Hysan 希慎

Hysan Development Company Limited
希慎興業有限公司

(Incorporated under Hong Kong Companies Ordinance with limited liability)
(Stock Code：00014)

PRELIMINARY ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

- **Group turnover up 23.2% reflecting Hysan Place's first full year contributions**
- **11.4% growth recorded for the rest of the portfolio excluding Hysan Place**
- **Recurring Underlying Profit up 26.0%**
- **Overall steady performance expected for 2014**
- **Well-positioned for further growth with on-going asset enhancement programmes**

RESULTS

		Year ended 31 December		
		2013	2012	
	Notes	**HK$ million**	HK$ million	Change
Turnover	*1*	**3,063**	2,486	+23.2%
Recurring Underlying Profit	*2*	**2,043**	1,622	+26.0%
Underlying Profit	*3*	**2,043**	1,622	+26.0%
Reported Profit	*4*	**6,158**	9,955	-38.1%
		HK cents	HK cents	
Earnings per share, based on:				
Recurring Underlying Profit	*2*	**192.10**	152.83	+25.7%
Underlying Profit	*3*	**192.10**	152.83	+25.7%
Reported Profit	*4*	**579.04**	938.02	-38.3%
Full-year dividends per share		**117.00**	95.00	+23.2%

		At 31 December		
		2013	2012	
		HK$ million	HK$ million	
Shareholders' Funds	*5*	**63,326**	58,123	+9.0%
		HK$	HK$	
Net Asset Value per Share	*6*	**59.54**	54.68	+8.9%

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 saw moderate growth in 2013. Its retail leasing market continued to benefit from resilient local and tourist consumption. Grade "A" office leasing market remained stable due to limited supply largely offsetting weak demand. Rental levels in core areas, including Causeway Bay, were also stable.

Business Performance

The Group's 2013 turnover was HK$3,063 million (2012: HK$2,486 million), representing a year-on-year increase of 23.2% with Hysan Place's first full year contribution. 11.4% growth was recorded in the rest of the portfolio. Occupancy of retail, office and residential sectors at year-end 2013 stood at 95%, 87% and 82% respectively. If excluding Sunning Plaza and Sunning Court being vacated for a combined re-development project, the occupancy rates would be 96%, 98% and 92% respectively.

Recurring Underlying Profit, the key measurement of our core leasing business performance, was up 26.0% to HK$2,043 million (2012: HK$1,622 million). This again reflected Hysan Place's contribution and the increase in revenue generated from our retail and office leasing activities. Our Underlying Profit, which excludes unrealised changes in fair value of investment properties, was also HK$2,043 million (2012: HK$1,622 million). Strong performance in these two profit indicators primarily reflected the improvement in gross profit generated from our core leasing activities, as the Group normalised the property expenses at HK$405 million (2012: HK$423 million) for 2013 and the expense ratio at 13.2% (2012: 17.0%) of turnover for 2013 after the opening of Hysan Place. Basic earnings per share based on Recurring Underlying Profit correspondingly rose to HK192.10 cents (2012: HK152.83 cents), up 25.7%.

Our Reported Profit for 2013 was HK$6,158 million (2012: HK$9,955 million), principally due to a smaller fair value gain on the Group's investment properties valuation recorded this year. Fair value gain recorded in 2012 also reflected a higher valuation for Hysan Place after construction completion. At year-end 2013, the external valuation of the Group's investment property portfolio increased by 8.8% to HK$65,322 million (2012: HK$60,022 million), reflecting improved rentals for our portfolio. Shareholder's Fund increased by 9.0% to HK$63,326 million (2012: HK$58,123 million).

Our financial position remains strong, with net interest coverage of 15.4 times (2012: 16.8 times) and net debt to equity ratio of 5.3% (2012: 6.2%). Moody's upgraded the Group's credit rating from Baa1 to A3 in May 2013 to reflect the stable recurring income of the Group. Standard and Poor's rating of the Group is BBB+.

Dividends

The Board of Directors (the "Board") declares a second interim dividend of HK95 cents per share (2012: HK78 cents). Together with the first interim dividend of HK22 cents per share (2012: HK17 cents), there is an aggregate distribution of HK117 cents per share, representing a year-on-year increase of 23.2%. The dividend will be payable in cash.

