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 2012

- **Group turnover up 29.3% (like-for-like: 6.9%), reflecting contribution by the new Hysan Place**
- **Recurring Underlying Profit correspondingly increased 23.8%**
- **Full-year dividends of HK95 cents per share, up 20.3%**
- **Our balanced and more diversified retail and office portfolio to achieve steady performance for 2013, and further enhanced by full-year contribution of Hysan Place**

RESULTS

		Year ended 31 December		
		2012	2011	
	Notes	**HK$ million**	HK$ million	Change
Turnover	*1*	**2,486**	1,922	+29.3%
Recurring Underlying Profit	*2*	**1,622**	1,310	+23.8%
Underlying Profit	*3*	**1,622**	1,310	+23.8%
Reported Profit	*4*	**9,955**	8,545	+16.5%
		HK cents	HK cents	
Earnings per share, based on:				
Recurring Underlying Profit	*2*	**152.83**	123.92	+23.3%
Underlying Profit	*3*	**152.83**	123.92	+23.3%
Reported Profit	*4*	**938.02**	808.34	+16.0%
Full-year dividends per share		**95.00**	79.00	+20.3%

		At 31 December		
		2012	2011	
		HK$ million	HK$ million	
Shareholders' Funds	*5*	**58,123**	48,753	+19.2%
		HK$	HK$	
Net Asset Value per Share	*6*	**54.68**	46.00	+18.9%

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

Year in Review

Hong Kong's economy remained steady during 2012, although its economic performance, and exports in particular, continued to be impacted by the macro environment in Europe and the United States. Private consumption remained resilient. Retail sales recorded an annual growth of 9.8% when compared to 2011, a good performance but one that also reflected more subdued growth in Mainland tourist spending. This continued to benefit the local retail leasing market. Tight supply supported the Grade "A" office leasing market, despite weaker demand, particularly from financial institutions. Rental levels in Causeway Bay remained stable.

Business Performance

The Group's 2012 turnover was HK$2,486 million, representing a year-on-year increase of 29.3% from HK$1,922 million in 2011. If the rental contribution (HK$431 million) from the new Hysan Place (its shopping mall opened in August) is excluded, the like-for-like turnover increase would be 6.9% to HK$2,055 million. As at 31 December 2012, solid occupancy was recorded across our portfolio (Retail: 93% (like-for-like: 91%); Office: 91% (like-for-like: 98%); and Residential: 92%). Retail portfolio vacancies mainly reflected the renovation of part of Lee Theatre Plaza.

Recurring Underlying Profit, the key measurement of our core leasing business performance, was HK$1,622 million, up 23.8% from HK$1,310 million in 2011. This principally reflected the rental contribution from the new Hysan Place and the improved performance recorded in the rest of the portfolio. Property expenses, including those related to the opening of Hysan Place, also increased. Our Underlying Profit, which excludes unrealised changes in fair value of investment properties, was also HK$1,622 million (2011: HK$1,310 million). Basic earnings per share based on Recurring Underlying Profit correspondingly rose to HK152.83 cents (2011: HK123.92 cents), up 23.3%.

Our Reported Profit for 2012 was HK$9,955 million (2011: HK$8,545 million), reflecting a higher fair value gain on the Group's investment properties valuation recorded this year. At year-end 2012, the external valuation of the Group's investment property portfolio increased by 20.1% to HK$60,022 million (2011: HK$49,969 million), principally reflecting improved rentals for our portfolio and a higher valuation for Hysan Place after construction completion. Shareholders' Fund increased by 19.2% to HK$58,123 million (2011: HK$48,753 million).

Our financial position remains strong, with improved net interest coverage of 16.8 times (2011: 12.3 times) and net debt to equity ratio of 6.2% (2011: 7.6%). Standard and Poor's upgraded the Group's credit rating from BBB to BBB+ in December 2012 to reflect the Group's improved position following the opening of Hysan Place. Moody's rating of the Group is Baa1.

Dividends

Currently, Hysan pays an interim dividend and a final dividend (in June, after the Annual General Meeting and the completion of procedures regarding scrip dividends).

With effect from the year ended 31 December 2012, the Company intends to pay two interim dividends. The second interim dividend will be in lieu of a final dividend. In the light of past responses, we shall not be offering a scrip alternative.

Shareholders shall receive an earlier payment of the second interim dividend (in April instead of June); thus the timing of dividend payments will also be more evenly spread over the year (in April and September). The total amount of dividend paid to shareholders for the year under review will remain the same.

The Board of Directors (the "Board") declares a second interim dividend of HK78 cents per share (2011: final dividend of HK64 cents). Together with the first interim dividend of HK17 cents per share (2011: HK15 cents), there is an aggregate distribution of HK95 cents per share, representing a year-on-year increase of 20.3%.

Leadership and Vision

2012 saw the appointment of Mr. Siu Chuen LAU, Deputy Chairman, as Chief Executive Officer and my assuming an executive role. It was also the year that Hysan further refined its vision by reinforcing our Lee Gardens district's position as the premium core district in Causeway Bay, offering top-class facilities for businesses and retailers. It also acts as a magnet for an exciting collection of fashion, lifestyle, hospitality, dining and entertainment venues, making it a destination that is among the most dynamic and progressive in the world.

The completion of Hysan Place at the northern gateway of our Lee Gardens district is a significant milestone for the Group. It has not only increased our retail space by 50%, but has also become a showcase for the rich diversity of our retail offerings, including some brands that are new to Causeway Bay or Hong Kong. With its direct mass transit (MTR) connectivity, Hysan Place has significantly enhanced the area into a major attraction for shoppers from all over the city, thus further strengthening our Lee Gardens district. At the western gateway, a fresh range of new chic and stylish shops in the refurbished Lee Theatre Plaza will open as from mid-year. This will complete the transformation of the western side, which includes One Hysan Avenue and Leighton Centre retail podia re-launched in 2011, creating one of the most fashion-forward areas of Hong Kong.

The new, yet familiar LEEGARDENS district brand was launched during the third quarter of 2012. Visual connectivity, as well as promotional and marketing campaigns will continue to position the Lee Gardens district as an integrated, unique and must-visit district.

The connectivity and integration of the northern and western gateways, together with the luxurious, tree-lined Lee Gardens complex at Hysan Avenue, lie at the heart of the Lee Gardens district vision. They constitute a retail triangle that combines significant retail street frontage with shopping malls of different characteristics, complemented by a vibrant streetscape; thereby offering a unique yet diversified shopping and lifestyle experience.

In order to support this vision, the Group is committed to continually enhancing the asset value of our investment property portfolio through selective re-positioning, refurbishment and re-development. Our next re-development target is the combined development of Sunning Plaza and Sunning Court into a mixed-use office and retail complex. Planning is underway, for the project to be completed around 2018.

Values and People

With our district vision in place, we have also refined our corporate vision – to be the premier property company that is superior to its peers in its market of choice. Our vision lies at the heart of everything we do, driving both our internal and external behaviour. We have also refreshed our corporate values. In addition to our long established core values of integrity, professionalism and being a responsible business, we have further emphasized our commitment to be proactive, driven, progressive, forward-looking and strategic, in order to enhance and deliver value for our stakeholders.

Delivery of excellent performance is core to our commitment. We recognise that the source of excellence lies in our people. We are determined to attract, develop and retain the very best people. Only world-class talent and leadership can deliver the results we strive for. Our new branding and the articulation of the Lee Gardens district vision are underpinned by our refreshed corporate values and vision. They have been embedded in the language we use in our learnings, such as the series of interactive workshops that we delivered to all our people during 2012, as well as in our performance management systems.

