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Hysan 希慎

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 2011

- **Group turnover up 9.0%; Recurring Underlying Profit up 14.1%**
- **Balanced core office and retail portfolio should look forward to continuing steady performance in 2012**
- **Hysan Place opening in August will bring long-term strategic value**

RESULTS

		Year ended 31 December		
		2011	2010	
	Notes	**HK$ million**	HK$ million	Change
Turnover	*1*	**1,922**	1,764	+9.0%
Recurring Underlying Profit	*2*	**1,310**	1,148	+14.1%
Underlying Profit	*3*	**1,310**	1,148	+14.1%
Reported Profit	*4*	**8,545**	3,844	+122.3%
		HK cents	HK cents	
Earnings per share, based on:				
Recurring Underlying Profit	*2*	**123.92**	109.15	+13.5%
Underlying Profit	*3*	**123.92**	109.15	+13.5%
Reported Profit	*4*	**808.34**	365.47	+121.2%
Full-year dividends per share		**79.00**	74.00	+6.8%

		At 31 December		
		2011	2010	
		HK$ million	HK$ million	
Shareholders' Funds	*5*	**48,753**	40,677	+19.9%
		HK$	HK$	
Net Asset Value per Share	*6*	**46.00**	38.61	+19.1%

Notes:
1. ***Turnover*** *comprises rental income and management fee income derived from the Group's investment property portfolio in Hong Kong.*
2. ***Recurring Underlying Profit*** *is a performance indicator of the Group's core property investment business and is arrived at by excluding from Underlying Profit items that are non-recurring in nature (such as gains or losses on disposal of long-term assets; impairment or its reversal; and tax provisions for prior years).*
3. ***Underlying Profit*** *is arrived at by excluding from Reported 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 changes 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.*
4. ***Reported Profit*** *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.*
5. ***Shareholders' Funds*** *is the equity attributable to owners of the Company.*
6. ***Net Asset Value per Share*** *represents Shareholders' Funds divided by the number of issued shares at year-end.*

CHAIRMAN'S STATEMENT

Overview

The Hong Kong economy expanded strongly in the first quarter of 2011. This was followed by more moderate growth during the remaining part of 2011, principally attributable to weakened exports in light of increased uncertainties in the global economic environment. Nevertheless, domestic demand remained robust on the back of favourable labour market conditions and strength in inbound tourism. Strong consumption momentum continued to fuel growth in the retail leasing market. For the Grade "A" office leasing market, tight supply offered support amidst slowing new demand.

Business Performance

Against this backdrop, Hysan recorded a satisfactory performance in 2011 with revenue growth across our entire core leasing business. The Group's 2011 turnover was HK$1,922 million, up 9.0% from HK$1,764 million in 2010. The retail sector showed a growth of 12.7%, while both the office and residential sectors recorded an increase of 6.5%. The retail sector was virtually fully-let. Occupancy of office and residential sectors at year-end 2011 stood at 96% and 95% respectively.

Recurring Underlying Profit, the key measurement of our core leasing business performance, was up 14.1% to HK$1,310 million (2010: HK$1,148 million), reflecting improvement in gross profit generated from our core leasing activities. Higher investment income was also recorded. Our Underlying Profit, which excludes unrealised changes in fair value of investment properties, was also HK$1,310 million (2010: HK$1,148 million). Basic earnings per share based on Recurring Underlying Profit correspondingly rose to HK123.92 cents (2010: HK109.15 cents).

At year-end 2011, the external valuation of the Group's investment property portfolio increased by 22.4% to HK$49,969 million (2010: HK$40,833 million), reflecting improved rental rates for our core portfolio as well as the increase in site value of and construction costs expended on Hysan Place, which is near completion. Taking into consideration the fair value change of investment properties, the Group's Reported Profit for 2011 was HK$8,545 million (2010: HK$3,844 million). Shareholders' Funds increased by 19.9% to HK$48,753 million (2010: HK$40,677 million).

Our financial position remains strong, with net interest coverage of 12.3 times (2010: 14.0 times) and net debt to equity ratio of 7.6% (2010: 6.4%).

The Board of Directors (the "Board") recommends the payment of a final dividend of HK64 cents per share (2010: HK60 cents). Together with the interim dividend of HK15 cents per share (2010: HK14 cents), there is an aggregate distribution of HK79 cents per share, representing a year-on-year increase of 6.8%. Subject to shareholder approval, the final dividend will be payable in cash with a scrip dividend alternative.

Further Transformation of Hysan's Causeway Bay

The Group's sound performance in year 2011 was complemented by the good progress of our major redevelopment project, Hysan Place, at the northern gateway of our hub. Hysan Place will bring significant strategic value to our portfolio. Its retail mall, scheduled for opening in August 2012, represents a 50% increase in our portfolio's retail gross floor area, and will bring many new attractions to Hong Kong's most vibrant retail district of Causeway Bay. Hysan Place's top quality office space will also strengthen our Grade "A" office hub positioning. It is Hong Kong's first platinum LEED (Leadership in Energy and Environmental Design) building, also reflecting the Group's strong commitment to sustainability.

In 2011, we also successfully made enhancements to our assets in the Lee Theatre area at the western gateway of our hub. The first phase has been completed with the relaunch of Leighton Centre, bringing in new retail outlets of international top brands, and the opening of a major flagship store at One Hysan Avenue. We shall carry these efforts through with the rejuvenation of Lee Theatre Plaza in 2012.

Moving forward, we will devote further efforts to promote the unique brand character of our hub in Causeway Bay, and to strengthen its recognition and appeal as a sustainable community and a choice of location for both work and play.

Board and People

The year 2011 marked my first year as Chairman. I am honoured to join Hysan's team to deliver value for our shareholders, clients and stakeholders. My new executive capacity, and the appointment of Mr. Siu Chuen LAU as Non-executive Deputy Chairman, both take effect on 8 March 2012, further reflect the founding Lee family's strong commitment to the future success of the Group.

I would like to take this opportunity to express my heartfelt thanks to Sir David AKERS-JONES, who stepped down during the year after having served the Board for more than 20 years, including as our Independent non-executive Chairman. He has made invaluable contribution to Hysan with his capable leadership over the years, and by guiding the Board through its continuing renewal process.

I am grateful for the strong guidance and support of all Board members. They have brought with them diverse professional experiences and expertise that contribute to the strength of the Board. My special thanks to Dr. Deanna Ruth Tak Yung RUDGARD who stepped down from the Board last May, after having served the Board for over 18 years. We are grateful for her guidance and the wise counsel she provided to the Board throughout the years.

Hysan has made enormous progress this year. On behalf of the board, I would like to thank our management team and staff for their contribution and hard work.

Outlook

The local economy is not immune to the impact of the global economic uncertainties. However, Hong Kong's economic fundamentals are expected to remain sound. The overall retail market is expected to remain resilient and should benefit our retail leasing business. Tight supply of new Grade "A" office space in core locations should provide support to our office leasing business. In this light, Hysan's more balanced core office and retail portfolio should look forward to continuing steady performance in 2012.

The launch of Hysan Place at the northern gateway of our hub is strategic to the Group's long-term growth. It is being followed by the rejuvenation of the Lee Theatre Plaza hub at our western gateway, adding long-term competitiveness to our portfolio. By creating a new destination and new surroundings in Causeway Bay, we will continue to contribute to the further transformation of an energetic and unique district.

Irene Yun Lien LEE
Chairman

Hong Kong, 8 March 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hysan is principally engaged, together with its subsidiaries and associates, in investment, development and management of quality properties in prime locations, and the Group's turnover and results are primarily derived from leasing of investment properties located in Hong Kong. Throughout the year, our investment property interests totaled 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.

