

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. Improved services and clubhouse activities for tenants also helped to further improve tenant retention.

Property Expenses

Property expenses are the costs directly associated with day-to-day operations of our investment properties, being primarily related to front-line staff wages and benefits, utilities costs, repairs and maintenance, marketing expenses and agency fees, as well as cleaning expenses. The graph below shows the percentage of these property expenses.



Property expenses rose 6.4% to HK\$250 million from HK\$235 million in 2009, mainly due to higher marketing expenses to capture tourist spending, as well as higher agency expenses to attract quality tenants. The property expenses to turnover ratio increased slightly from 14.0% to 14.2% as compared to 2009.

Investment Income

Investment income, mainly comprising dividend income and interest income, amounted to HK\$49 million (2009: HK\$38 million). The increase was a result of improved deposit rates as compared to last year and higher dividend income derived from the Group's equity investments.

Other Gains and Losses

In order to hedge against interest rate and foreign exchange rate exposures, the Group enters into a variety of financial instruments from time to time. The net loss of HK\$42 million (2009: HK\$3 million) principally represented mark-to-market movements of these financial instruments, as required under the current accounting standards.

Administrative Expenses

Administrative expenses primarily comprised the payroll costs and related expenses of management and staff. They rose 5.3% to HK\$140 million from HK\$133 million in 2009, mainly due to the full-year impact of the increase in costs for human resources upskilling. Such activities are for both the Group's existing property portfolio as well as the upcoming Hysan Place.

Finance Costs

Despite an increase of the Group's gross debt by HK\$651 million, finance costs reduced by 10.7% to HK\$117 million from HK\$131 million in 2009, which was caused by the capitalisation of HK\$12 million interest expenses as part of the construction costs of Hysan Place. If the capitalised interest expenses were included, the Group's finance costs in 2010 would have been HK\$129 million, broadly the same as last year.

The Group's average finance costs in 2010 (defined as interest expenses divided by average gross debt for the year) fell to 2.7% from 3.1% in 2009, as the effect of a lower interest rate environment offset the impact of the increased gross debt. Further discussion of the Group's financial policy, including debt and interest rate management, is set out in the "Financial Policy" section.

Change in Fair Value of Investment Properties

At 31 December 2010, the Group's investment properties were valued at HK\$40,833 million (31 December 2009: HK\$37,363 million) by an independent professional valuer, Knight Frank Petty Limited. Excluding capital expenditures for the Group's property portfolio, fair value gain on investment properties of HK\$2,594 million (2009: HK\$1,249 million) was recognised in the Group's consolidated income statement for the year.

Share of Results of Associates

The Group's share of results of associates decreased by 48.7% to HK\$394 million (2009: HK\$768 million). This decrease was due to from a smaller revaluation gain on the Shanghai Grand Gateway project, of which the Group owns 24.7%, as compared to last year. 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\$227 million (2009: HK\$606 million).

In 2010, the Shanghai Grand Gateway project continued to deliver a good performance. The Group's share of results, excluding revaluation gains on investment properties, recorded 3.1% increase year-on-year. As at the end of 2010, the residential properties, including the luxury residential and serviced apartment, were continuing to enjoy high occupancy while the retail and office properties remained virtually fully let.

Taxation

Following the amendments to Hong Kong Accounting Standard 12 "Income Taxes" and Hong Kong Accounting Standard 17 "Leases", there were some changes to the accounting policies adopted by the Group during 2010. Deferred tax is no longer required to be provided for with respect to any changes in fair value of the Group's investment properties. On the other hand, the land element of owner-occupied properties is reclassified from prepaid lease payments to property, plant and equipment and measured using the revaluation model, under which deferred tax is required to be provided for with respect to any changes in fair value. These amendments have been applied retrospectively and hence the Group's taxation charge for 2009 was restated at HK\$189 million.

Following the changes in the Group's accounting policies, the taxation of the Group for 2010 was HK\$201 million, which increased in line with the growth in the Group's core business operating results.