Our Community

Hysan is committed to a sustainable future. We are particularly proud that Hysan Place received the prestigious LEED Platinum (core and shell) certification from the United States Green Building Council, the first mixed-use office and vertical mall complex in Hong Kong and Greater China to be so honoured.

We set ourselves the highest standards of corporate governance and seek to operate in a socially responsible and ethical way. We recognise the importance of positive and constructive interaction with the communities we live in and we support and encourage our employees to be more involved in community activities. To this end, we have adopted a new and more comprehensive approach to our corporate responsibility reporting. Please read our Corporate Responsibility Report 2012 for highlights of our contributions to the community during the year.

Outlook

The Hong Kong economy is expected to continue to be impacted by the conditions of our global economic partners. Private consumption should, however, remain resilient. In this light, the performance of our balanced and more diversified retail and office portfolio is expected to be steady, and further supported by the full-year contribution from Hysan Place.

Hysan is well placed to continue to enhance and promote an already significant retail and office hub in one of the most vibrant areas in Hong Kong. We believe we have a strong foundation on which to build towards our ambition to establish the Lee Gardens district as the heartbeat of Hong Kong, a district that inspires active participation and discovery in a close-knit, sustainable community of unparalleled energy.

Appreciation
On behalf of the Board, I would like to acknowledge the contribution of our management team and our staff. We thank you for your commitment and hard work during an eventful year, the highlight of which was the successful opening of Hysan Place. I would like to welcome Mr. Siu Chuen LAU, Deputy Chairman, who took on the role of Chief Executive Officer in May, and to wish Mr. Gerry Lui Fai YIM, our former Chief Executive Officer every success in his future endeavours.

As part of our ongoing commitment to further strengthening board composition and performance, we welcome Mr. Frederick Peter CHURCHOUSE, an Asian property investment veteran, as our new Independent non-executive Director.

Finally, I wish to thank my fellow directors for their diligence and valuable advice to and support of the management team during a year of exciting transition.

Irene Yun Lien LEE
Chairman

Hong Kong, 6 March 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hysan is principally engaged, together with its subsidiaries and associates, in the investment, development and management of quality properties in prime locations, and the Group's turnover and results are primarily derived from the leasing of investment properties located in Hong Kong. Our investment property interests currently total some 4.5 million gross square feet of high-quality retail, office and residential space in Hong Kong, including the new Hysan Place.

The Group adopts a portfolio approach in its investment properties management, which aims at maintaining a well-balanced portfolio while targeting to achieve a steady and measured growth.

Review of Results
The Group's turnover continued to grow and recorded HK$2,486 million in 2012, representing an increase of 29.3% from HK$1,922 million in 2011. If the rental contribution of HK$431 million from the new Hysan Place (whose shopping mall opened in August) is excluded, the like-for-like turnover increase would be 6.9% to HK$2,055 million. The turnover of each sector is shown as below:

	2012 HK$ million	2011 HK$ million	Change HK$ million	Change %
Retail sector	**1,250**	789	461	+58.4
Office sector	**908**	820	88	+10.7
Residential sector	**328**	313	15	+4.8
	2,486	1,922	564	+29.3

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 2012, our Recurring Underlying Profit was HK$1,622 million, up 23.8% from HK$1,310 million in 2011. Our Underlying Profit, which excludes unrealised changes in fair value of investment properties, was also HK$1,622 million (2011: HK$1,310 million). Both profit indicators primarily reflect the improvement in gross profit generated from our core leasing activities, including contribution from the new Hysan Place. Property expenses, including those related to the opening of Hysan Place, also increased.

Our Reported Profit for 2012 was HK$9,955 million (2011: HK$8,545 million), reflecting a higher fair value gain on the Group's investment properties valuation recorded in this year. Basic earnings per share based on Recurring Underlying Profit correspondingly rose to HK152.83 cents (2011: HK123.92 cents).

	2012 **HK$ million**	2011 HK$ million	Change HK$ million	Change %
Recurring Underlying Profit	**1,622**	1,310	312	+23.8
Underlying Profit	**1,622**	1,310	312	+23.8
Fair value change on investment properties located in				
- Hong Kong	**8,210**	7,177	1,033	+14.4
- Shanghai	**123**	58	65	+112.1
Reported Profit	**9,955**	8,545	1,410	+16.5

Key Performance Indicators

Although 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

Measurement
Rental revenue in 2012 as compared to that in 2011

Significance
Reflects the combined effect of changes in rental rate and occupancy rate

Performance
- Significant contribution by Hysan Place
- Growth was recorded in all three leasing sectors in the rest of the portfolio

Retail Sector
+58.4% for 2012
Like-for-like:
+9.5% for 2012
(+12.7% for 2011)

Office Sector
+10.7% for 2012
Like-for-like:
+5.2% for 2012
(+6.5% for 2011)

Residential Sector
+4.8% for 2012
(+6.5% for 2011)

Occupancy Rate

Measurement
Percentage of total area leased to tenants over total lettable area of each sector

Significance
- Rental revenue and management fees are directly proportional to occupancy rate
- Optimises revenue by balancing occupancy rate and rental level

Performance
- Retail portfolio occupancy principally reflected renovations at Lee Theatre Plaza
- Office portfolio occupancy remained strong; Hysan Place leasing continued
- Residential recorded 92% occupancy amidst a slow market

Retail Sector
93% at year-end 2012
Like-for-like:
91% at year-end 2012
(virtually fully-let at year-end 2011)

Office Sector
91% at year-end 2012
Like-for-like:
98% at year-end 2012
(96% at year-end 2011)

Residential Sector
92% at year-end 2012
(95% at year-end 2011)

Property Expenses

Measurement
Principally being costs directly associated with day-to-day operations of the Group's property portfolio

Significance
Measures the costs incurred in operating the Group's property portfolio

Performance
- Rise in property expenses principally attributable to Hysan Place costs, a significant part of which were related to revenue-generating activities such as agency fees
- Like-for-like property expenses also increased (see "Property Expenses to Turnover Ratio" in the next column)

Total Property Expenses
HK$423 million
for 2012
Like-for-like:
HK$271 million for 2012
(HK$262 million for 2011)

Property Expenses to Turnover Ratio

Measurement
Calculated by dividing property expenses by turnover

Significance
An indication of the gross margin of our business

Performance
- Ratio increased in 2012 as a result of costs attributable to the Hysan Place opening, as compared to 2011
- On a like-for-like basis, ratio remained largely stable

Property Expenses to Turnover Ratio
17.0% for 2012
Like-for-like:
13.2% for 2012
(13.6% for 2011)

Review of Operations
All three leasing sectors continued to record growth during the year, and their respective strategies and contribution to the Group's performance are discussed in detail below.

Retail Sector
Hysan owns and manages 1.3 million gross square feet of prime retail space in Causeway Bay, one of the world's best known retail districts. The opening of Hysan Place mall in August 2012 basically completed the Group's multi-year strategic repositioning of its retail portfolio. The Group views its retail portfolio in the Lee Gardens district as a multi-faceted, yet integrated shopping environment that combines significant street frontage with shopping malls of different characteristics, and that is complemented by a vibrant streetscape. This creates a unique and diversified shopping and lifestyle experience. Three hubs anchor the corners of this Hysan Retail Triangle:

- The environmentally friendly and award-winning (Gold Award, Best Mixed-Use Development in MIPIM Asia Awards 2012, which recognise excellence and innovation in regional real estate development) Hysan Place adds 50% to our retail portfolio size on the northern boundary of the Lee Gardens district, and is positioned as a "hip and trendy" hub to target the younger age groups. It also aims to attract new shoppers from other areas to Causeway Bay with its direct connections to the mass transit system, the MTR.