Lee Gardens: The Premier District for Retail and Offices

During the year under review, Hysan continues to define Lee Gardens district as the premium core of Causeway Bay, and indeed, of Hong Kong. With top-class facilities for retailers and other businesses, Lee Gardens in Causeway Bay continues to strengthen its position as a unique work, lifestyle and shopping destination. During 2013, we have enhanced and energised our different hubs within the district:

The Lee Theatre hub, our western gateway, is positioned to carry a more urban lifestyle edge. The completion of Lee Theatre Plaza's refurbishment in 2013, with new lower zone flagship stores, created the desired tenant mix and the result was reflected in the mall's financial returns, as well as marked improvement in its visitors traffic.

Turning to the northern part of our portfolio, Hysan Place has secured a reputation as Hong Kong's major retail attraction in its first year of operation. It won the Urban Land Institute's Global Awards for Excellence, as well as International Shopping Center Awards' Asia Pacific New Development Gold Award in recognition of its design and development. The office portion of this iconic building, now also well-known for its top sustainability credentials, has attracted major international businesses, and was fully occupied by the end of the year in review.

The Lee Gardens hub completes the district with its luxury premium retail space, as well as prestigious Grade "A" office. Within this hub, the combined development of Sunning Plaza and Sunning Court is progressing well and the mixed-use office and retail re-development project is on schedule for its anticipated completion by 2018. We continue to carry out renovations at parts of Lee Gardens Two, to be completed in 2014, further enhancing the shopping and dining experience there.

We have further sharpened the brand identity of LEE GARDENS to emphasize our district's uniqueness. Strong visual connectivity clearly defines the area for visitors to the district. A great array of events and activities took place within Lee Gardens district also in the past year to highlight the district's dynamism and reinforce its identity. These culminated in the much celebrated heritage exhibition, "Lee Gardens on Stage since 1923", towards the end of 2013, commemorating Lee Gardens development in the past 90 years.

While we continue to refine Lee Gardens as the must-visit district, we steadfastly remain committed to being the premier property company that is superior to its peers in its market of choice, as clearly stated in our corporate vision. In everything we do, we will remain proactive, driven, progressive and strategic, while maintaining our core values of integrity, professionalism and being a responsible business.

Our Community

We take pride in being a responsible business, and we strive to minimise our environmental impact on the community. Our efforts were well recognised both locally and internationally. Among the recognitions was the aforementioned Urban Land Institute's Global Awards for Excellence bestowed upon Hysan Place. The project was one of only 12 developments in the world to receive the award in 2013. We are most proud to be honoured by what is widely known as the property development industry's most prestigious awards programme, which recognises superior development efforts based on good design, leadership, contribution to the community, innovations, public/private partnerships, environmental protections and enhancement, response to societal needs, and financial success. To this end, Hysan Place also won International Shopping Center Award's Asia Pacific Sustainable Design Award.

We will, of course, not rest on our laurels. We will continue to strive to care for the environment and our community who experience, visit, shop, work, not just in one building, but in the Lee Gardens district in general.

For our contributions throughout the past year, please refer to our Corporate Responsibility Report 2013 for more information.

Outlook

Hong Kong's economy is likely to continue to see moderate growth during 2014. Improving global economy and resilient local private consumption should benefit our balanced retail and office portfolio. We have in place an asset enhancement programme for our property portfolio. We strive to balance and provide steady capital and revenue growth by underpinning our large projects of longer durations, such as the combined Sunning site redevelopment, with other asset enhancement projects that produce more immediate returns. For 2014, we expect our overall performance to be steady.

Appreciation

I would like to thank our management team and our staff for their hard work throughout the year to achieve the set of successful results. I would also like to thank my fellow directors for their commitment and contribution, and look forward to working with everyone in 2014 to accomplish even more.

Irene Yun Lien LEE
Chairman

Hong Kong, 7 March 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hysan is principally engaged, together with its subsidiaries and associates, in investment, development, marketing 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. Our investment property interests totaled some 4.5 million gross square feet of high-quality retail, office and residential space in Hong Kong.