Statement of Financial Position Items

Investment Properties

The Group's investment property portfolio was valued at 31 December 2010 by Knight Frank Petty Limited, an independent professional valuer, on the basis of open market value. The amount of this valuation was HK\$40,833 million, an increase of 9.3% from HK\$37,363 million at 31 December 2009. The valuation at year end 2010 principally reflected improved rental rates for the Group's investment property portfolio.

The following shows the property valuation of each portfolio at year end.

	<u>2010</u> <i>HK\$ million</i>	<u>2009</u> <i>HK\$ million</i>
Office portfolio	14,708	14,098
Retail portfolio	11,896	10,575
Residential portfolio	7,821	7,050
Property under redevelopment (Hysan Place)*	6,408	5,640
	<u>40,833</u>	<u>37,363</u>

* Property under redevelopment is valued at site value plus development cost up to date.

Available-for-Sale Investments

Available-for-sale investments (principally comprising equity securities listed in Hong Kong) grew 15.0% in 2010, which was due to mark-to-market gains on the listed equity investments. At 31 December 2010, the fair value of our listed securities portfolio was HK\$1,147 million (2009: HK\$997 million).

Interests in Associates

Interest in associates primarily represented the Group's investments in the Shanghai Grand Gateway project, of which the Group owns 24.7%. As at the end of 2010, interest in associates increased 9.3% to HK\$3,153 million (2009: HK\$2,886 million), mainly due to 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.

Principal-Protected Investments and Term Notes

The Group placed HK\$725 million (2009: HK\$200 million) in debt securities and investments, which were principal-protected in nature at the end of 2010. The counterparties were financial institutions and corporates with credit ratings at investment grade or above. These investments helped to preserve the Group's liquidity and to diversify counterparty risk exposure.

Borrowings

The carrying amount of the Group's borrowing was HK\$4,587 million at year end 2010, representing an increase of 17.9% from HK\$3,891 million at year end 2009. During the year, the Group issued HK\$800 million notes from the Medium Term Notes Programme to capture market liquidity at relatively low interest costs with tenors ranging from 10 to 15 years. In addition, HK\$500 million bank loans were drawn while HK\$600 million bank loans were repaid. To manage interest rate and foreign exchange exposures of the outstanding borrowings, the Group entered into hedging transactions with financial institutions with investment grade or above. All borrowings were effectively denominated in Hong Kong dollars after taking into account the hedging transactions.

Shareholders' Funds

Following the amendments to Hong Kong Accounting Standard 12 "Income Taxes" and Hong Kong Accounting Standard 17 "Leases", the Group applied these amendments retrospectively and the Group's shareholders' funds as at 31 December 2009 were restated at HK\$37,216 million. As at the end of 2010, the Group's shareholders' funds grew 9.3% to HK\$40,677 million. This was mainly attributable to the increase in valuation of the Group's investment properties and listed securities portfolio, as well as the profits generated from the Group's core leasing activities.

Condensed Consolidated Statement of Cash Flows for the year ended 31 December 2010

	2010 HK\$ million	2009 HK\$ million	Change HK\$ million	Change %
Operating activities				
Cash generated from operations	1,460	1,349	111	+8.2
Net tax paid	(161)	(469)	308	-65.7
	1,299	880	419	+47.6
Investing activities				
Payments in respect of investment properties	(871)	(242)	(629)	+259.9
Proceeds on disposal of an investment property	50	-	50	n/a
Proceeds on disposal of available-for-sale investments	-	44	(44)	-100.0
Placement of principal-protected investments (net of proceeds received upon maturity)	(263)	(72)	(191)	+265.3
Interest and dividends received	46	35	11	+31.4
Repayment from an associate	230	221	9	+4.1
Purchase of term notes	(266)	-	(266)	n/a
Purchase of property, plant and equipment	(7)	(8)	1	-12.5
Decrease (increase) in time deposits with original maturity over three months	118	(1,551)	1,669	n/a
	(963)	(1,573)	610	-38.8
Financing activities				
Dividends paid	(733)	(642)	(91)	+14.2
Finance costs	(109)	(127)	18	-14.2
New borrowings	1,300	799	501	+62.7
Repayment of borrowings	(668)	(620)	(48)	+7.7
Proceeds on exercise of share options	1	1	-	-
	(209)	(589)	380	-64.5
Net increase (decrease) in cash and cash equivalents	127	(1,282)	1,409	n/a

Operating Activities

Reflecting the growth in the Group's core leasing business, cash generated from operations increased HK\$111 million to HK\$1,460 million (2009: HK\$1,349 million). In 2009, the tax payment made included HK\$268 million for the final settlement of a prior-year tax dispute.