- The tree-lined avenue and street-front shops at Lee Gardens hub (comprising Lee Gardens One, Lee Gardens Two, Sunning Plaza and 18 Hysan Avenue) are well-recognised landmarks of the hub. They are positioned to provide elegant and luxury premium retail spaces aimed at high-end shoppers both local and from overseas.

- The Lee Theatre hub (comprising Lee Theatre Plaza, Leighton Centre and One Hysan Avenue), is located on the western boundary of the Lee Gardens district, and also adjacent to another popular shopping hub around Time Square. The Lee Theatre hub is positioned to bring in stylish and chic lifestyle shops and restaurants. The anticipated completion of Lee Theatre Plaza's rejuvenation is the last phase in the re-positioning of this hub, which leverages on the success and heavy traffic of both shopping hubs.

Reflecting Hysan Place mall's opening in August 2012, retail sector revenue increased by 58.4% to HK$1,250 million (2011: HK$789 million), including turnover rent of HK$104 million (2011: HK$89 million). On a like-for-like basis, a healthy growth of 9.5% to HK$864 million was recorded.

Overall retail portfolio occupancy was 93% on 31 December 2012. On a like-for-like basis, the occupancy was 91% on 31 December 2012 (30 June 2012: 92%; 31 December 2011: virtually fully-let). These figures reflect the renovation of part of Lee Theatre Plaza.

Since its opening, Hysan Place has been able to fulfil our three key retail objectives. Firstly, it achieved its financial targets. Secondly, as demonstrated by the gradual transformation of retail mix in its neighbourhood, many synergies have been created by Hysan Place mall's opening that have enhanced the area's shopping experience. Finally, the mall has brought more shoppers to Causeway Bay, which benefits the entire retail district. The December 2012 figures, following the opening of all anchor tenant shops, showed an average daily of 83,000 visitors with peak days hitting above 100,000 visitors. We will continue to work with our tenants to fully capitalise on Hysan Place's potential to attract new shoppers to both Hysan Place and to the Lee Gardens district.

In terms of strategic contribution to our entire commercial property portfolio, Hysan Place further strengthened our retail sector with a more diversified tenant mix, and with anchor tenants that are internationally renowned but new to either Hong Kong or Causeway Bay. The enlarged and more diversified retail portfolio helped to give Hysan's overall commercial property portfolio a better balance.

Our Lee Gardens luxury hub continued to see healthy retail sales growth at 7.7% (noting a number of shops were under renovation), which was contributed by local shoppers as well as tourists. Through targeted marketing efforts, tenant sales to our VIP Club Avenue customers increased by 26%. There was also strong demand for our street front shops when they became available.

Upon opening a fresh range of shops in the renovated lower zone of Lee Theatre Plaza as from mid-2013, Lee Theatre retail hub will complete its transformation as our chic and stylish western gateway. All the renovated shop space has been leased. One Hysan Avenue and Leighton Centre, the other two venues forming the hub, have already seen significant changes to their retail positioning and offerings, bringing benefits to the Group.

In light of our portfolio repositioning, we launched our district branding initiatives in the third quarter of 2012. In September, we strengthened our district branding with the new but familiar LEE GARDENS as the brand name, initially focusing on creating visual connectivity. Multi-hub promotions have been organised to generate cross marketing leveraging on the footfalls generated by Hysan Place and the mall's popular tenants.

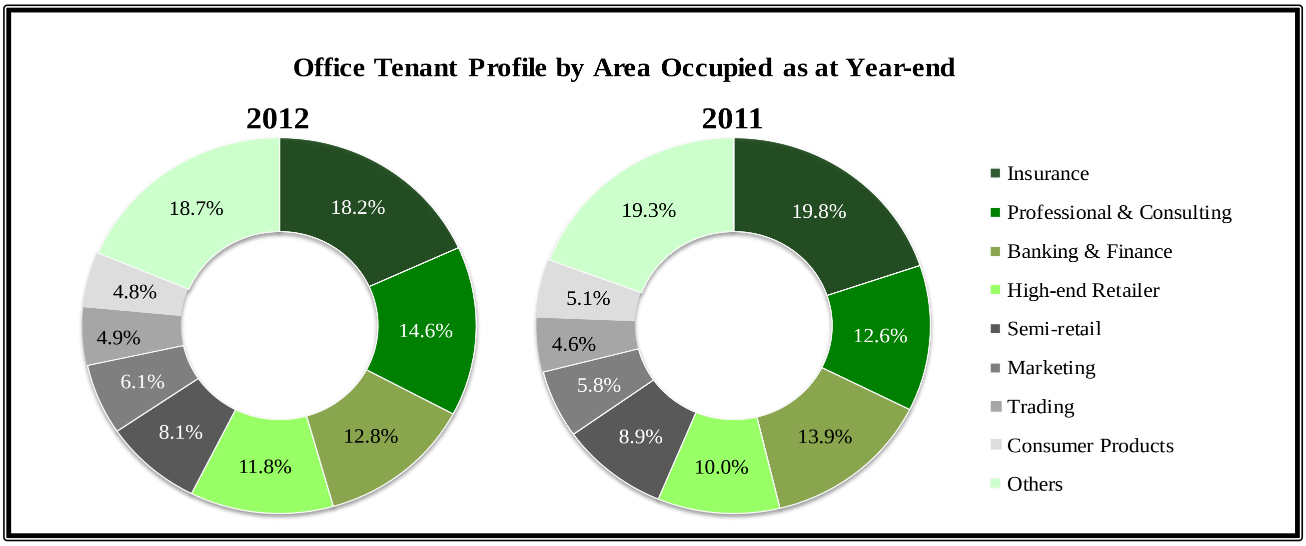
A series of marketing efforts and activities will take place in 2013 to further make the Hysan Retail Triangle a must-visit place for enjoying unique shopping and lifestyle experiences, with the ultimate objective of enhancing Lee Gardens district's competitiveness as a top shopping destination.

Office Sector

Hysan's office portfolio owns and manages 2.3 million gross square feet of premium space in Causeway Bay. The 15-floor Hysan Place office space is our latest addition to the Group's Grade "A" office hub. The hub counts among its constituents The Lee Gardens, Caroline Centre, Sunning Plaza and 18 Hysan Avenue. It is positioned to be a credible alternative to Central and Admiralty. Hysan Place has been certified at the highest Platinum level for the U. S. Green Building Council's Leadership in Energy and Environmental Design (USGBC LEED), and pre-certified at Platinum level for the Hong Kong Building Environmental Assessment Method (BEAM Plus) standard. Other office buildings within our portfolio (comprising One Hysan Avenue, 111 Leighton Road and Leighton Centre) provide quality office space for tenant use.

Our office sector's revenue grew 10.7% to HK$908 million (2011: HK$820 million). On a like-for-like basis, a growth of 5.2% to HK$863 million was recorded. This principally reflected positive rental reversions, an increase of 29% in rent on renewals and new lettings, when compared with existing leases. Our portfolio occupancy was 91% on 31 December 2012. Our like-for-like office occupancy was 98% on 31 December 2012 (98% on 30 June 2012 and 96% on 31 December 2011). 53% of Hysan Place's office space had been committed as of 31 December 2012. In view of the limited supply of Grade "A" office space in competing core localities in the next two years, we shall continue to balance occupancy with tenant profile, with the aim of further enhancing the positioning of our entire office portfolio.