Review of Results

The Group's turnover continued to record growth and reached HK$1,922 million in 2011, representing an increase of 9.0% from HK$1,764 million in 2010. The rise principally reflected the further improvement in occupancy and positive rental reversion. Higher retail turnover rent also contributed to the revenue growth of our retail sector. The turnover of each sector was recorded as below:

	2011 HK$ million	2010 HK$ million	Change HK$ million	Change %
Office sector	**820**	770	50	+6.5
Retail sector	**789**	700	89	+12.7
Residential sector	**313**	294	19	+6.5
	1,922	1,764	158	+9.0

Recurring Underlying Profit, arrived at by excluding the fair value change of investment properties and items that are non-recurring in nature (such as gains or losses on disposal of long-term assets; impairment or its reversal; and tax provisions for prior years), was the key measurement of the Group's core leasing business. In 2011, our Recurring Underlying Profit was HK$1,310 million, up 14.1% from HK$1,148 million in 2010. Our Underlying Profit*, arrived at by excluding the fair value change of investment properties only, was also HK$1,310 million, up 14.1% from HK$1,148 million in 2010. Both profit indicators primarily reflected the improvement in gross profit generated from our core leasing activities. Higher investment income was also recorded. Taking into consideration the fair value change of investment properties, our Reported Profit* was HK$8,545 million, an increase of 122.3% from HK$3,844 million in 2010. Basic earnings per share based on Recurring Underlying Profit correspondingly rose to HK123.92 cents (2010: HK109.15 cents).

	2011 HK$ million	2010 HK$ million	Change HK$ million	Change %
Recurring Underlying Profit	**1,310**	1,148	162	+14.1
Underlying Profit	**1,310**	1,148	162	+14.1
Fair value change on investment properties located in				
- Hong Kong	7,177	2,469	4,708	+190.7
- Shanghai	58	227	(169)	-74.4
Reported Profit	**8,545**	3,844	4,701	+122.3

* *In 2011, the Group had applied Hong Kong Financial Reporting Standard 9 ("HKFRS 9") (as revised in December 2011) prospectively in advance of its effective date of 1 January 2015. Following the application of HKFRS 9, the Group's Underlying Profit and Reported Profit in 2011 was decreased by HK$31 million as the cumulative gain of HK$33 million on disposal of investments in listed equity securities which would have been reclassified from investments revaluation reserve to profit or loss is now recognised as a transfer from investments revaluation reserve to retained profits, as well as the impairment loss of HK$2 million on investments in unlisted equity securities which would have been recognised as impairment loss in profit or loss is now recognised in investments revaluation reserve.*

Key Performance Indicators

While many factors contribute 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
How is it measured? Rental revenue in 2011 as compared to that in 2010	**How is it measured?** Percentage of total area leased to tenants over total lettable area of each sector	**How are they measured?** Principally being costs directly associated with the day-to-day operations of the Group's property portfolio	**How is it measured?** Calculated by dividing property expenses by turnover
Why is it significant? Reflects the combined effect of changes in rental rate and occupancy rate	**Why is it significant?** • Rental revenue and management fees are directly proportional to occupancy rate • Optimises revenue by balancing occupancy rate and rental level	**Why are they significant?** Measure the costs incurred in operating the Group's property portfolio	**Why is it significant?** An indication of the gross margin of our business
Performance Growth was recorded in all three leasing sectors	**Performance** • Retail sector was virtually fully-let • Occupancy levels were further improved in both office and residential sectors	**Performance** Property expenses rose principally due to higher marketing expenses (including for new Hysan Place promotion), partly offset by lower agency fees on account of strong occupancy	**Performance** Ratio improved slightly in 2011
Office Sector **+6.5%** for 2011 (+3.1% for 2010)	**Office Sector** **96%** at year-end 2011 (95% at year-end 2010)	**Total Property Expenses** **HK$262 million** for 2011 (HK$250 million for 2010)	**Property Expenses to Turnover Ratio** **13.6%** for 2011 (14.2% for 2010)
Retail Sector **+12.7%** for 2011 (+8.0% for 2010)	**Retail Sector** **Virtually Fully-Let** at year-end 2011 (96% at year-end 2010)		
Residential Sector **+6.5%** for 2011 (+3.2% for 2010)	**Residential Sector** **95%** at year-end 2011 (94% at year-end 2010)		

Review of Operations

All three leasing sectors continued to record growth during the year. The portfolio, strategies and performance of each sector are discussed in detail below.

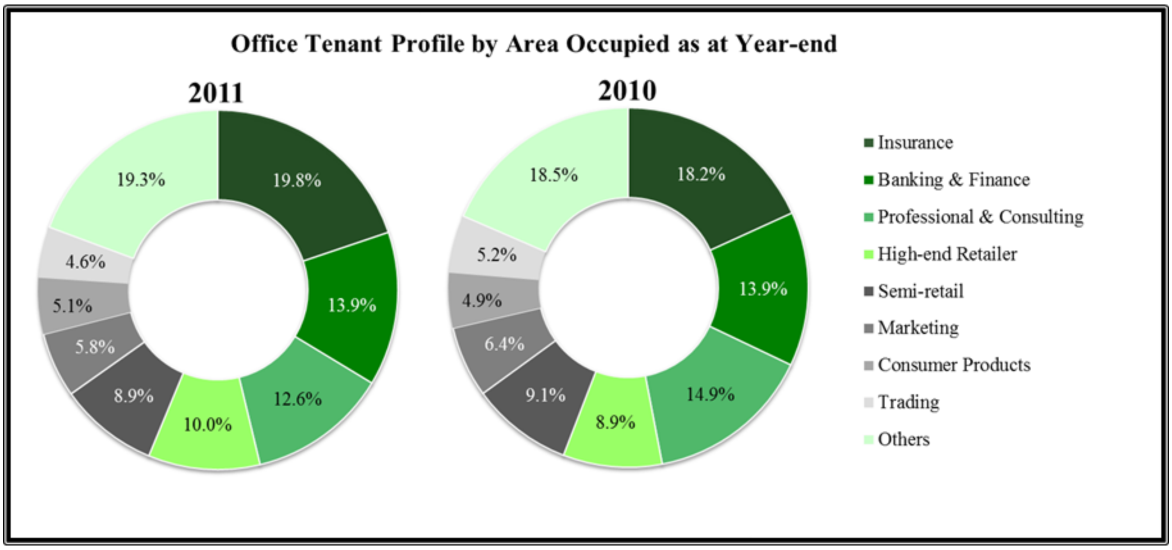
Office Sector

Hysan owns and manages 2.1 million gross square feet of premium office space in the core commercial district of Causeway Bay. Our office portfolio's Grade "A" offices (comprising The Lee Gardens, Lee Gardens Two, Sunning Plaza and 18 Hysan Avenue) provide a core location with premium facilities and prestige for tenants and their clients. Other office buildings within our portfolio (comprising One Hysan Avenue, 111 Leighton Road and Leighton Centre) provide quality office space for tenant use. In 2011, we completed the renovation work for Leighton Centre, giving a fresh look to its lobby and common areas.

Our office sector's revenue grew 6.5% to HK$820 million (2010: HK$770 million). Occupancy at year-end 2011 increased to 96%, as compared to 95% on both 30 June 2011 and 31 December 2010.

On renewing and negotiating new leases, we achieved positive rental reversion as a whole as compared to rental levels in 2008, the last market peak. This reflects the success of our marketing activities. In particular, the rental level of The Lee Gardens climbed above the peak of 2008, setting the rental tone for the pre-leasing of Hysan Place. The impact of overall positive rental reversion successfully offset the brought forward effect of low rental rates committed during the market troughs of 2009.