Investing Activities

There was a decrease of HK\$610 million in net cash used in investing activities over the prior year. In 2010, the Group reduced its financial investments as a whole, while it used more cash for payments of capital expenditure, including construction costs of Hysan Place and other costs for building renovations.

Financing Activities

Net cash used in financing activities reduced by HK\$380 million from last year, mainly due to new borrowings of HK\$800 million fixed rate notes and HK\$500 million bank loans during the year, which was partly offset by the cash outflow for dividend payments and debts repayment.

n/a – not applicable

Beyond Financial Statements

Contingent Liabilities

The Group has an obligation to finance the working capital and other financial requirements of an associate. Based on currently available information, management does not anticipate any major call for 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 year was HK\$871 million, an increase of HK\$629 million from last year. The rise was mostly attributable to the increase in payments of construction costs for Hysan Place in 2010.

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, payback period and internal rate of return from projected cash flow.

At year end 2010, the Group had HK\$2,550 million undrawn committed bank facilities. These facilities, together with the Medium Term Notes Programme, available-for-sale investments and positive cash flows from local and overseas operations, provide adequate financial resources to fund the level of planned capital expenditure, including the construction costs of Hysan Place.

Hysan Place

The Hennessy Centre redevelopment project at 500 Hennessy Road was renamed Hysan Place in September 2010. The construction work remains on schedule for the shopping mall's grand opening 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. Leasing of the retail portions commenced during the year with around 25% of retail space being leased by the end of 2010.

(B) Financial Policy

Market Highlights

The Asian economy continued to improve in 2010 despite much slower growth in the United States with continuing high unemployment and a sovereign debt crisis in part of Europe. The asset markets generally rebounded swiftly, mainly due to the excessive liquidity and low interest rate environment introduced by various central banks. In the latter part of the year, some Asian countries began to tighten their monetary policies by raising interest rates to combat the inflation fears triggered by higher food, energy and raw material prices. Against this backdrop, the Group will continue to focus on liquidity and interest rate risk management in 2011.

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 credit risks by imposing proper counter-party limits and reduce financial investment risks by holding quality marketable securities

Key Performance Indicators

Average Finance Costs

How are they measured?

Interest expenses divided by average gross debt for the year

Why are they significant?

- Our treasury aims to manage and optimise finance costs
- HIBOR was generally lower in 2010 compared with 2009

Average Finance Costs

2.7% for 2010
(3.1% for 2009)

Bank Facilities : Capital Market Issuance

How is it measured?

The proportion of the borrowings from banks and from capital markets relative to gross debt

Why is it significant?

- As a measure of diversification of funding sources
- Issued medium term notes during the year to capture liquidity in the capital markets

Bank Facilities : Capital Market Issuance

29.7% : 70.3% for 2010
(37.2% : 62.8% for 2009)

Average Debt Maturity

How is it measured?

The weighted average of the remaining maturity period of the Group's gross debt

Why is it significant?

- An indicator of the pressure for refinancing or repaying the existing borrowings in the near term
- The average maturity was lengthened due to issuance of medium term notes

Average Debt Maturity

4.3 years for 2010
(3.4 years for 2009)

Floating Rate Debt (% on Total Debt)

How is it measured?

Debt effectively in floating interest rate divided by gross debt

Why is it significant?

- A measure to calculate the percentage of borrowings subject to fluctuations in market interest rates
- The ratio was lower to prepare for any interest rate hike in the long-end of the interest rate curve

Floating Rate Debt

53.6% for 2010
(64.9% for 2009)

Net Interest Coverage

How is it measured?

Gross profit less administrative expenses before depreciation divided by net interest expenses

Why is it significant?

- It represents the Group's financial ability from operating activities to meet its interest payment obligations
- Improved ratio reflects our stable profit against lower net interest expenses

Net Interest Coverage

14.0 times for 2010
(11.7 times for 2009)

Net Debt to Equity

How is it measured?