The top four industry groups represented around 57.4% of our office tenant mix, namely insurance, professional and consulting, banking and finance and high-end retailers. The overall tenant portfolio is balanced, and no single category takes up more than 20% of total lettable area. The Group continues to actively manage its tenancy profile. The charts below illustrate our office portfolio tenant profile as analysed by area occupied.



We shall continue to upgrade our office facilities, raise property service standards, as well as foster close and trusting tenant relationships. All these measures aim to offer our best-in-value proposition to our tenants, and deliver a total Grade "A" office experience.

Residential Sector

Our residential portfolio comprises the Bamboo Grove residential development located in Mid-Levels and Sunning Court in Causeway Bay, totaling 0.8 million gross square feet. We offer top-class facilities and one-stop personalised services to provide an expatriate-focused living experience. Residential leases are typically for two years.

Residential sector revenue increased 4.8% to HK$328 million (2011: HK$313 million). The sector recorded 92% occupancy at the end of the year, amidst the slow market environment (95% on both 30 June 2012 and 31 December 2011). In terms of rental levels, however, positive rental reversion was achieved as a whole. During the year, the Group continued to broaden its tenant base beyond the financial sector, as demand from the latter was affected by the macro environment.

At the same time, we continued to diversify our marketing channels. Strengthened tenant relations and direct marketing initiatives helped increase tenant referrals and deals made directly with us, which also further improved cost effectiveness.

Our tenant retention rate remained healthy, reflecting our continued efforts to enhance our facilities, services and communal activities.

Financial Review

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

Operating Costs

The Group's operating costs are generally classified as property expenses and administrative 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. Property expenses increased to HK$423 million (2011: HK$262 million). The increase was principally due to the costs attributable to Hysan Place, a significant part of which related to revenue-generating activities such as agency fees. As a result, the property expenses to turnover ratio increased from 13.6% to 17.0% as compared to 2011. We expect property expenses regarding Hysan Place to become more stable following its opening, also to be measured against full-year contribution of Hysan Place beginning 2013. Like-for-like property expenses increased by 3.4% to HK$271 million (2011: HK$262 million). This reflected an increase in repairs and maintenance costs, cleaning expenses (following the implementation of statutory minimum wages) as well as front-line staff costs. The like-for-like property expenses to turnover ratio remained stable at 13.2% (2011: 13.6%).

Administrative expenses are the costs indirectly associated with day-to-day operations of our investment properties, largely representing payroll related costs of management and head-office staff. Administrative expenses rose by 8.1% to HK$187 million (2011: HK$173 million). This reflected continuing human resources upskilling for Hysan's existing portfolio and additional hiring for Hysan Place. Consulting expenses were also incurred for the review and application for judicial review of the government's proposed Outline Zoning Plans, which affect the long-term redevelopment of the Group's Causeway Bay properties portfolio.

Finance Costs

Finance costs, after capitalisation of HK$17 million (2011: HK$44 million) interest expenses and related borrowing costs referable to Hysan Place construction costs, were HK$156 million in 2012, an increase of 27.9% from HK$122 million in 2011. If the capitalised interest expenses and related borrowing costs were included, the Group's finance costs in 2012 would have been HK$173 million, an increase of HK$7 million or 4.2% as compared to last year (2011: HK$166 million).

The increase principally reflected the increase in the Group's average debt levels, as new financings were arranged from the second half of 2011 onwards, including measures for re-financing borrowings due in 2012. The Group's average finance costs in 2012 (defined as interest expenses divided by average gross debt for the year) were 2.7%, at the same level for 2011.

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 2012 by Knight Frank Petty Limited, an independent professional valuer, on the basis of open market value. The amount of this valuation was HK$60,022 million, an increase of 20.1% from HK$49,969 million at 31 December 2011. The valuation at year-end 2012 principally reflected improved rental rates for the Group's investment property portfolio, and a higher valuation for Hysan Place after construction completion. The following shows the property valuation of each portfolio at year-end.

	2012 HK$ million	2011 HK$ million	Change HK$ million	Change %
Retail portfolio	**28,906**	15,089	13,817	+91.6
Office portfolio	**22,622**	16,954	5,668	+33.4
Residential portfolio	**8,494**	8,426	68	+0.8
Property under redevelopment (Hysan Place)*	**-**	9,500	(9,500)	-100.0
	60,022	49,969	10,053	+20.1

* *Property under redevelopment was valued at site value plus construction costs. Hysan Place's valuation was compiled on this basis for 2011 year-end valuation.*

Fair value gain on investment properties (excluding capital expenditure spent on the Group's investment properties) of HK$8,533 million (2011: HK$7,532 million) was recognised in the Group's consolidated income statement for the year.

Investments in Associates

The Group's share of results of associates increased by 31.5% to HK$334 million (2011: HK$254 million), principally due to the increase in revaluation gain on the Shanghai Grand Gateway project, of which the Group owns 24.7%, as compared to last year. At 31 December 2012, 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$123 million (2011: HK$58 million).

The Shanghai Grand Gateway project continued to deliver a good performance in 2012. The Group's share of results, excluding revaluation gains on investment properties held by the associate, recorded an 7.7% increase year-on-year. As at the end of 2012, the retail units were fully-let while satisfactory occupancy was achieved for both the office and residential properties.

Other Investments

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

During the year, the Group disposed of all listed equity securities to reduce our exposure to equity market volatility and placed the proceeds as bank deposits and debt securities. Investment income, comprising principally dividend income and interest income, amounted to HK$55 million (2011: HK$90 million). The decrease mainly reflected lower dividend income derived from the Group's equity investments, after taking into consideration disposals made during the year.

Cash Flows

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

	2012 HK$ million	2011 HK$ million	Change HK$ million	Change %
Operating cash inflow	**1,941**	1,592	349	+21.9
Investments	**1,907**	(1,040)	2,947	n/m
Capital expenditure	**(1,626)**	(1,547)	(79)	+5.1
Financing	**(738)**	2,041	(2,779)	n/m
Interest and taxation	**(333)**	(273)	(60)	+22.0
Dividends paid and proceeds on exercise of options	**(842)**	(679)	(163)	+24.0
Net cash inflow	**309**	94	215	+228.7

** n/m – not meaningful*

Including the movements of working capital, the Group reported operating cash inflow of HK$1,941 million (2011: HK$1,592 million) in 2012, reflecting the growth in our core leasing business. Net cash from investments was HK$1,907 million (2011: net cash used in investments: HK$1,040 million), principally attributable to the proceeds from disposal of listed equity securities during the year and the reduction in time deposits at year-end 2012.

Capital expenditure in 2012 was HK$1,626 million (2011: HK$1,547 million), including the payment of the construction costs of Hysan Place. Net cash used in financing was HK$738 million (2011: net cash from financing: HK$2,041 million), mainly due to the repayment of US$174 million fixed rate notes maturing during the year, which was partly offset by new borrowings of HK$781 million fixed rate notes.

Capital Expenditure and Management

The Group is committed to enhancing the asset value of its investment property portfolio through selective re-positioning, refurbishment and re-development. 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$1,595 million (2011: HK$1,520 million), including the payment of the construction costs of Hysan Place.