Our office has a balanced tenant mix. The top four industry groups are insurance, banking and finance, professional and consulting, and high-end retailers. Together they take up around 56.3% of total lettable area, with no single industry group accounting for more than 20% of total lettable area. The charts below illustrate our office portfolio tenant profile as analysed by area occupied.



To increase our office portfolio's longer-term competitiveness, we continued to raise property service standards across our portfolio and form closer tenant relationships.

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 (comprising 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 (comprising Lee Theatre Plaza, Leighton Centre and One Hysan Avenue) is home to stylish and chic lifestyle shops and renowned restaurants.

Riding on strong private consumption on the back of a favourable labour market and increased spending by Mainland tourists in 2011, Hysan's retail sector revenue recorded strong growth of 12.7% to HK$789 million (2010: HK$700 million). Turnover rent increased significantly by 64.8% to HK$89 million (2010: HK$54 million), further reflecting the benefits generated by buoyant retail sales.

Retail spaces were virtually fully-let after the completed renovation of Leighton Centre's retail podium, as compared to 95% on 30 June 2011 and 96% on 31 December 2010.

Tenant sales of our overall retail portfolio recorded an increase of 22.2% over 2010. In 2011, tenant sales of the retail units in The Lee Gardens and Lee Gardens Two increased by 29.1%. Mainland tourist spending in The Lee Gardens and Lee Gardens Two increased by 84% compared to 2010.

These results reflect the success of our leasing and marketing strategies, which placed emphasis on reinforcing the luxury positioning of the Lee Gardens hub and rejuvenating the trendy Lee Theatre hub. In the Lee Gardens hub, our tenant mix and facilities were further upgraded to enhance the area's stylish ambience. We strengthened our customer base and the loyalty of our local shoppers. In addition, we launched promotion activities to target Mainland tourists including conducted tours for members of the Mainland media. These programmes helped stimulate shopper traffic and consumption.

In the Lee Theatre hub, the completed renovation of Leighton Centre complemented the arrival of a new fashion flagship store at One Hysan Avenue. These efforts helped redefine the hub as an even more fashionable shopping venue with a new wave of contemporary fashion brands and flagship stores. The completion of these projects paves the way for the next phase of renovation and rejuvenation of Lee Theatre Plaza planned for 2012.

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's revenue increased by 6.5% to HK$313 million (2010: HK$294 million). Occupancy remained strong, at 95% at the end of 2011, as compared to 96% on 30 June 2011 and 94% on 31 December 2010. Rising rental levels led to positive rental reversion in 2011.

Our tenant retention remained high, reflecting our continued efforts to enhance our facilities, services and clubhouse activities. Refurbishment of selected units has successfully established a new pricing benchmark, surpassing the peak of 2008. Strengthened tenant relations and direct marketing initiatives have helped increase tenant referrals and deals made directly with us.

Our team of experienced, bi-lingual Resident Services Associates will continue to provide personalised assistance to residents, while our regular social and cultural activities will help create a thriving community and foster long-term partnerships with residents.

Hysan Place

The next milestone for Hysan will be the redevelopment project of Hysan Place at 500 Hennessy Road, comprising 15 levels of office space and 17 floors of retail outlets, totaling 710,000 square feet. Hysan Place will bring long-term strategic significance to the overall Hysan portfolio:

- Hysan Place's retail portion will significantly strengthen Hysan's overall retail portfolio, in terms of both its size, which represents an increase of 50% by gross floor area, and its tenant mix, bringing many tenants which are new to Hong Kong.

- Hysan Place will also be an important part of Hysan's office cluster evolution, providing top quality space to strengthen our Grade "A" office positioning as the most natural extension of Central. Hysan Place will be the only triple A grade building to open on Hong Kong Island in 2012. Its sustainability design features are based on world-class building specifications and the building offers full harbour views from all office floors.

- Hysan Place demonstrates Hysan's commitment to find greener solutions for all our buildings and for Causeway Bay as a whole. The project is built to the highest international environmental and sustainability standards, having achieved pre-certification at the Platinum level for the United States Green Building Council's Leadership in Energy and Environmental Design (USGBC LEED), as well as the Hong Kong Building Environmental Assessment Method (HK BEAM) standard. With its specially designed "Urban Windows" and roof gardens, Hysan Place is set to become a green landmark in the heart of thriving Causeway Bay.

Construction of the building is making good progress. Leasing for the overall building proceeded well during the year, with over 90% of retail space leased by the end of February 2012. The shopping mall is expected to open in August 2012, to allow for better co-ordinated launch of retail outlets from August onwards. The arrangement should better ensure the long-term success of the mall.

Our retail tenants will include international brands new to Hong Kong, catering to the needs of trendy shoppers. The entire project promises to bring additional shopping dynamics and an exciting new variety to the district of Causeway Bay.

In terms of office leasing, following the commitment to one-third of the entire office space by an international accounting firm, the rest of the office space is under negotiation with prospective tenants. Leasing strategy will balance occupancy and strategic contribution towards further enhancing the tenant profile and hence attraction of our office portfolio.

Financial Review

A review of the Group's results and operations is covered in the preceding sections. This section deals with other financial matters.

Operating Costs

The Group's operating costs were generally classified as property expenses and administrative expenses.

Property expenses were the costs directly associated with the 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. In 2011, higher marketing expenses were incurred for capturing local and tourist spending, as well as for Hysan Place's pre-leasing promotion activities. These were partly offset by a reduction in agency fees as occupancy and direct marketing further improved. As a result, property expenses rose 4.8% to HK$262 million (2010: HK$250 million). Coupled with the increase in turnover, the property expenses to turnover ratio improved slightly from 14.2% to 13.6% as compared to 2010.

Administrative expenses were the costs indirectly associated with the day-to-day operations of our investment properties, largely representing the payroll costs and related expenses of management and head-office staff. In addition to costs for continuing human resources upskilling for Hysan's existing property portfolio, additional payroll costs were incurred in 2011 for hiring new staff in relation to the upcoming Hysan Place. These factors resulted in administrative expenses increasing by 23.6% to HK$173 million (2010: HK$140 million).

Finance Costs

Finance costs, after capitalisation of HK$44 million (2010: HK$12 million) interest expenses and related borrowing costs as part of the construction costs of Hysan Place, were HK$122 million in 2011, up 4.3% from HK$117 million in 2010. If the capitalised interest expenses and related borrowing costs were included, the Group's finance costs in 2011 would have been HK$166 million, an increase of HK$37 million or 28.7% as compared to last year (2010: HK$129 million). It was predominantly due to the increase in the Group's gross borrowings. During the year, the Group issued notes of HK$554 million from the Medium Term Notes Programme and drew down bank loans of HK$2,350 million, mainly for preparing for the repayment of debts maturing in early 2012.

The Group's average finance costs in 2011 (defined as interest expenses divided by average gross debt for the year) were 2.7%, at a level similar to 2010. Further discussion of the Group's treasury policy, including debt and interest rate management, is set out in the "Treasury Policy" section.

Revaluation of Investment Properties

The Group's investment property portfolio was valued at 31 December 2011 by Knight Frank Petty Limited, an independent professional valuer, on the basis of open market value. The amount of this valuation was HK$49,969 million, an increase of 22.4% from HK$40,833 million at 31 December 2010. The valuation at year-end 2011 principally reflected improved rental rates for the Group's investment property portfolio as well as the increase in site value of and construction costs expended on Hysan Place, which is near completion. The following shows the property valuation of each portfolio at year-end.