Borrowings less time deposits and cash and bank balances divided by shareholders' funds

Why is it significant?

- 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

Net Debt to Equity

6.4% for 2010
(5.1% for 2009)

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. Reflecting our strong financial position, 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.

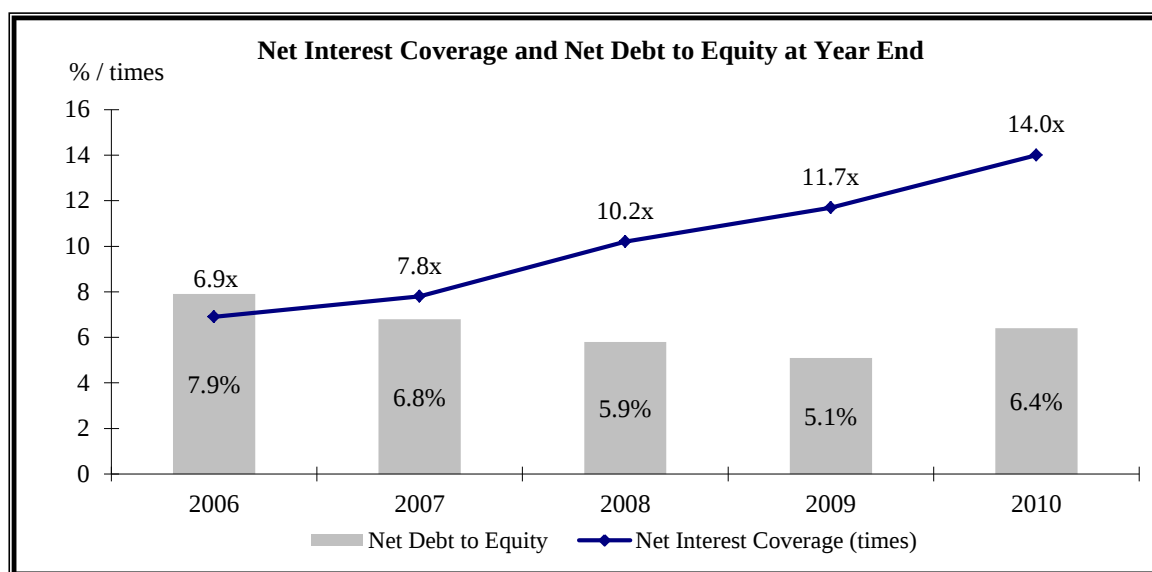
Treasury has an overall objective of optimisation of borrowing costs and management of associated risks: that is, to minimise the finance costs subject to the constraints of the operational parameters. The cost of financing was 2.7% for 2010.

Debt Management

Credit markets in Hong Kong improved in 2010 as banks have ample liquidity. This environment, together with the stabilisation of the local economy, helped to tighten credit spreads and to provide long term liquidity. Capital market activities intensified as investors became more willing to increase their risk exposures.

Although loans maturing in 2010 and 2011 were not substantial, we took the opportunity of the improved credit markets to arrange new financing totalling HK\$2,100 million during the year to support our upcoming capital expenditure and repayment of our US\$ bond maturing in 2012. Included in the sum were HK\$800 million of notes from the Medium Term Notes Programme issued to capture the market liquidity at relatively low interest costs with tenors ranging from 10 to 15 years. We also secured new banking facilities of HK\$1,300 million to maintain our prudent financial position.