The Group has an internal control system for scrutinising capital expenditures. Depending on strategic importance, cost/benefit and the size of the projects, detailed analysis of expected risks and returns is submitted to business unit heads, Executive Directors or the Board for consideration and approval. 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

Global economic growth continued to be subdued in 2012, amidst economic contraction in Japan and the Euro zone, decelerated growth in China and limited recovery in the United States. Signs of stabilisation emerged during the latter part of the year as a result of stimulatory monetary policies providing liquidity to the market. This, together with the low interest rate environment, led to robust debt capital market activities in 2012. The Group took the opportunity to arrange new and longer-term financing through the Medium Term Note Programme in 2012 and early 2013.

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 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 counterparty limits; and
- reduce financial investment risks with prudent investment guidelines.

To achieve the objective of financial prudence, Hysan's Treasury policy manual lays down the acceptable range of operational parameters and gives guidance on our key performance indicators as set out in the table.

Standard and Poor's upgraded the Group's credit rating from BBB to BBB+ in December 2012 to reflect the Group's improved position following the opening of Hysan Place. Moody's rating of the Group is Baa1.

Treasury has an overall objective of optimising borrowing costs and management of associated risks: that is, to minimise the finance costs subject to the constraints of the operational parameters. The average finance costs for 2012 was 2.7%, same as 2011.

Key Performance Indicators

Average Finance Costs

Measurement
Interest expenses divided by average gross debt for the year

Significance
Our treasury aims to manage and optimise finance costs

Performance
HIBOR in 2012 continued to remain low at a level similar to 2011

Average Finance Costs
2.7% for 2012
(2.7% for 2011)

Bank Facilities : Capital Market Issuance

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

Significance
As a measure of diversification of funding source

Performance
During 2012, US$174 million fixed rate notes matured and HK$781 million notes were issued. The ratio at year-end 2012 was similar to 2011.

Bank Facilities : Capital Market Issuance
45.8% : 54.2%
at year-end 2012
(43.1% : 56.9% at year-end 2011)

Average Debt Maturity

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

Significance
An indicator of the pressure for refinancing or repaying the existing borrowings in the near term

Performance
The average maturity was lengthened with HK$781 million fixed rate notes issued with tenors ranging from 7 to 15 years

Average Debt Maturity
5.0 years at year-end 2012
(4.2 years at year-end 2011)

Floating Rate Debt (% on Total Debt)

Measurement
Debt effectively in floating interest rate divided by gross debt

Significance
A measure to calculate the percentage of borrowings subject to fluctuations in market interest rates

Performance
The ratio was lower compared with 2011 because more borrowings were issued at fixed interest rates under a relatively low interest rate environment

Floating Rate Debt
47.0% at year-end 2012
(54.8% at year-end 2011)

Net Interest Coverage

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

Significance
It represents the Group's financial ability from operating activities to meet its interest payment obligations

Performance
Improved ratio reflects our higher profit offsetting higher net interest expenses

Net Interest Coverage
16.8 times for 2012
(12.3 times for 2011)

Net Debt to Equity

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

Significance
A benchmark as to the healthy debt level as well as an indicator of the Group's ability to raise further debt

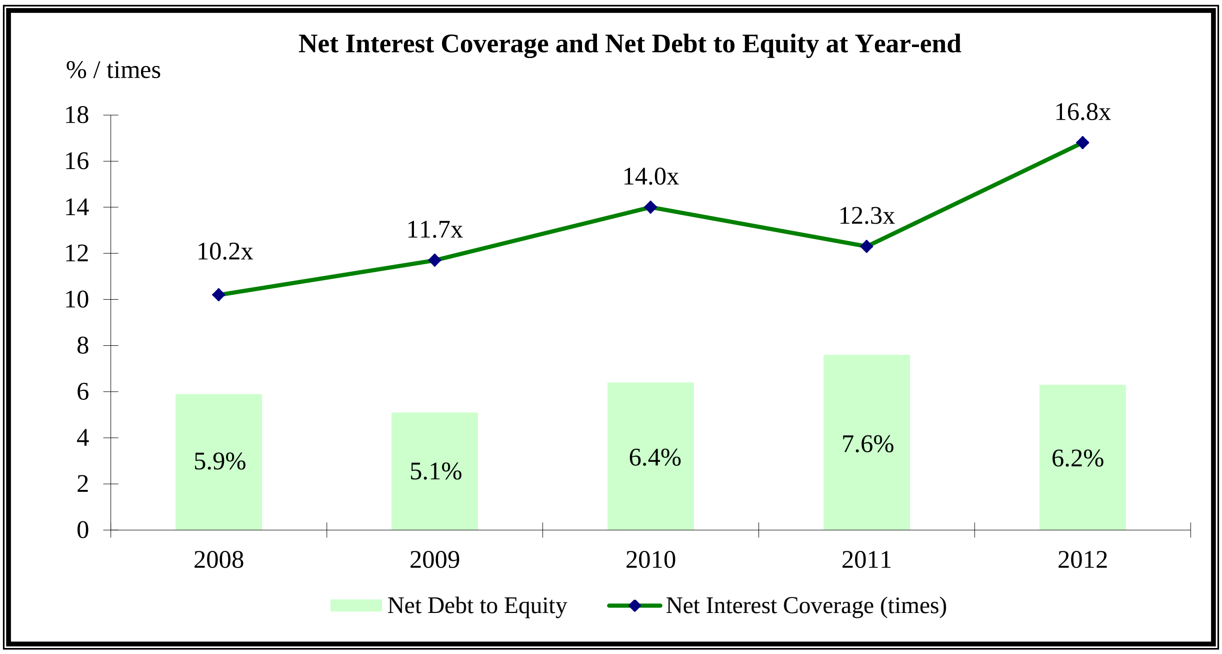
Performance
The ratio remains low and the Group's ability to raise further debt is strong. The 10-year US$300 million fixed rate notes were issued in January 2013.

Net Debt to Equity
6.2% at year-end 2012
(7.6% at year-end 2011)

Debt Management

Liquidity in the local banking loan market improved in the second half of 2012, particularly after China began to relax its monetary policy as inflation was contained. In the debt capital market, credit premium for companies with strong credit standing significantly decreased. Investors showed high demand for quality financial assets in the low interest rate environment. As a result, transaction volumes increased substantially in the debt capital market. To replenish liquidity used for repayment of debt maturing in 2012 and to lengthen the average debt maturity, the Group issued fixed rate notes totaling HK$781 million, with tenors ranging from 7 to 15 years, under the Medium Term Note Programme. These long term borrowings lengthened the average maturity of the debt profile to 5.0 years as at end of 2012 (2011: 4.2 years). The fixed rate nature of those notes, with coupons ranging from 3.9% to 4.5%, allowed the Group to lock in relatively low interest costs for long tenor funding. In January 2013, the Group issued 10-year US$300 million fixed rate notes with coupon at 3.5% to further lengthen the debt maturity.

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.