	2011 HK$ million	2010 HK$ million	Change HK$ million	Change %
Office portfolio	**16,954**	14,708	2,246	+15.3
Retail portfolio	**15,089**	11,896	3,193	+26.8
Residential portfolio	**8,426**	7,821	605	+7.7
Property under redevelopment (Hysan Place)*	**9,500**	6,408	3,092	+48.3
	49,969	40,833	9,136	+22.4

** Property under redevelopment is valued at site value plus construction costs expended up to date.*

Excluding capital expenditures for the Group's property portfolio, fair value gain on investment properties of HK$7,532 million (2010: HK$2,594 million) was recognised in the Group's consolidated income statement for the year.

Investments in Associates

The Group's share of results of associates decreased by 35.5% to HK$254 million (2010: HK$394 million), principally due to a smaller revaluation gain on the Shanghai Grand Gateway project, of which the Group owns 24.7%, as compared to last year. At 31 December 2011, properties at Shanghai Grand Gateway had 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$58 million (2010: HK$227 million).

The Shanghai Grand Gateway project continued to deliver a good performance in 2011. The Group's share of results, excluding revaluation gains on investment properties held by the associate, recorded a 17.4% increase year-on-year. As at the end of 2011, the residential properties were continuing to enjoy high occupancy while the retail and office properties remained virtually fully let.

Other Investments

In addition to placing surplus funds as time deposits in banks with strong credit ratings, the Group also invested in highly liquid listed securities, debt securities as well as principal-protected investments. This helped to preserve the Group's liquidity and to diversify counterparty risk exposure.

In 2011, higher interest income from bank deposits was experienced as the average bank deposits rate increased. In addition, higher dividend income was derived from the Group's equity investments. As a result, the Group's investment income increased by 83.7% to HK$90 million from HK$49 million in 2010.

Cash Flows

Cash flow of the Group during the year is summarised below.

	2011 **HK$ million**	2010 HK$ million	Change HK$ million	Change %
Operating cash inflow	**1,592**	1,460	132	+9.0
Financing	**2,041**	620	1,421	+229.2
Capital expenditure	**(1,547)**	(828)	(719)	+86.8
Investments	**(1,040)**	(147)	(893)	+607.5
Interest and taxation	**(273)**	(246)	(27)	+11.0
Dividends paid and share issues	**(679)**	(732)	53	-7.2
Net cash inflow	**94**	127	(33)	-26.0

Including the movements of working capital, the Group reported operating cash inflow of HK$1,592 million (2010: HK$1,460 million) in 2011, reflecting the growth in our core leasing business and better working capital management. Cash flow from financing rose to HK$2,041 million (2010: HK$620 million), mainly due to new borrowings of HK$2,350 million bank loans and HK$554 million fixed rate notes during the year, which was partly offset by the cash outflow for debts repayment.

Capital expenditure in 2011 was HK$1,547 million (2010: HK$828 million), largely used for the payment of construction costs of Hysan Place and other costs for building renovations. Cash used in investments was HK$1,040 million (2010: HK$147 million), of which the majority were time deposits with tenor matching debts maturing in early 2012.

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 has also 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 principally purchase of plant and equipment) during the year was HK$1,520 million (2010: HK$871 million). The rise was mostly attributable to the increase in payments of construction costs for Hysan Place and other renovation costs for Hysan's existing portfolio.

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.

Treasury Policy

Market Highlight

The global economic recovery remained slow and uncertain in 2011. Concerns about sovereign debt risks in the Euro zone and economic slowdown and high unemployment rates in the developed economies exerted pressure on the financial markets. Although the Asian economies maintained its growth trend in 2011, the pace slowed down as tight liquidity led to depressed financial assets prices and increased borrowing costs in the second half of the year. Against this uncertain backdrop, the Group will continue to focus on liquidity management in 2012.

Objectives

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

- maintain a strong financial position by actively managing debt levels and cash flow;
- secure diversified funding sources from both banks and capital markets;
- minimise re-financing and liquidity risks by attaining a 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

Performance
HIBOR in 2011 continued to hover at a level similar to 2010

Average Finance Costs
2.7% for 2011
(2.7% for 2010)

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

Performance
More bank borrowings were utilised during the year to increase our financial flexibility

Bank Facilities : Capital Market Issuance
43.1% : 56.9%
at year-end 2011
(29.7% : 70.3% at year-end 2010)

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

Performance
The average maturity was about the same as at year-end 2010

Average Debt Maturity
4.2 years at year-end 2011
(4.3 years at year-end 2010)

Floating Rate Debt (% on Total Debt)

How is it measured?
Debt effectively in floating interest rates divided by gross debt

Why is it significant?
A measure to calculate the percentage of borrowings subject to fluctuations in market interest rates

Performance
The ratio was kept around the same level as at year-end 2010

Floating Rate Debt
54.8% at year-end 2011
(53.6% at year-end 2010)

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

Performance
Ratio reflects our stable profit against higher net interest expenses

Net Interest Coverage
12.3 times for 2011
(14.0 times for 2010)

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

Performance
The ratio remains low and the Group's ability to raise further debt remains strong

Net Debt to Equity
7.6% at year-end 2011
(6.4% at year-end 2010)

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 2011.

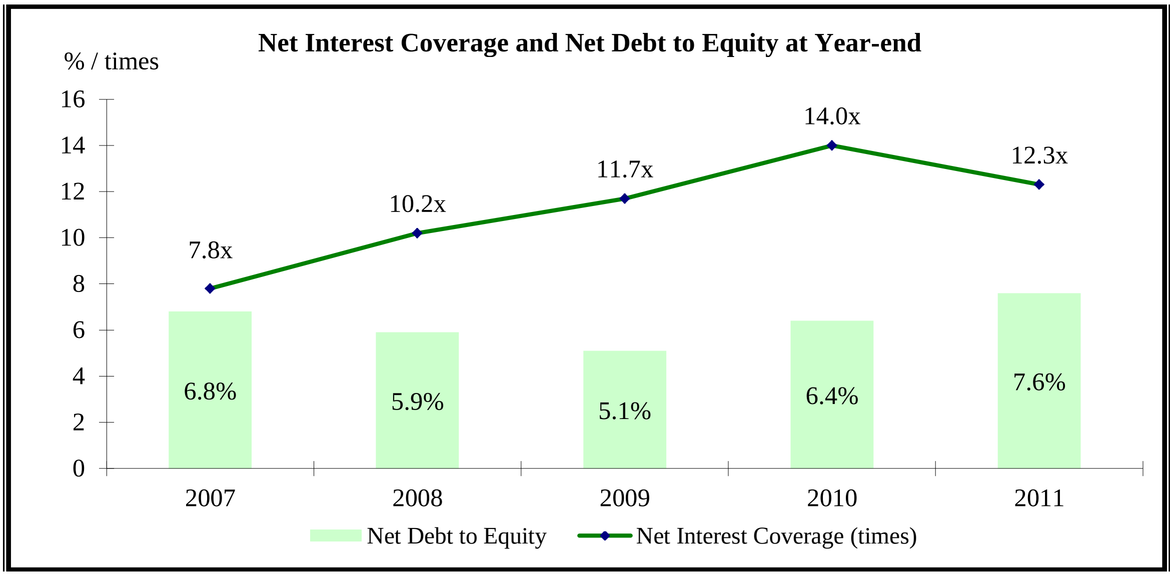
Treasury has an overall objective of optimising borrowing costs and the management of associated risks: that is, to minimise finance costs subject to the constraints of our operational parameters. The average cost of financing for 2011 was 2.7%, same as 2010.

Debt Management

Liquidity in the local banking loan market experienced significant changes in 2011. The market was flushed with liquidity at the beginning of the year. However, as China continued to tighten its monetary policy to contain inflation, together with worsening situation in regard to the Euro sovereign debt crisis, liquidity dropped substantially in the second half of the year. For capital market activities, investors also required a higher credit premium than before due to an uncertain economic outlook. As a result, credit spread on new borrowings increased significantly in 2011.