Review of Results

The Group's turnover continued to record growth and reached HK$3,063 million in 2013, representing an increase of 23.2% from HK$2,486 million in 2012. The rise reflected Hysan Place retail's first full year contribution, full occupancy of its offices since third quarter of 2013 and the increase in revenue generated by the rest of our portfolio. The turnover of each sector is shown as below:

	2013 **HK$ million**	2012 HK$ million	Change HK$ million	Change %
Retail sector	**1,678**	1,250	428	+34.2
Office sector	**1,085**	908	177	+19.5
Residential sector	**300**	328	(28)	-8.5
	3,063	2,486	577	+23.2

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 HK$2,043 million, up 26.0% from HK$1,622 million in 2012. Our Underlying Profit, arrived at by excluding the fair value change of investment properties, was also HK$2,043 million (2012: HK$1,622 million). Strong performance in these two profit indicators primarily reflected the improvement in gross profit generated from our core leasing activities, as the Group managed to normalise the property expenses at HK$405 million (2012: HK$423 million) for 2013 and the expense ratio at 13.2% (2012: 17%) of turnover for 2013 after the opening of Hysan Place. Basic earnings per share based on Recurring Underlying Profit correspondingly rose to HK192.10 cents (2012: HK152.83 cents).

Our Reported Profit for 2013 was HK$6,158 million (2012: HK$9,955 million), principally due to a smaller fair value gain on the Group's investment properties valuation recorded this year. Fair value gain recorded in 2012 also reflected a higher valuation for Hysan Place after construction completion.

	2013 HK$ million	2012 HK$ million	Change HK$ million	Change %
Recurring Underlying Profit	**2,043**	1,622	421	+26.0
Underlying Profit	**2,043**	1,622	421	+26.0
Fair value change on investment properties located in				
- Hong Kong	**4,043**	8,210	(4,167)	-50.8
- Shanghai*	**72**	123	(51)	-41.5
Reported Profit	**6,158**	9,955	(3,797)	-38.1

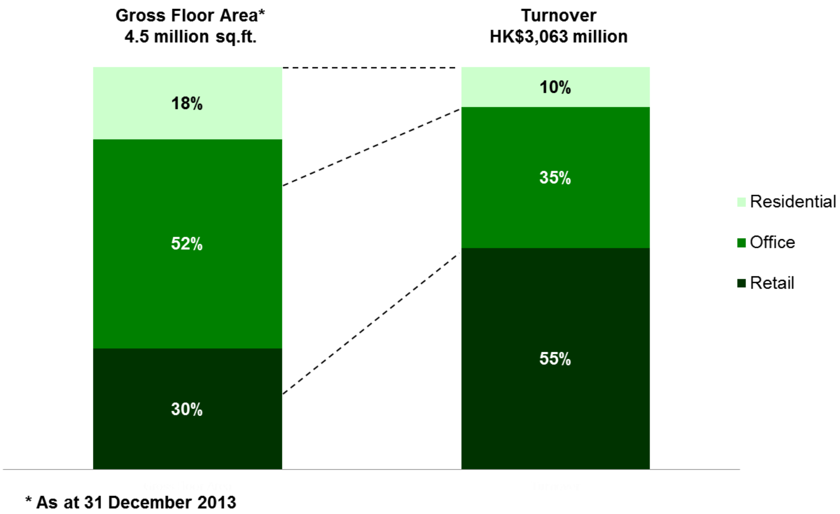
**The investment properties are held by an associate of the Group.*

Key Performance Indicators

While many factors contributed to the results of the Group's businesses, turnover growth and occupancy rate are the key drivers used by the Group's management for assessment of the performance of our core leasing business. In addition, the management uses property expenses and such expenses as a percentage of turnover to assess cost effectiveness. The nature of these performance indicators, the way they are measured and their significance to the Group are set out below.

	Turnover Growth	Occupancy Rate	Property Expenses Ratio
Definition	The percentage change in rental revenue in 2013 over 2012	The percentage of area leased over total lettable area of each sector	Property expenses as a percentage of turnover
Measurement	How well the Group utilises and prices its revenue-earning assets	How effective the Group manages its assets to produce revenue	How efficient is our business operations
Performance	• Hysan Place's first full year contribution • Healthy growth in commercial properties offset turnover decline in residential sector which was partly impacted by Sunning Court being vacated for re-development • About one-third of all commercial leases, which were renewed, re-let, or subject to rent review during the year, achieved an average of around 50% increase in rental level **Retail Sector** **+34.2%** for 2013 (+58.4% for 2012) **Office Sector** **+19.5%** for 2013 (+10.7% for 2012) **Residential Sector** **-8.5%** for 2013 (+4.8% for 2012)	• Retail occupancy principally reflected renovations at parts of Lee Gardens Two • Office occupancy remained strong, excluding the impact of combined Sunning Plaza and Sunning Court re-development • Hysan Place offices fully occupied as of September 2013 • Residential maintained occupancy, if excluding Sunning Court being vacated for re-development, amidst weak rental housing demand **Retail Sector** **95%** at year-end 2013 (93% at year-end 2012) Excluding Sunning Plaza: 96% at year-end 2013 **Office Sector** **87%** at year-end 2013 (91% at year-end 2012) Excluding Sunning Plaza: 98% at year-end 2013 **Residential Sector** **82%** at year-end 2013 (92% at year-end 2012) Excluding Sunning Court: 92% at year-end 2013	Ratio improved in 2013 as a result of the normalisation of Hysan Place property expenses following its opening **Property Expenses Ratio** **13.2%** for 2013 (17.0% for 2012)