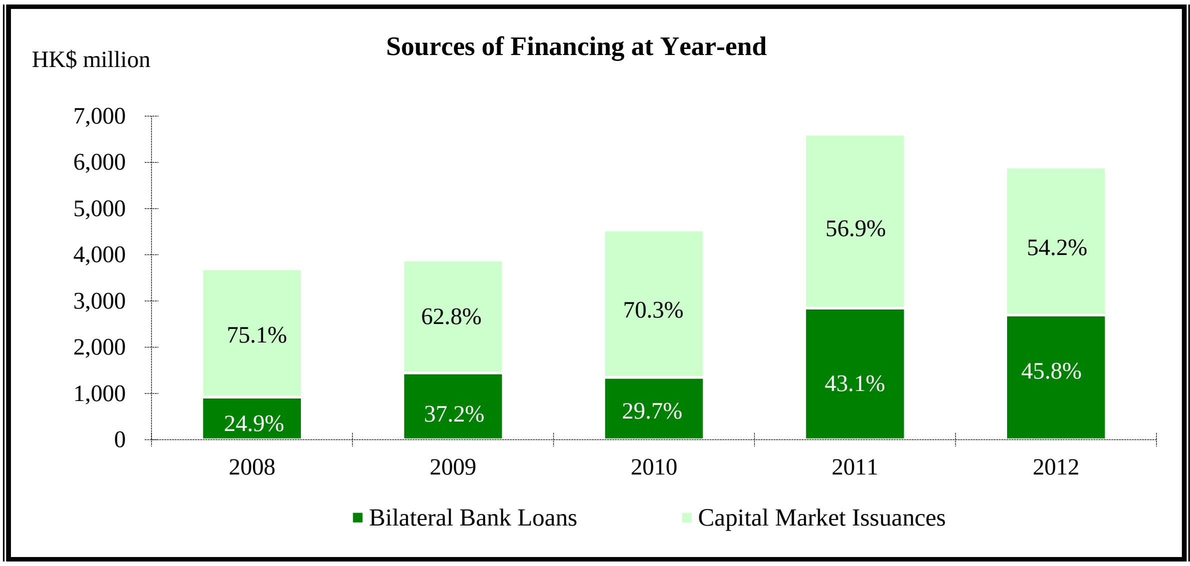


The Group always strives to lower the borrowing margin, to diversify funding sources and to maintain a suitable maturity profile relative to the overall use of funds. As at 31 December 2012, the outstanding gross debt[1] of the Group was HK$5,899 million (2011: HK$6,610 million), a decrease of HK$711 million compared to 2011 as a result of debt repayment during the year. 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. Ten local and overseas banks have provided bilateral banking facilities to the Group as funding alternatives. As at the end of 2012, about 45.8% (2011: 43.1%) of the Group's outstanding gross debts were sourced from these banking facilities.

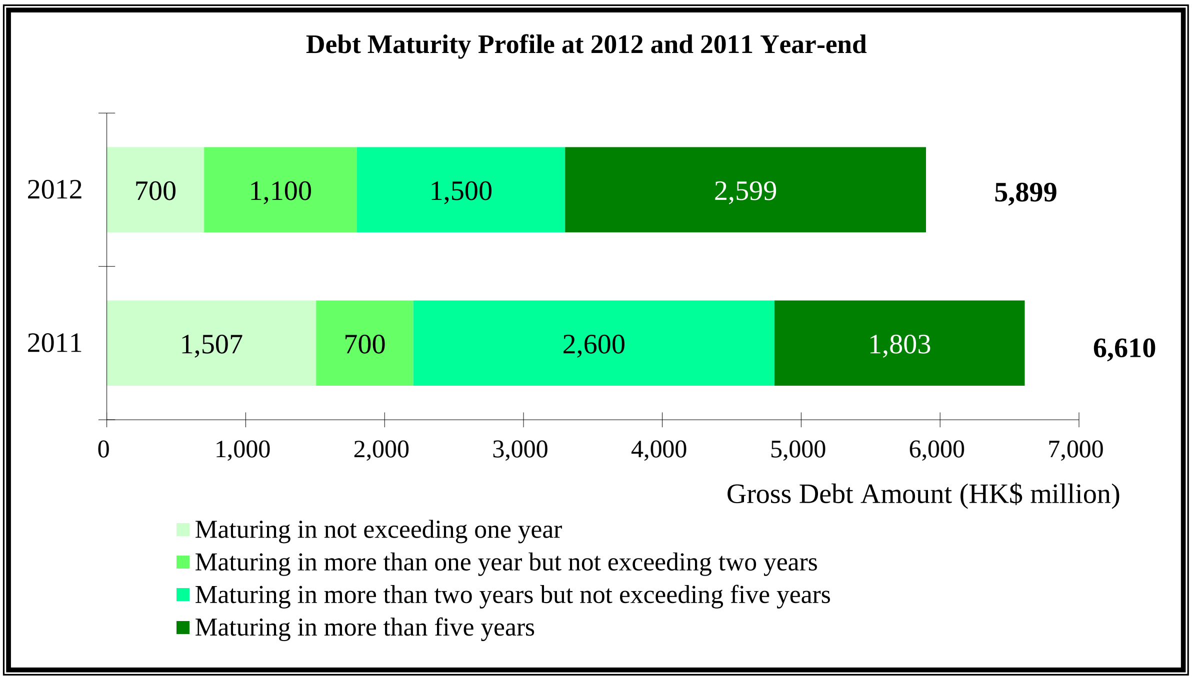
[1] The gross debt represents the contractual principal payment obligations at year-end 2012. However, in accordance with the Group's accounting policies, the debt is measured at amortised costs, using the effective interest method. Also, if the Group designates certain derivatives as hedging instruments (i.e. interest rate swaps) for fair value hedge, the net cumulative gains/losses attributable to the hedged interest rate risk of the hedged items (i.e. fixed rate notes and zero coupon notes) are adjusted to the hedged items. Therefore, as disclosed in the consolidated statement of financial position as at 31 December 2012, the book value of the outstanding debt of the Group was HK$5,941 million (2011: HK$6,663 million).

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 2012, the average maturity of the debt portfolio was about 5.0 years (2011: 4.2 years), of which about HK$700 million or 11.9% (2011: HK$1,507 million or 22.8%) of the outstanding gross debt will be due in less than one year, reflecting minimal re-financing pressure for 2013.

The graph below shows the debt maturity profile of the Group at 2012 and 2011 year-end.



Liquidity Management

The Group always places great emphasis on liquidity management. Recurring cash flows from our business continued to remain steady and strong. As at 31 December 2012, the Group had cash and bank deposits totaling about HK$2,311 million (2011: HK$2,961 million). 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$1,288 million (2011: HK$1,060 million) in debt securities and investments, which are principal-protected in nature.

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 2012 (2011: HK$1,000 million), essentially allow the Group to obtain additional liquidity as the needs arise. During the year, the securities investment listed on The Stock Exchange of Hong Kong Limited was fully disposed of.