Leveraging its strong financial position, the Group successfully arranged new financings of HK$2,004 million despite the unfavourable credit environment in 2011. The new financings were mainly used for preparing for the repayment of debt maturing in early 2012. The HK$2,004 million financings comprised banking facilities of HK$1,450 million and notes of HK$554 million issued under the Medium Term Notes Programme.

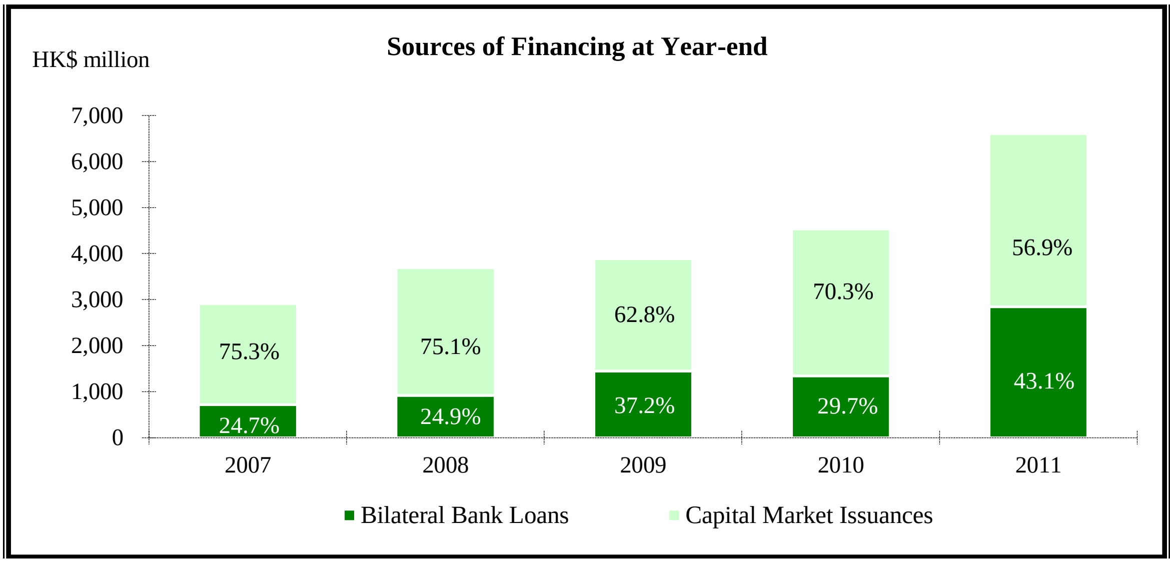
The graph below shows the financial strength of the Group and our ability to meet interest payment obligations and to raise further debts if necessary.



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 2011, the outstanding gross debt of the Group was HK$6,610 million (2010: HK$4,540 million), an increase of HK$2,070 million compared with 2010. All outstanding borrowings are on an unsecured basis.

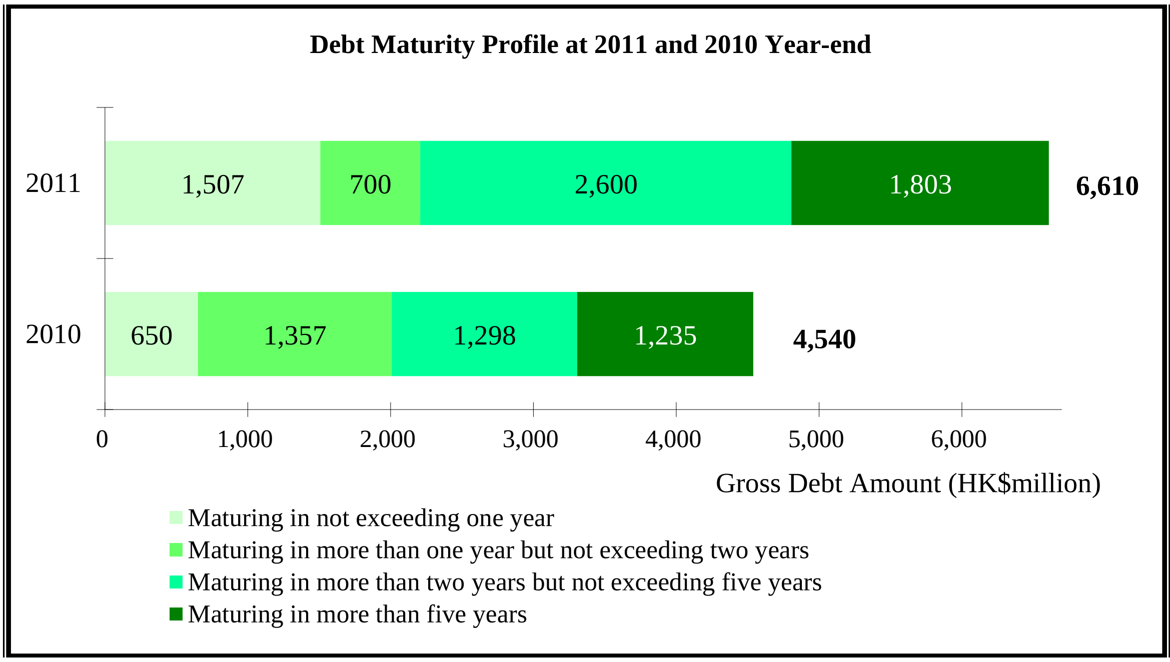
To diversify funding sources, the Group has established long-term relationships with a number of local and overseas banks. Ten local and overseas banks have provided bilateral banking facilities to the Group and such bank borrowings accounted for about 43.1% (2010: 29.7%) of the Group's outstanding gross debt. These facilities help to increase the Group's financial flexibility and to maintain a low level of funding costs. The Group also has access to local and international investors through notes issued under the Medium Term Notes Programme. As at the end of 2011, about 56.9% (2010: 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 2011, the average maturity of the debt portfolio was about 4.2 years (2010: 4.3 years), of which about HK$2,207 million or 33.4% (2010: HK$2,007 million or 44.2%) of the outstanding debts will be due in less than two years. As the Group has already arranged funding for the repayment of maturing debts in 2012, there is little re-financing pressure for the year. The Group, however, will continue to monitor the financial markets closely to identify the appropriate opportunity to tap the market if needed.

The graph below shows the debt maturity profile of the Group at 2011 and 2010 year-end.



Liquidity Management

The Group always places great emphasis on liquidity management in order to withstand any possible liquidity crunch amidst turbulent financial market conditions. Recurring cash flows from our business continued to remain steady and strong. As at 31 December 2011, the Group had cash and bank deposits totaling about HK$2,961 million (2010: HK$1,993 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$1,060 million (2010: HK$725 million) in debt securities and principal-protected investments.

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$988 million at year-end 2011 (2010: HK$1,147 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$1,000 million at year-end 2011 (2010: HK$2,550 million), essentially allow the Group to obtain additional liquidity as the needs arise.