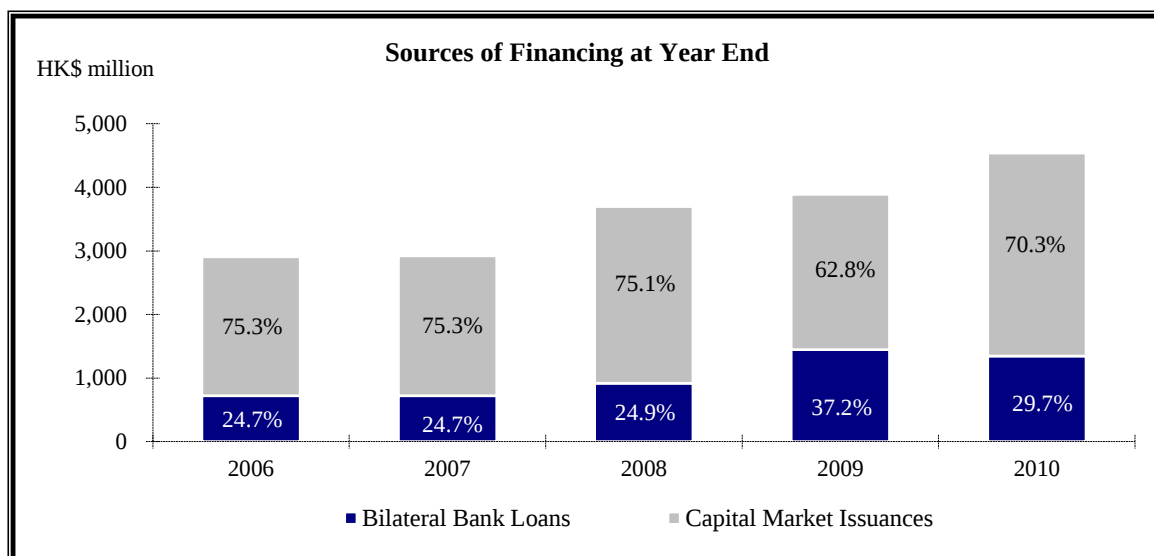
The graph below shows the financial strength of the Group and our ability to meet interest payment obligations and to raise further debts if necessary.



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 2010, the outstanding gross debt of the Group was HK\$4,540 million (2009: HK\$3,889 million), an increase of HK\$651 million compared with 2009. All the outstanding borrowings are on an unsecured basis.

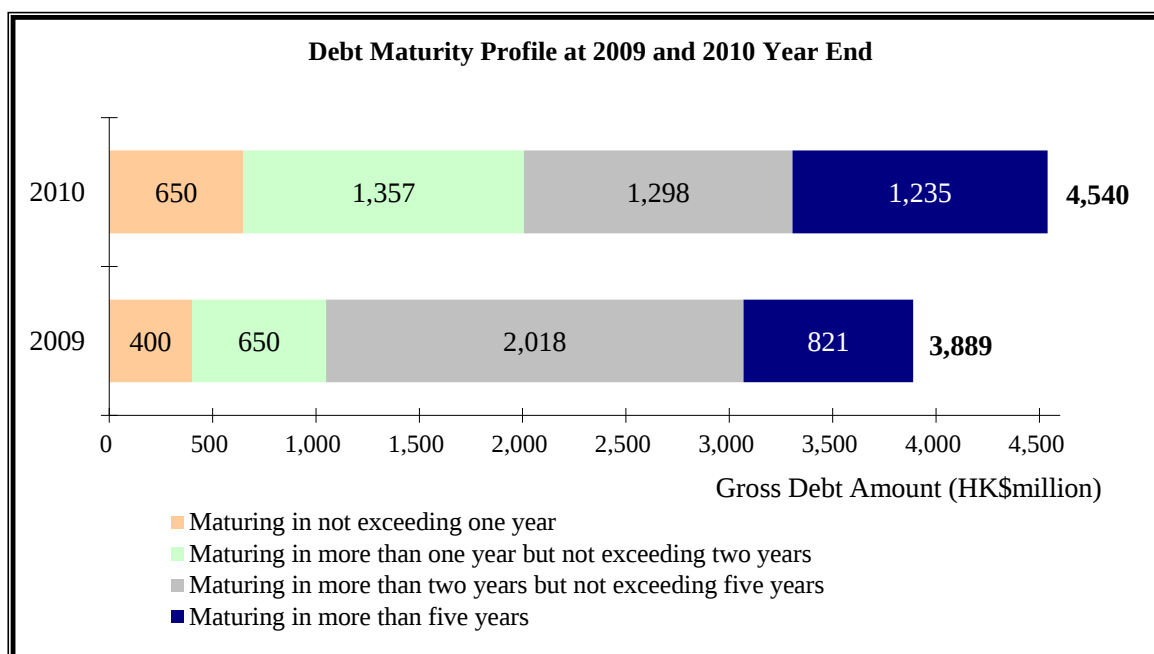
To diversify the funding sources, the Group has established long-term relationships with a number of local and overseas banks. Nine local and overseas banks have provided bilateral banking facilities to the Group and such bank borrowings accounted for about 29.7% of the Group's outstanding gross debt. The Group also has access to local and international investors through notes issued from the Medium Term Notes Programme. The capital markets proved to be more flexible in raising longer-tenor debts in order to lengthen the average debt maturity during 2010. As at the end of 2010, about 70.3% 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. As at 31 December 2010, the average maturity of the debt portfolio was about 4.3 years, of which about HK\$2,007 million or 44.2% of the outstanding debts will be due in less than two years. Since we have begun to arrange new borrowings in 2010, refinancing pressure in 2011 will not be significant, especially when the level of cash and the undrawn committed facilities available to the Group are considered. Hysan will continue to monitor the financial markets closely to identify the appropriate time to secure more borrowings.