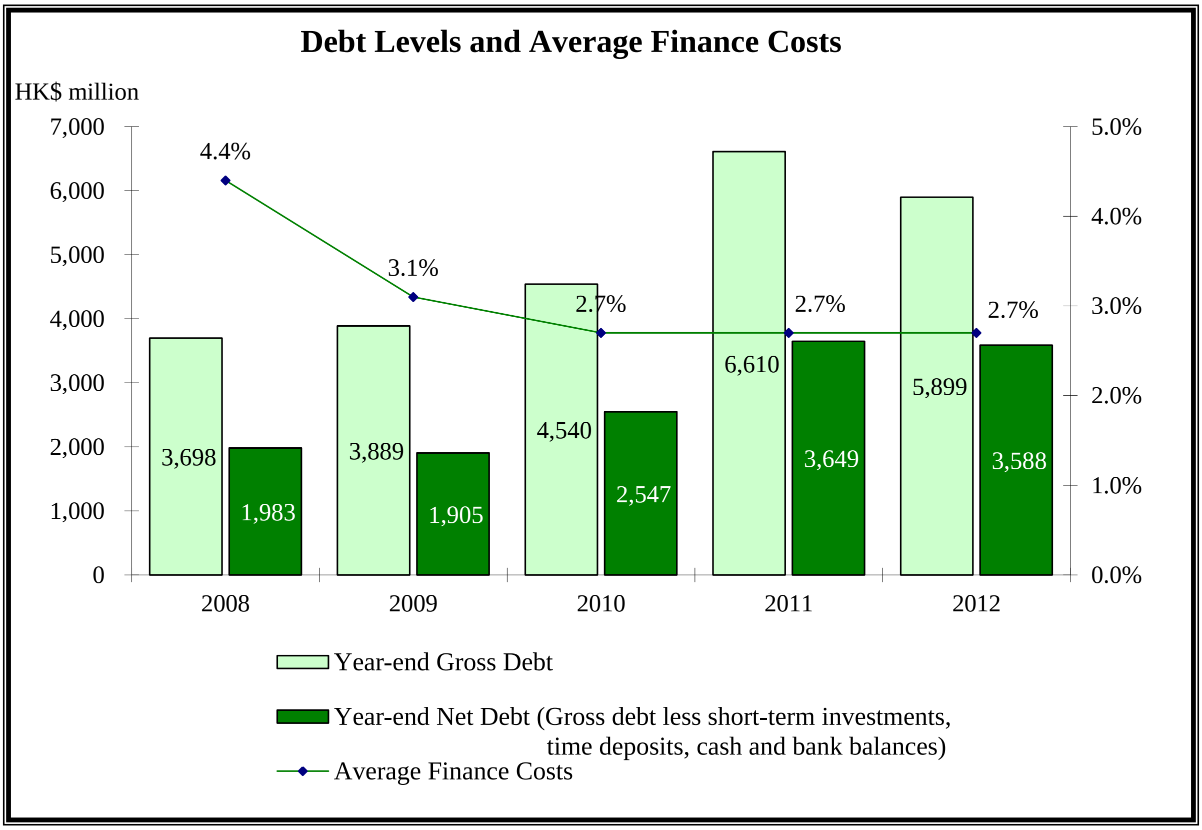
Interest Rate Management

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.

During the year, 3-month Hong Kong Inter-bank Offered Rate ("HIBOR") remained low and the range bounded between 0.38% and 0.40%. As a result, the Group maintained the average cost of financing at 2.7% in 2012, same as 2011.

The Group managed the fixed debt ratio at 53.0% at year-end of 2012, increased from 45.2% at year-end of 2011.

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$26 million and AUD37 million bank loans, which have been hedged by appropriate hedging instruments, all of the Group's other borrowings are denominated in Hong Kong dollars. For the 10-year US$300 million fixed rate notes issued in January 2013, hedges were entered to effectively convert the borrowings into 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$79 million and RMB163 million, of which US$37 million was 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$3,759 million (2011: HK$3,423 million) or 5.5% (2011: 5.8%) of total assets.

Use of Derivatives

As at 31 December 2012, outstanding derivatives were 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 2012 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 2012 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 2012

	Notes	**2012** *HK$ million*	2011 *HK$ million*
Turnover	3	**2,486**	1,922
Property expenses		**(423)**	(262)
Gross profit		**2,063**	1,660
Investment income		**55**	90
Other gains and losses		**18**	(34)
Administrative expenses		**(187)**	(173)
Finance costs		**(156)**	(122)
Change in fair value of investment properties		**8,533**	7,532
Share of results of associates		**334**	254
Profit before taxation		**10,660**	9,207
Taxation	5	**(289)**	(217)
Profit for the year	6	**10,371**	8,990
Profit for the year attributable to:			
Owners of the Company		**9,955**	8,545
Non-controlling interests		**416**	445
		10,371	8,990
Earnings per share (expressed in HK cents)	7		
Basic		**938.02**	808.34
Diluted		**937.59**	807.71

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	**2012** *HK$ million*	2011 *HK$ million*
Profit for the year		**10,371**	8,990
Other comprehensive income:	8		
Net gains (losses) arising from equity investments designated as at fair value through other comprehensive income (“FVTOCI”)		**115**	(121)
Net gains arising from derivatives designated as cash flow hedges		**16**	4
Gain on revaluation of properties held for own use		**33**	71
Share of translation reserve of an associate		**2**	155
Other comprehensive income for the year (net of tax)		**166**	109
Total comprehensive income for the year		**10,537**	9,099
Total comprehensive income attributable to:			
Owners of the Company		**10,121**	8,654
Non-controlling interests		**416**	445
		10,537	9,099

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	**2012** *HK$ million*	2011 *HK$ million*
Non-current assets			
Investment properties		**60,022**	49,969
Property, plant and equipment		**580**	530
Investments in associates		**3,759**	3,423
Principal-protected investments		**160**	365
Term notes		**527**	259
Equity investments		**1**	989
Other financial assets		**57**	68
Other receivables	10	**243**	163
		65,349	55,766
Current assets			
Accounts receivable and other receivables	10	**158**	134
Principal-protected investments		**218**	265
Term notes		**383**	171
Other financial assets		**2**	71
Tax recoverable		**2**	-
Time deposits		**2,158**	2,899
Cash and bank balances		**153**	62
		3,074	3,602
Current liabilities			
Accounts payable and accruals	11	**469**	532
Rental deposits from tenants		**190**	170
Amounts due to non-controlling interests		**327**	327
Borrowings		**699**	1,507
Other financial liabilities		**5**	19
Taxation payable		**77**	73
		1,767	2,628
Net current assets		**1,307**	974
Total assets less current liabilities		**66,656**	56,740
Non-current liabilities			
Borrowings		**5,242**	5,156
Other financial liabilities		**25**	50
Rental deposits from tenants		**508**	430
Deferred taxation		**434**	360
		6,209	5,996
Net assets		**60,447**	50,744
Capital and reserves			
Share capital		**5,315**	5,299
Reserves		**52,808**	43,454
Equity attributable to owners of the Company		**58,123**	48,753
Non-controlling interests		**2,324**	1,991
Total equity		**60,447**	50,744

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 2011.

The Group had early applied the Amendments to Hong Kong Accounting Standard ("HKAS") 12 "Income Taxes", in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40 "Investment Property" since the financial year beginning on 1 January 2010. In the current year, the Group have applied the Amendments to Standard issued by the HKICPA that are relevant to its operations and effective for the financial year beginning on 1 January 2012. The adoption of the Amendments to Standard had no material effect on the results and financial position of the Group for the current and/or prior accounting years.

The Group have not early applied the following new Standards, Amendments to Standards and Interpretation 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 – 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]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidation Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 10, HKFRS 12 and HKFRS 27 (Amendments)	Investment Entities [3]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009 - 2011 cycle[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phases 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.

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 Hong Kong Financial Reporting Standard ("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.

The Directors of the Company anticipate that the application of these amendments may result in more disclosures in the consolidated financial statements.

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 Standards, Amendments to Standards and Interpretation 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 and reportable segments are as follows:

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

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

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 and reportable segment.

	Retail *HK$ million*	Office *HK$ million*	Residential *HK$ million*	Consolidated *HK$ million*
For the year ended 31 December 2012				
Turnover				
Gross rental income from investment properties	**1,154**	**781**	**297**	**2,232**
Management fee income	**96**	**127**	**31**	**254**
Segment revenue	**1,250**	**908**	**328**	**2,486**
Property expenses	**(208)**	**(150)**	**(65)**	**(423)**
Segment profit	**1,042**	**758**	**263**	**2,063**
Investment income				**55**
Other gains and losses				**18**
Administrative expenses				**(187)**
Finance costs				**(156)**
Change in fair value of investment properties				**8,533**
Share of results of associates				**334**
Profit before taxation				**10,660**

For the year ended 31 December 2011	Retail *HK$ million*	Office *HK$ million*	Residential *HK$ million*	Consolidated *HK$ million*
Turnover				
Gross rental income from investment properties	721	701	283	1,705
Management fee income	68	119	30	217
Segment revenue	789	820	313	1,922
Property expenses	(104)	(102)	(56)	(262)
Segment profit	685	718	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

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

Segment profit represents the profit earned by each segment without allocation of investment income, other gains and losses, administrative expenses (including central administrative costs and directors' salaries), 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 and reportable segment.