Review of Operations
As at 31 December 2013, about 82% of the Group's investment properties by gross floor area were retail and office properties in Causeway Bay, and the remaining 18% was residential. With its geographical location and dominance in the Lee Gardens area, the Group pursues a differentiating strategy to market its commercial space with an objective to creating a unique district of "Business of Life" where synergy exists among the retail and office tenancies on one hand, and among various offerings to its customer groups on the other. Both the retail and office sectors recorded healthy growth during the year, while the residential sector registered a decline due partly to the impact of a property being vacated for re-development. Currently, the retail sector is the largest contributor to the Group's turnover at around 55%, followed by the office and residential sectors. The area and turnover share of each sector are as follows:



Their respective strategies and contribution to the Group's performance are discussed in detail below:

Retail Sector
Hysan owns, markets and manages 1.3 million gross square feet of prime retail space in Causeway Bay. Its retail portfolio, which consists of three geographically separate hubs of retailers at different price points, is positioned to differentiate itself from the typical shopping malls by offering a unique experience with diversity, variety and contrast under the LEE GARDENS brand. It is a multi-faceted yet integrated shopping environment that combines a host of street-front shops with shopping malls of different characteristics, and is complemented by a vibrant streetscape and a low-rise local neighbourhood. Together with a plethora of merchandise, service, as well as food and beverage offerings, this creates a unique and diversified shopping and lifestyle experience for our different target customer groups.

Each of the three hubs of the Hysan Retail Triangle accounts for about one-third of the Group's retail space, and they are:

- Hysan Place, a 17-storey vertical mall, is the winner of the Urban Land Institute's Global Awards for Excellence and the International Council of Shopping Centers Asia Pacific Shopping Center's Gold Award for design and development. It is positioned as "hip and trendy" to target younger age groups. It also attracts new shoppers to Causeway Bay as it is connected directly to the MTR. Hysan Place is home to the unique Taiwanese bookstore eslite, Apple's largest flagship store in Hong Kong, as well as T Galleria by DFS, Gap, Hollister and many more.

- Lee Gardens hub (comprising Lee Gardens One, Lee Gardens Two and 18 Hysan Avenue) provides elegant and luxury premium retail spaces, set along a tree-lined environment with many street-front shops, and targets high-end shoppers both locally and from abroad. Among the luxurious brands at Lee Gardens hub are Bottega Veneta, Bvlgari, Cartier, Chanel, Christian Dior, Gucci, Hermes, Louis Vuitton, Piaget, Tod's, Valentino, Van Cleef & Arpels, and many others.

- Lee Theatre hub (comprising Lee Theatre Plaza, Leighton Centre and One Hysan Avenue) at the western boundary of the Lee Gardens district and adjacent to another popular shopping hub around Times Square, is home to urban fashion and lifestyle shops and a great variety of restaurants. In 2013 Lee Theatre Plaza's renovations were completed with the opening of several flagship stores in the lower floor zone of the 22-storey retail and restaurant vertical mall, which were complemented by a new open piazza. Lee Theatre hub houses the mega-flagship stores of Aland, I.T., Jack Wills, Muji, Sasa Supreme, Uniqlo, and others.

Retail sector revenue increased by 34.2% to HK$1,678 million (2012: HK$1,250 million), including turnover rent of HK$106 million (2012: HK$104 million). This reflected mainly Hysan Place mall's first full year contribution, as well as the renovated Lee Theatre Plaza lower zone's contributions. In addition, there was positive rental reversion, an average increase of around 50% in rent for renewals, rent reviews and new leases which became effective during the year, as compared to existing leases. There was continuous improvement in the tenant mix within our retail portfolio. During the year, retail space subject to rental renegotiation accounted for about one-third of the total lease portfolio.