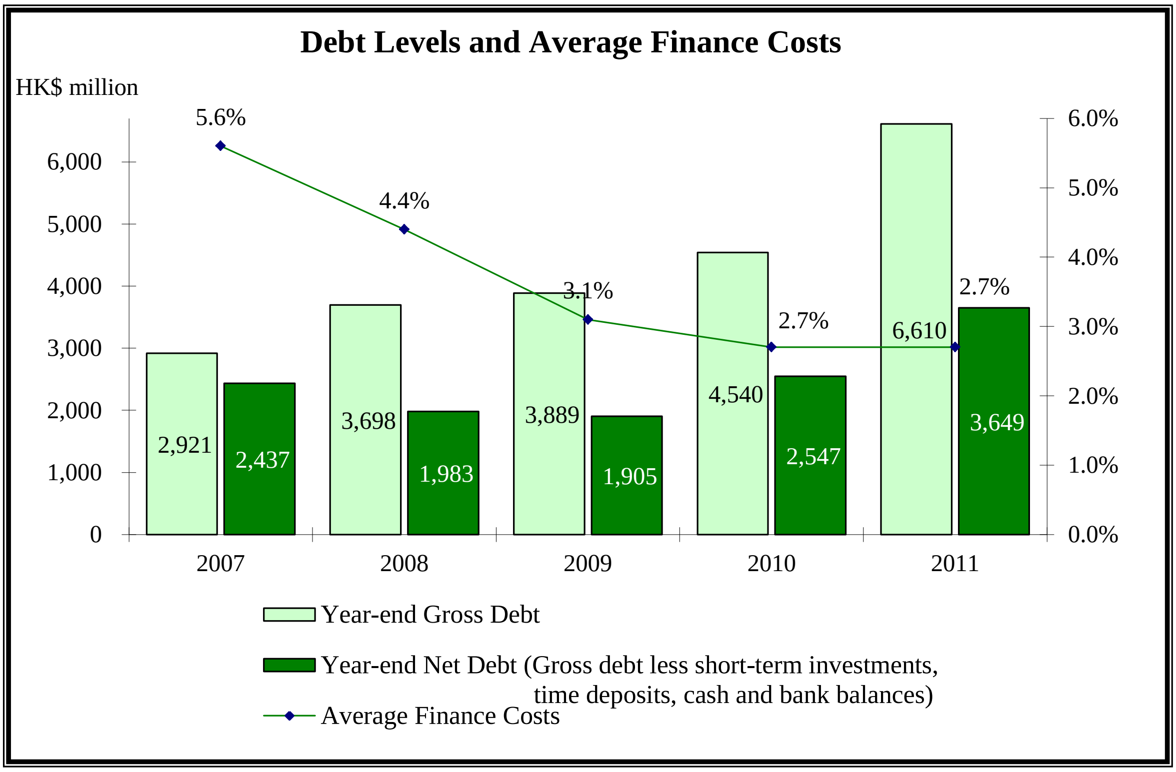
Interest Rate Management

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

Despite the tight liquidity in the credit market, 3-month Hong Kong Inter-bank Offered Rate ("HIBOR") remained low, hovering between 0.19% and 0.38%. The benefit of low interest rates offset the impact of the slightly increased credit margin of new borrowings. As a result, the Group maintained the average cost of financing at 2.7% in 2011, same as 2010.

The Group managed the floating rate debt ratio at 54.8% at year-end 2011, similar to the level of last year-end at 53.6%.

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, the US$26 million and AUD37 million bank loans, which have been hedged by appropriate hedging instruments, all of the Group's other borrowings were denominated in Hong Kong dollars. In regard to foreign exchange exposure on the investment side, the Group's outstanding investment in time deposits, principal-protected investments and debt securities amounted to US$60 million and RMB317 million, of which US$55 million and RMB167 million were hedged by foreign exchange forward contracts. Other foreign exchange exposure mainly relates to investments in the Shanghai project. These foreign exchange exposures amounted to the equivalent of HK$3,423 million (2010: HK$3,153 million) or 5.8% (2010: 6.5%) of total assets.

Use of Derivatives
As at 31 December 2011, outstanding derivatives mainly 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 consolidated financial statements for the year, but represents an extract from those consolidated financial statements. The final results of the Group for the year ended 31 December 2011 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 2011 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 2011

	Notes	**2011** *HK$ million*	2010 *HK$ million*
Turnover	3	**1,922**	1,764
Property expenses		**(262)**	(250)
Gross profit		**1,660**	1,514
Investment income		**90**	49
Other gains and losses		**(34)**	(42)
Administrative expenses		**(173)**	(140)
Finance costs		**(122)**	(117)
Change in fair value of investment properties		**7,532**	2,594
Share of results of associates		**254**	394
Profit before taxation		**9,207**	4,252
Taxation	5	**(217)**	(201)
Profit for the year	6	**8,990**	4,051
Profit for the year attributable to:			
Owners of the Company		**8,545**	3,844
Non-controlling interests		**445**	207
		8,990	4,051
Earnings per share (expressed in HK cents)	7		
Basic		**808.34**	365.47
Diluted		**807.71**	365.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	**2011** *HK$ million*	2010 *HK$ million*
Profit for the year		**8,990**	4,051
Other comprehensive income:	8		
Losses arising from equity investments designated as at fair value through other comprehensive income		**(121)**	-
Gains arising from available-for-sale investments		**-**	150
Net gains (losses) on cash flow hedges		**4**	(22)
Gain on revaluation of properties held for own use		**71**	29
Share of translation reserve of an associate		**155**	103
Other comprehensive income for the year (net of tax)		**109**	260
Total comprehensive income for the year		**9,099**	4,311
Total comprehensive income attributable to:			
Owners of the Company		**8,654**	4,104
Non-controlling interests		**445**	207
		9,099	4,311

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 *HK$ million*	2010 *HK$ million*
Non-current assets			
Investment properties		**49,969**	40,833
Property, plant and equipment		**530**	429
Investments in associates		**3,423**	3,014
Principal-protected investments		**365**	378
Term notes		**259**	168
Equity investments		**989**	-
Available-for-sale investments		**-**	1,152
Other financial assets		**68**	90
Other receivables		**163**	79
		55,766	46,143
Current assets			
Accounts receivable and other receivables	10	**134**	98
Amount due from an associate		**-**	139
Principal-protected investments		**265**	84
Term notes		**171**	95
Other financial assets		**71**	2
Time deposits		**2,899**	1,930
Cash and bank balances		**62**	63
		3,602	2,411
Current liabilities			
Accounts payable and accruals	11	**532**	433
Rental deposits from tenants		**170**	175
Amounts due to non-controlling interests		**327**	327
Borrowings		**1,507**	650
Other financial liabilities		**19**	-
Taxation payable		**73**	50
		2,628	1,635
Net current assets		**974**	776
Total assets less current liabilities		**56,740**	46,919
Non-current liabilities			
Borrowings		**5,156**	3,937
Other financial liabilities		**50**	52
Rental deposits from tenants		**430**	276
Deferred taxation		**360**	337
		5,996	4,602
Net assets		**50,744**	42,317
Capital and reserves			
Share capital		**5,299**	5,267
Reserves		**43,454**	35,410
Equity attributable to owners of the Company		**48,753**	40,677
Non-controlling interests		**1,991**	1,640
Total equity		**50,744**	42,317

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 2010, 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 HKICPA that are relevant to its operations and effective for the financial year beginning on 1 January 2011. In addition, the Group has applied Hong Kong Financial Reporting Standard ("HKFRS") 9 "Financial Instruments" (as revised in December 2011) in advance of its effective date of 1 January 2015 in the current year.

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

<u>HKFRS 9 "Financial instruments" (as revised in December 2011)</u>

In the current year, the Group has applied HKFRS 9 in its entirety and the related consequential Amendments in advance of its effective date. The Group has chosen 1 January 2011 as its date of initial application (i.e. the date on which the Group has reassessed the classification of its financial assets and financial liabilities in accordance with requirements of HKFRS 9). The classification is based on the facts and circumstances as at 1 January 2011. In accordance with transition provisions set out in HKFRS 9, the Group has chosen not to restate comparative information, any difference between the carrying amount previously measured under Hong Kong Accounting Standard ("HKAS") 39 and the carrying amount subsequently measured under HKFRS 9 as at 1 January 2011 is recognised in the opening retained profits at the date of initial application. HKFRS 9 does not apply to financial assets and financial liabilities that have already been derecognised at date of initial application. Other than the changes in classification of certain financial assets, the changes in accounting policies had no material financial impact on the amounts recognised on the statement of financial position of the Group as at 1 January 2011. Accordingly, the statement of financial position of the Group as at 1 January 2010 is not presented.