The debt maturity profile of the Group at 2009 and 2010 year end is as follows:



Liquidity Management

The Group always places great emphasis on liquidity management which helped to keep the Group solid and to withstand the liquidity crunch in the latest financial turmoil. Recurring cash flows from our business continued to remain steady and strong. As at 31 December 2010, the Group had cash and bank deposits totalling about HK\$1,993 million (2009: HK\$1,984 million), which will be used for capital expenditure and maturing debt repayments. All the deposits are placed with banks with strong credit ratings and the counterparty risk is monitored on a regular basis. In order to preserve liquidity and enhance interest yields, the Group also invested HK\$725 million in debt securities and investments, which are principal-protected in nature.

Additional liquidity reserve was 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\$1,147 million as at the end of 2010 (2009: HK\$997 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\$2,550 million at 31 December 2010, essentially allow the Group to obtain additional liquidity as the needs arise (31 December 2009: HK\$2,250 million).

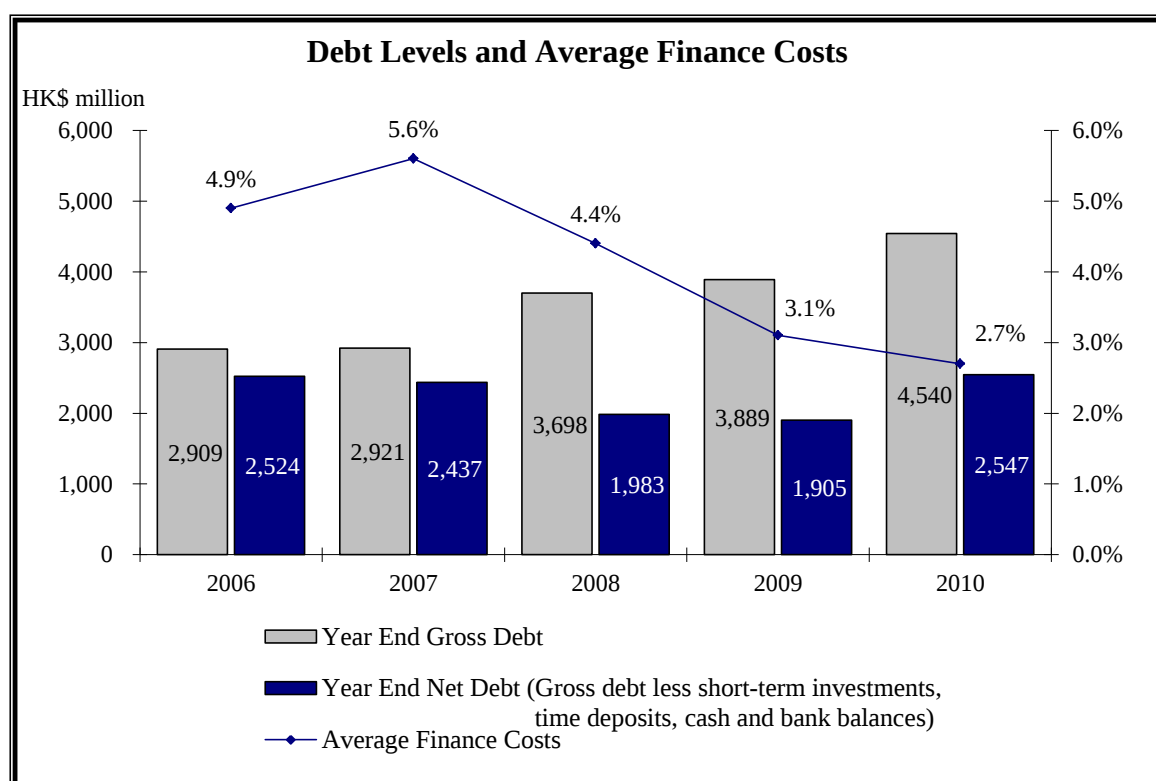
Interest Rate Management

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 the interest rate.

As mentioned before, liquidity in the interbank market of Hong Kong was high in 2010. This together with the low Fed Fund target rate kept the 3-month Hong Kong Inter-bank Offered Rate (“HIBOR”) hovering at low level throughout 2010.

As a result, the Group’s average cost of financing was lowered from 3.1% in 2009 to 2.7% in 2010. To prepare for any interest rate hike in the long-end of the interest rate curve as the world’s economic recovery proceeds, the Group increased the fixed rate debt ratio to 46.4% as at 31 December 2010 from 35.1% a year earlier.

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 for debt management. With the exception of the US\$174 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, the Group's outstanding investment in principal-protected investments and debt securities amounted to US\$64 million, of which around US\$16 million was hedged by foreign exchange forward contracts. Other foreign exchange exposure mainly relates to investments in the overseas project in Shanghai. These foreign exchange exposures amounted to the equivalent of HK\$3,153 million or 6.5% of the total assets.

Use of Derivatives

As at 31 December 2010, 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 2010 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 2010 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 2010