The overall retail portfolio occupancy was 95% as at 31 December 2013 (31 December 2012: 93%). If excluding Sunning Plaza which was being vacated for re-development, occupancy was 96%. The vacancy mainly reflected the renovation of parts of Lee Gardens Two, which is to be completed in the second quarter of 2014, as part of our asset enhancement strategy.

During the festive days of December 2013, visitors to our retail portfolio averaged around 150,000 per day. We aim to attract both local shoppers and overseas visitors, with no undue dependence on any particular group. During 2013, local shoppers accounted for around 60% of estimated tenant sales in the portfolio.

Hysan Place saw its first full year of retail operation and remained a Hong Kong retail landmark. The shopping mall hosted many popular marketing activities throughout the year, including a Rugby Sevens promotion, Iron Man film tie-ins, and open-air theatre performances. A recent survey conducted among more than a thousand Hysan Place shoppers showed an overwhelming majority (73%) either agreed or strongly agreed with the proposition that the mall was a "hip and trendy" shopping destination.

Lee Gardens luxury hub welcomed several new brands during the year, including Elie Saab, Enoteca and Moncler. The Group also leased a 20,000 square feet two-story flagship store to Ralph Lauren to house both its women and men's fashion lines, with an opening slated for the second half of 2014.

Lee Theatre Plaza saw the opening of new flagship stores that have fully occupied the lower zone since the second quarter of 2013. The installing of apparel retailers with a broader consumer appeal instead of high-end luxury products here has proved to be a right move to create a balanced tenant mix for the entire portfolio, especially in face of the normalisation in visitors' spending. The complex has become the heart of an urban lifestyle image zone known as the Lee Theatre hub, our western gateway.

The refining of LEE GARDENS district brand was reflected in our enhanced retail offerings and increased varieties within the area, and was complemented with clear and multi-dimensional visual connectivity. There were also well-supported marketing and promotional activities for the entire district, including the "Lee Gardens On Stage since 1923" heritage exhibition, which highlighted Lee Gardens' development over the past 90 years. More marketing and promotional activities will be held to promote the Lee Gardens brand in 2014.

Office Sector

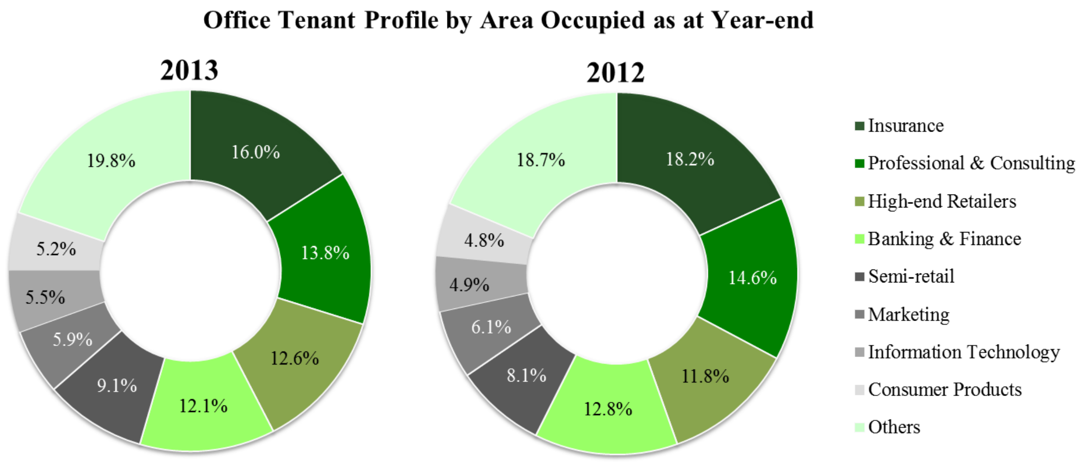
Hysan owns, markets and manages 2.3 million gross square feet of premium office space in Causeway Bay. Its Grade "A" office portfolio includes Hysan Place, The Lee Gardens, Caroline Centre and 18 Hysan Avenue, while Sunning Plaza is vacated for re-development. The portfolio is positioned to be a credible alternative to Central and Admiralty, and perfect for companies that want to best manage cost-benefit of their office space and put high priority on the work-life balance of their employees. Hysan Place is certified at the highest Platinum level for the United States Green Building Council's Leadership in Energy and Environmental Design (USGBC LEED) and in 2013, also certified at Platinum level for the Hong Kong Building Environmental Assessment Method (BEAM Plus standard). Significantly, Hysan Place was honoured to receive the Urban Land Institute's Global Awards of Excellence, one of only twelve global winners for this top property development award. Other office buildings in the portfolio, including One Hysan Avenue, 111 Leighton Road and Leighton Centre, all offer quality office space for tenant use.