Financial assets
HKFRS 9 introduces new classification and measurement requirements for financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and Measurement”. Specifically, HKFRS 9 requires all financial assets to be classified and subsequently measured at either amortised cost or fair value on the basis of the Group’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

As required by HKFRS 9, debt instruments and hybrid contracts are subsequently measured at amortised cost only if (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (collectively referred to as the “amortised cost criteria”). All other financial assets are subsequently measured at fair value.

However, the Group may choose at initial recognition to designate a debt instrument that meets the amortised cost criteria as at fair value through profit or loss (“FVTPL”) if doing so eliminates or significantly reduces an accounting mismatch. Debt instruments that are subsequently measured at amortised cost are subject to impairment. Investments in equity instruments are classified and measured as at FVTPL except when the equity investment is not held for trading and is designated by the Group as at fair value through other comprehensive income (“FVTOCI”). If the equity investment is designated as at FVTOCI, all gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss except for dividend income, which is recognised in profit or loss in accordance with HKAS 18 “Revenue” unless the dividend income clearly represents a recovery of part of the cost of the investments.

As at 1 January 2011, the Directors of the Company have reviewed and reassessed the Group’s financial assets on that date. The initial application of HKFRS 9 has had impacts on the following financial assets of the Group:

(i) the Group’s investments in listed equity securities (not held for trading) of HK$1,147 million that were previously classified as available-for-sale investments and measured at fair value at each reporting date under HKAS 39 have been designated as at FVTOCI; and

(ii) the Group’s investments in unlisted equity securities (not held for trading) of HK$3 million that were previously classified as available-for-sale investments and measured at cost less impairment at each reporting date under HKAS 39 have been designated as at FVTOCI.

The list below illustrates the classification and measurement of the financial assets under HKAS 39 and HKFRS 9 at the date of initial application.

	Original measurement category under HKAS 39	New measurement category under HKFRS 9	Original carrying amount under HKAS 39 HK$ million	New carrying amount under HKFRS 9 HK$ million
Principal-protected investments	Financial assets designated as at FVTPL	Financial assets at FVTPL	462	462
Term notes	Held-to-maturity investments/loans and receivables	Financial assets at amortised cost	263	263
Investments in listed equity securities	Available-for-sale investments	Financial assets designated as at FVTOCI	1,147	1,147
Investments in unlisted equity securities	Available-for-sale investments	Financial assets designated as at FVTOCI	3	3
Investments in club debentures	Available-for-sale investments	Financial assets at FVTPL	2	2
Other financial assets: Forward foreign exchange contracts under cash flow hedges	Derivatives designated as hedging instruments	Derivatives designated as hedging instruments	1	1
Other financial assets: Cross currency swaps under cash flow hedges	Derivatives designated as hedging instruments	Derivatives designated as hedging instruments	2	2
Other financial assets: Basis swaps under cash flow hedges	Derivatives designated as hedging instruments	Derivatives designated as hedging instruments	1	1
Other financial assets: Interest rate swaps under fair value hedges	Derivatives designated as hedging instruments	Derivatives designated as hedging instruments	50	50
Other financial assets: Cross currency swaps classified as held for trading (not under hedge accounting)	Financial assets at FVTPL	Financial assets at FVTPL	38	38
Accounts receivable and other receivables	Loans and receivables	Financial assets at amortised cost	177	177
Amount due from an associate	Loans and receivables	Financial assets at amortised cost	139	139
Time deposits	Loans and receivables	Financial assets at amortised cost	1,930	1,930
Cash and bank balances	Loans and receivables	Financial assets at amortised cost	63	63

The application of HKFRS 9 affected the Group's result in the current year as follows:

(i) The cumulative gain resulted upon disposal of investments in listed equity securities of HK$33 million that would have been reclassified from investments revaluation reserve to profit or loss under HKAS 39 is now recognised as a transfer from investments revaluation reserve to retained profits. Accordingly, both the investment income and profit reported for the year ended 31 December 2011 have been decreased by HK$33 million as a result of the change in accounting policy, resulting in a decrease on both the Group's basic and diluted earnings per share by HK3.12 cents for the year ended 31 December 2011.

(ii) The Group's unlisted equity securities previously measured at cost less impairment under HKAS 39 are now measured at fair value under HKFRS 9 and have been designated as at FVTOCI. The carrying amounts of these investments approximated their fair values as at 1 January 2011. During the year ended 31 December 2011, net fair value losses of HK$2 million, which would have been recognised as impairment losses in profit or loss under HKAS 39, have been recognised as other comprehensive expense. Accordingly, both the investment income and profit reported for the year ended 31 December 2011 have been increased by HK$2 million as a result of the change in accounting policy, resulting in an increase on both the Group's basic and diluted earnings per share by HK0.19 cents for the year ended 31 December 2011.

The fair value measurements of the Group's unlisted equity securities are grouped into Level 3, which are derived from valuation techniques that include inputs for the assets that are not based on observable market data (unobservable inputs).

Financial liabilities

HKFRS 9 also contains requirements for the classification and measurement of financial liabilities. One major change in the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at FVTPL) attributable to changes in the credit risk of that liability.

The list below illustrates the classification and measurement of the financial liabilities under HKAS 39 and HKFRS 9 at the date of initial application.

	Original measurement category under HKAS 39	New measurement category under HKFRS 9	Original carrying amount under HKAS 39 HK$ million	New carrying amount under HKFRS 9 HK$ million
Accounts payable and accruals	Financial liabilities at amortised cost	Financial liabilities at amortised cost	433	433
Amounts due to non-controlling interests	Financial liabilities at amortised cost	Financial liabilities at amortised cost	327	327
Borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	4,587	4,587
Other financial liabilities: Interest rate swaps under cash flow hedges	Financial liabilities at FVTPL	Financial liabilities at FVTPL	48	48
Other financial liabilities: Net basis swaps classified as held for trading (not under hedge accounting)	Financial liabilities at FVTPL	Financial liabilities at FVTPL	4	4

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.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 7 (Amendments)	Disclosure – Transfers of Financial Assets[4]
	Disclosure – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2012.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2014.
4 Effective for annual periods beginning on or after 1 July 2011.

Amendments to HKAS 32 "Offsetting Financial Assets and Financial Liabilities" and Amendments to HKFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities"

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 13 "Fair Value Measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial Instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors of the Company anticipate that the application of this new Standard may result in more extensive disclosures in the consolidated financial statements.

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 operating 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 operating segment.

	Office *HK$ million*	Retail *HK$ million*	Residential *HK$ million*	Consolidated *HK$ million*
For the year ended 31 December 2011				
Turnover				
Gross rental income from investment properties	**701**	**721**	**283**	**1,705**
Management fee income	**119**	**68**	**30**	**217**
Segment revenue	**820**	**789**	**313**	**1,922**
Property expenses	**(102)**	**(104)**	**(56)**	**(262)**
Segment profit	**718**	**685**	**257**	**1,660**
Investment income				**90**
Other gains and losses				**(34)**
Administrative expenses				**(173)**
Finance costs				**(122)**
Change in fair value of investment properties				**7,532**
Share of results of associates				**254**
Profit before taxation				**9,207**

For the year ended 31 December 2010	Office *HK$ million*	Retail *HK$ million*	Residential *HK$ million*	Consolidated *HK$ million*
Turnover				
Gross rental income from investment properties	654	636	264	1,554
Management fee income	116	64	30	210
Segment revenue	770	700	294	1,764
Property expenses	(119)	(81)	(50)	(250)
Segment profit	651	619	244	1,514
Investment income				49
Other gains and losses				(42)
Administrative expenses				(140)
Finance costs				(117)
Change in fair value of investment properties				2,594
Share of results of associates				394
Profit before taxation				4,252

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in the "Principal 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 Chief Executive Officer of the Group for the purpose of resource allocation and performance assessment.