	<u>Notes</u>	<u>2010</u> HK\$ million	As restated <u>2009</u> HK\$ million
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> HK\$ million	As restated <u>2009</u> HK\$ million
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

		At <u>31 Dec 2010</u> HK\$ million	As restated At <u>31 Dec 2009</u> HK\$ million	As restated At <u>1 Jan 2009</u> HK\$ million
	Notes			
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		40,677	37,216	34,811
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:

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

- (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 HK\$ million	Amendments to HKAS 12 HK\$ million	Amendments to HKAS 17 HK\$ million	Restated HK\$ million	Originally stated HK\$ million	Amendment to HKAS 12 HK\$ million	Amendments to HKAS 17 HK\$ million	Restated HK\$ million
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	<u>(3,679)</u>	<u>3,616</u>	<u>162</u>	<u>99</u>	<u>(3,445)</u>	<u>3,409</u>	<u>154</u>	<u>118</u>
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	<u>24,100</u>	<u>3,156</u>	<u>162</u>	<u>27,418</u>	<u>22,132</u>	<u>2,967</u>	<u>154</u>	<u>25,253</u>

- (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:

	<u>Impact on basic earnings per share</u>		<u>Impact on diluted earnings per share</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	HK cents	HK cents	HK cents	HK cents
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	<u>38.60</u>	<u>18.92</u>	<u>38.57</u>	<u>18.92</u>
Figures after adjustments	<u>365.47</u>	<u>278.52</u>	<u>365.16</u>	<u>278.42</u>

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>
Segment revenue				
Property expenses	(119)	(81)	(50)	(250)
	<u>651</u>	<u>619</u>	<u>244</u>	<u>1,514</u>
Segment profit				
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
				<u>4,252</u>
Profit before taxation				<u>4,252</u>

	<u>Office</u> HK\$ million	<u>Retail</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Consolidated</u> HK\$ million
<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
Segment revenue	747	648	285	1,680
Property expenses	(109)	(73)	(53)	(235)
Segment profit	638	575	232	1,445
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				3,233

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> HK\$ million	<u>Retail</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Consolidated</u> HK\$ million
<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
Consolidated assets				48,554
<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
Consolidated assets				44,042