As at 31 December 2012	Retail *HK$ million*	Office *HK$ million*	Residential *HK$ million*	Consolidated *HK$ million*
Segment assets	**28,918**	**22,623**	**8,494**	**60,035**
Investments in associates				**3,759**
Other assets				**4,629**
Consolidated assets				**68,423**

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

Segment assets represented the investment properties and accounts receivable of each segment without allocation of property, plant and equipment, investments in associates, 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$3,756 million (2011: HK$3,420 million) and HK$3 million (2011: HK$3 million) respectively, all the Group's assets are located in Hong Kong.

Other segment information

	Retail *HK$ million*	Office *HK$ million*	Residential *HK$ million*	Consolidated *HK$ million*
For the year ended 31 December 2012				
Additions to non-current assets	**958**	**55**	**3**	**1,016**
Additions to investment properties under redevelopment *(Note)*				**504**
				1,520
For the year ended 31 December 2011				
Additions to non-current assets	444	37	21	502
Additions to investment properties under redevelopment *(Note)*				1,118
				1,620

Note:
The investment properties under redevelopment were completed during the year.

5. Taxation

	2012 ***HK$ million***	2011 *HK$ million*
Current tax		
Hong Kong profits tax		
- current year	**224**	207
- (overprovision) underprovision in prior years	**(2)**	1
	222	208
Deferred tax	**67**	9
	289	217

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

6. Profit For The Year

	2012 *HK$ million*	2011 *HK$ million*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**2**	2
Depreciation of property, plant and equipment	**11**	8
Gross rental income from investment properties including contingent rentals of HK$104 million (2011: HK$89 million)	**(2,232)**	(1,705)
Less:		
- Direct operating expenses arising from properties that generated rental income	**418**	233
- Direct operating expenses arising from properties that did not generate rental income	**5**	29
	(1,809)	(1,443)
Staff costs, comprising:		
- Directors' emoluments	**21**	21
- Share-based payments	**4**	4
- Other staff costs	**193**	168
	218	193
Share of income tax of an associate (included in share of results of associates)	**134**	92

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	
	2012 *HK$ million*	2011 *HK$ million*
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	**9,955**	8,545

	Number of shares	
	2012	2011
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,061,276,321**	1,057,109,763
Effect of dilutive potential ordinary shares: Share options issued by the Company	**486,784**	817,621
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,061,763,105**	1,057,927,384

In both years, 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:

	2012		2011	
	Profit	**Basic earnings per share**	Profit	Basic earnings per share
	HK$ million	***HK cents***	*HK$ million*	*HK cents*
Profit for the year attributable to owners of the Company	**9,955**	**938.02**	8,545	808.34
Change in fair value of investment properties	**(8,533)**	**(804.03)**	(7,532)	(712.51)
Effect of non-controlling interests' shares	**323**	**30.43**	355	33.58
Share of change in fair value of investment properties (net of deferred taxation) of an associate	**(123)**	**(11.59)**	(58)	(5.49)
Underlying Profit	**1,622**	**152.83**	1,310	123.92
Recurring Underlying Profit	**1,622**	**152.83**	1,310	123.92

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-terms 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 in calculating the adjusted earnings per share used are the same as those detailed above for basic earnings per share.

8. Other Comprehensive Income

	2012	2011
	HK$ million	*HK$ million*
Other comprehensive income comprises:		
Equity investments designated as at FVTOCI:		
- Net gains (losses) arising during the year	**115**	(121)
Derivatives designated as cash flow hedges:		
- Gains (losses) arising during the year	**12**	(25)
- Reclassification adjustments for losses included in profit or loss	**4**	29
	16	4
Gain on revaluation of properties held for own use	**40**	85
Share of translation reserve of an associate	**2**	155
Other comprehensive income (before tax)	**173**	123
Income tax relating to components of other comprehensive income	**(7)**	(14)
Other comprehensive income for the year (net of tax)	**166**	109

9. Dividends

(a) Dividends recognised as distribution during the year:

	2012	2011
	HK$ million	*HK$ million*
2012 interim dividend paid – HK17 cents per share	**180**	-
2011 interim dividend paid – HK15 cents per share	-	159
2011 final dividend paid – HK64 cents per share	**679**	-
2010 final dividend paid – HK60 cents per share	-	632
	859	791

(b) Dividends declared/proposed after the end of the reporting period:

2012 second interim dividend (in lieu of a final dividend) declared on 6 March 2013 of HK78 cents per share	**829**	-
2011 final dividend proposed on 8 March 2012 of HK64 cents per share	-	678
	829	678

The 2012 second interim dividend is not recognised as a liability as at 31 December 2012 because it has been declared and approved after the reporting date. Such dividend will be accounted for as an appropriation of the retained profits in the year ending 31 December 2013.

The 2012 second interim dividend will be payable in cash.

10. Accounts Receivable and Other Receivables

	2012 ***HK$ million***	2011 *HK$ million*
Accounts receivable	**13**	6
Interest receivable	**27**	51
Prepayments in respect of investment properties	**59**	98
Other receivables	**302**	142
	401	297
Analysis for reporting purposes as:		
Current assets	**158**	134
Non-current assets	**243**	163
	401	297

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$13 million (2011: HK$6 million) mainly represented rents receipts in arrears, which were aged less than 90 days.

11. Accounts Payable and Accruals

	2012 ***HK$ million***	2011 *HK$ million*
Accounts payable	**261**	324
Interest payable	**32**	70
Other payables	**176**	138
	469	532

At the end of the reporting period, accounts payable of the Group with carrying amount of HK$261 million (2011: HK$324 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, with the exception that its Remuneration Committee (established since 1987) has the responsibility of determining compensation at Executive Director-level only. The Board is of the view that, in light of the current organisational structure and the nature of Hysan's business activities, the current arrangement is appropriate. The Board will continue to review this arrangement going forward in light of the evolving needs of the Group. 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 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 2012 was 630 (31 December 2011: 541), including new staff hired for the new Hysan Place. 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 2012.

Closure of Register of Members

The register of members will be closed on Thursday, 21 March 2013, during which period no transfer of shares will be registered. The ex-dividend date will be Tuesday, 19 March 2013. In order to qualify for the second interim 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, 20 March 2013. The second interim dividend will be paid to shareholders whose names appear on the register of members on Thursday, 21 March 2013 and the payment date will be on or about Tuesday, 2 April 2013.

The register of members will be closed from Tuesday, 14 May 2013 to Wednesday, 15 May 2013, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Company's forthcoming annual general meeting (the "AGM"), 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 Monday, 13 May 2013.

AGM

The AGM will be held at Granville and Nathan Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 15 May 2013. 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 2013.

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

Hong Kong, 6 March 2013

*As at the date of this announcement, the Board comprises: Irene Yun Lien LEE (Chairman), Siu Chuen LAU (Deputy Chairman and Chief Executive Officer), Nicholas Charles ALLEN**, Frederick Peter CHURCHOUSE**, 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 2012 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 2013.