Segment assets

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

	Office *HK$ million*	Retail *HK$ million*	Residential *HK$ million*	Consolidated *HK$ million*
As at 31 December 2011				
Segment assets	**16,957**	**15,092**	**8,426**	**40,475**
Investment properties under redevelopment				**9,500**
Investments in associates				**3,423**
Other assets				**5,970**
Consolidated assets				**59,368**
As at 31 December 2010				
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

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, other receivables, time deposits, cash and bank balances. 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$3,420 million (2010: HK$3,011 million) and HK$3 million (2010: HK$3 million) respectively, all the Group's assets are located in Hong Kong.

Other segment information

	Office *HK$ million*	Retail *HK$ million*	Residential *HK$ million*	Consolidated *HK$ million*
For the year ended 31 December 2011				
Additions to non-current assets	**37**	**444**	**21**	**502**
Additions to investment properties under redevelopment				**1,118**
				1,620
For the year ended 31 December 2010				
Additions to non-current assets	88	326	10	424
Additions to investment properties under redevelopment				502
				926

5. Taxation

	2011 ***HK$ million***	2010 *HK$ million*
Current tax		
Hong Kong profits tax		
- current year	**207**	172
- underprovision (overprovision) in prior years	**1**	(6)
	208	166
Deferred tax	**9**	35
	217	201

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

6. Profit For The Year

	2011 *HK$ million*	2010 *HK$ million*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**2**	2
Depreciation of property, plant and equipment	**8**	8
Gross rental income from investment properties including contingent rentals of HK$89 million (2010: HK$54 million)	**(1,705)**	(1,554)
Less:		
- Direct operating expenses arising from properties that generated rental income	**233**	247
- Direct operating expenses arising from properties that did not generate rental income	**29**	3
	(1,443)	(1,304)
Staff costs, comprising:		
- Directors' emoluments	**21**	14
- Share-based payments	**4**	4
- Other staff costs	**168**	147
	193	165
Share of income tax of an associate (included in share of results of associates)	**92**	153

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:

	Earnings	
	2011 *HK$ million*	2010 *HK$ million*
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	**8,545**	3,844

	Number of shares 2011	2010
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,057,109,763**	1,051,785,240
Effect of dilutive potential ordinary shares: Share options issued by the Company	**817,621**	900,002
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,057,927,384**	1,052,685,242

For 2011, the computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices of those options are higher than the average market price for shares.

(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:

	2011		2010	
	Profit *HK$ million*	**Basic earnings per share** *HK cents*	Profit *HK$ million*	Basic earnings per share *HK cents*
Profit for the year attributable to owners of the Company	**8,545**	**808.34**	3,844	365.47
Change in fair value of investment properties	**(7,532)**	**(712.51)**	(2,594)	(246.63)
Effect of non-controlling interests' shares	**355**	**33.58**	125	11.89
Share of change in fair value of investment properties (net of deferred taxation) of an associate	**(58)**	**(5.49)**	(227)	(21.58)
Underlying Profit	**1,310**	**123.92**	1,148	109.15
Recurring Underlying Profit	**1,310**	**123.92**	1,148	109.15

Notes:

(1) Recurring Underlying Profit is arrived at by excluding from Underlying Profit items that are non-recurring in nature (such as gains or losses on disposal of long-term assets; impairment or its reversal; and tax provisions for prior years). As there were no such adjustments in both years, the Recurring Underlying Profit is the same as the Underlying Profit.

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

8. Other Comprehensive Income

Other comprehensive income comprises:

	2011 *HK$ million*	2010 *HK$ million*
Losses arising from equity investments designated as at FVTOCI	**(121)**	-
Gain arising from available-for-sale investments	**-**	150
Cash flow hedges:		
- Losses arising during the year	**(25)**	(40)
- Reclassification adjustments for losses included in profit or loss	**29**	18
	4	(22)
Gain on revaluation of properties held for own use	**85**	34
Share of translation reserve of an associate	**155**	103
Other comprehensive income (before tax)	**123**	265
Income tax relating to components of other comprehensive income	**(14)**	(5)
Other comprehensive income for the year (net of tax)	**109**	260

9. Dividends

Dividends recognised as distribution during the year:

	2011 *HK$ million*	2010 *HK$ million*
2011 interim dividend paid – HK15 cents per share	**159**	-
2010 interim dividend paid – HK14 cents per share	**-**	147
2010 final dividend paid – HK60 cents per share	**632**	-
2009 final dividend paid – HK54 cents per share	**-**	567
	791	714

Dividends proposed after the end of the reporting period:

Final dividend proposed – HK64 cents per share (2010: HK60 cents per share)	**678**	632

The 2011 final dividend of HK64 cents per share (2010: HK60 cents per share) has been proposed by the Directors on 8 March 2012 and is subject to approval by the shareholders at the forthcoming annual general meeting. Such dividend is not recognised as a liability as at 31 December 2011.

10. Accounts Receivable and Other Receivables

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$6 million (2010: HK$5 million) mainly represented rents receipts in arrears, which were aged less than 90 days.

11. Accounts Payable and Accruals

At the end of the reporting period, accounts payable of the Group with carrying amount of HK$324 million (2010: HK$229 million) were aged less than 90 days.

ADDITIONAL INFORMATION

Corporate Governance

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

The Company meets the Code Provisions contained in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, except that its Remuneration Committee (established since 1987) has the responsibility for reviewing the fees and remuneration at Directors 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. The Board has reviewed the composition of the Remuneration Committee. Philip Yan Hok FAN and Joseph Chung Yin POON, both being Independent non-executive Directors, were appointed Committee chairman and member respectively in March 2012. The other member is Michael Tze Hau LEE, Non-executive Director. Further information on the Company's corporate governance practices is available on our website www.hysan.com.hk.

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 Directors' 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 2011 was 541. 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 2011.

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, 24 May 2012. The scrip dividend alternative is conditional upon (1) the shareholders' approval of the 2011 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

1. **Annual General Meeting**

   The register of members will be closed from Friday, 11 May 2012 to Monday, 14 May 2012, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, 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 Thursday, 10 May 2012.

2. **Proposed Final Dividend**

   The register of members will be closed on Friday, 18 May 2012, during which period no transfer of shares will be registered. The ex-dividend date will be Wednesday, 16 May 2012. In order to qualify for 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 the abovementioned address not later than 4:00 p.m. on Thursday, 17 May 2012. The final dividend will be paid to shareholders whose names appear on the register of members on Friday, 18 May 2012 and the payment date will be on or about Thursday, 14 June 2012.

AGM

The AGM will be held at Granville and Nathan Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 14 May 2012. 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 2012.

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

Hong Kong, 8 March 2012

As at the date of this announcement, the Board comprises: Irene Yun Lien LEE (Chairman), Siu Chuen LAU (Deputy Chairman), Gerry Lui Fai YIM (Chief Executive Officer), Nicholas Charles ALLEN**, Philip Yan Hok FAN**, Joseph Chung Yin POON**, Hans Michael JEBSEN* (Kam Wing LI as his alternate), Anthony Hsien Pin LEE* (Irene Yun Lien LEE as his alternate), Chien LEE*, Michael Tze Hau LEE* and Wendy Wen Yee YUNG (Executive Director).*

* *Non-executive Directors*
** *Independent non-executive Directors*

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 2011 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites around end of March 2012.