	<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> HK\$ million	As restated <u>2009</u> HK\$ million
Current tax		
Hong Kong profits tax		
- current year	172	161
- (overprovision) underprovision in prior years	<u>(6)</u>	<u>2</u>
	166	163
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> HK\$ million	As restated <u>2009</u> HK\$ million
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	<u>3</u>	<u>4</u>
	<u>(1,304)</u>	<u>(1,241)</u>
Staff costs, comprising:		
- Directors' emoluments	14	17
- Share-based payments	4	2
- Other staff costs	<u>147</u>	<u>135</u>
	<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 <u>2009</u>
	<i>HK\$ million</i>	<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:

	<u>2010</u>		<u>As restated 2009</u>	
	<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 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	<u>(227)</u>	<u>(21.58)</u>	<u>(606)</u>	<u>(57.92)</u>
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	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>(0.29)</u>
Recurring underlying profit	<u>1,148</u>	<u>109.15</u>	<u>1,110</u>	<u>106.09</u>

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

8. Other Comprehensive Income

	<u>2010</u> HK\$ million	As restated <u>2009</u> HK\$ million
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	<u>34</u>	<u>11</u>
Share of translation reserve of an associate	<u>103</u>	<u>(1)</u>
Other comprehensive income	265	52
Income tax relating to components of other comprehensive income	<u>(5)</u>	<u>(2)</u>
Other comprehensive income for the year (net of tax)	<u><u>260</u></u>	<u><u>50</u></u>

9. Dividends

Dividends recognised as distribution during the year:

	<u>2010</u> HK\$ million	<u>2009</u> HK\$ million
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>
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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\$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.

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. Hysan is honoured to be included as a founding constituent member of the new Hang Seng Corporate Sustainability Index Series launched in July 2010.

The Company meets the Code Provisions contained in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, except that its Emoluments Review Committee (established since 1987) has the responsibility for reviewing the fee payable to the Chairman and determining compensation at executive Director level only. 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 are appropriate. The Board will continue to review this arrangement in light of the needs of the Group. Further information on the Company's corporate governance practices is available on our website www.hysan.com.hk.

The Company has three corporate governance related Board Committees, namely, Audit Committee, Emoluments Review Committee and Nomination Committee. The Audit Committee is currently chaired by Nicholas Charles ALLEN and its two other members are Philip Yan Hok FAN and Anthony Hsien Pin LEE. The Emoluments Review Committee is currently chaired by Sir David AKERS-JONES and its other members are Philip Yan Hok FAN and Michael Tze Hau LEE. The Nomination Committee is also chaired by Sir David AKERS-JONES with three other members, namely Philip Yan Hok FAN, Chien LEE and Gerry Lui Fai YIM. Further information on the Committees are set out in the Annual Report 2010 to be despatched to the shareholders and made available on the Company's website.

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 the 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 2010 was 495. 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 programs, training and development are set out in the Annual Report 2010.

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, 12 May 2011. The scrip dividend alternative is conditional upon (1) the shareholders' approval of the 2010 final dividend at the Company's forthcoming annual general meeting (the "AGM") and (2) the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the new shares to be issued pursuant thereto.

Closure of Register of Members

The register of members will be closed from Thursday, 5 May 2011 to Monday, 9 May 2011, 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. The ex-dividend date will be Tuesday, 3 May 2011. 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 at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 4 May 2011. The final dividend will be paid to shareholders whose names appear on the register of members on Monday, 9 May 2011 and the payment date will be on or about Thursday, 2 June 2011.

AGM

The AGM will be held at Salon 5-6, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 9 May 2011. The Notice of AGM will be published on the website of the Company (www.hysan.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk), and despatched to shareholders around end of March 2011.

By Order of the Board
Wendy Wen Yee YUNG
Executive Director and Company Secretary

Hong Kong, 9 March 2011

*As at the date of this announcement, the Board of Directors 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 and Joseph Chung Yin POON; **Non-executive Directors** – Hans Michael JEBSEN (Kam Wing LI as his alternate), Anthony Hsien Pin LEE (Irene Yun Lien LEE as his alternate), Chien LEE, Irene Yun Lien LEE, Michael Tze Hau LEE and Dr. Deanna Ruth Tak Yung RUDGARD (Siu Chuen LAU as her alternate); 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 2010 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 2011.