In 2013, with its top-class offices at Hysan Place, the Group succeeded in attracting a U.S.-based international law firm, Cleary Gottlieb Steen & Hamilton, and National Australia Bank to relocate from Central and Admiralty respectively. Together with the already tenanted KPMG, these moves highlighted top tenants chose Causeway Bay and that it is gaining traction to be considered as a credible alternative to Central as an office destination.

Our office sector's revenue grew 19.5% to HK$1,085 million (2012: HK$908 million). This principally reflected positive rental reversion, an average increase of around 50% in rent on renewals, reviews and new lettings which became effective during the year, as compared to existing leases, which were mainly concluded during the relatively weaker market of 2010. It also reflected Hysan Place's additional contributions with full occupancy achieved in September of 2013. Sunning Plaza's tenants began vacating for the site's future re-development in the fourth quarter of 2013 and the building was completely vacated by the end of the year in review. The Group made great efforts to successfully relocate many of these tenants in other office premises within our portfolio.

Our overall office portfolio occupancy was 87% on 31 December 2013 (31 December 2012: 91%). If excluding Sunning Plaza which was being vacated for re-development, the occupancy was a strong 98%. Hysan Place's office space was fully occupied as of the end of 2013.

The top four industry groups represented around 54.5% of our office tenant mix, namely insurance, professional and consulting, high-end retailers, and banking and finance. The overall tenant portfolio is balanced and no single category takes up more than 20% of total lettable area. Hysan will continue to actively manage tenancy profile. The chart below illustrates the office portfolio tenant profile as analysed by area occupied:



With factors like excellent transportation connecting Causeway Bay to the rest of the city, as well as the increasing variety of amenities for staff and clients during work hours and families after hours, the portfolio provides a total Grade "A" office experience. This helps tenant companies demonstrate great value due to their location in the area, and achieve higher productivity, and offer a true sense of belonging to their staff. To effectively communicate the value propositions of its Grade "A" offices to potential tenants, the Group created taglines such as "A Small Step from Central, A Giant Leap in Value", and "Perfect from 9 to 5, and Even Better after 5" for its office leasing communications.

Residential Sector

Our residential portfolio comprises the Bamboo Grove development located in Mid-Levels, while Sunning Court is vacated for re-development. The total area of our residential portfolio is around 0.8 million gross square feet. We offer top class facilities and one-stop personalized services to provide an international living experience for both expatriate and locals alike. Residential leases are typically for two years.

Residential sector revenue declined by 8.5% to HK$300 million (2012: HK$328 million). This principally reflected negative rental reversion as a whole, as well as the loss of revenue due to Sunning Court's tenants vacating for re-development during 2013. The overall residential occupancy was 82% on 31 December 2013 (31 December 2012: 92%). If excluding Sunning Court, the occupancy was 92%, amidst an overall weak market environment.

Hysan continued to broaden its tenant base beyond the financial sector, which was still affected by the macro environment. The Group also continued to diversify its marketing channels, strengthen tenant relationships and direct marketing initiatives, as well as enhance facilities, services and community activities.

Continuing Asset Enhancement Programme

Preparations for the combined re-development of Sunning Plaza (commercial property) and Sunning Court (residential property) are well underway. As at 31 December 2013, Sunning Plaza was completely vacated, and Sunning Court was about to complete its vacating process. The project is on schedule for anticipated completion around 2018.

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 decreased by 4.3% to HK$405 million (2012: HK$423 million), mainly due to a reduction in expenses attributable to Hysan Place such as agency fees. As a result, the property expenses to turnover ratio decreased from 17.0% to 13.2% as compared to 2012. This reflected the normalisation of Hysan Place property expenses following its opening.

Administrative expenses were 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 11.2% to HK$208 million (2012: HK$187 million). This reflected human resources upskilling and the filling of previously vacant positions, and salary increments.

Finance Costs
Finance costs were HK$242 million in 2013, an increase of 55.1% from HK$156 million in 2012. The increase was the result of the Group's higher average debt level after the issuance of the US$300 million fixed rate notes at the beginning of the year. The new financing helped to increase the liquidity and extend the maturity profile of the Group.

The Group's average finance costs in 2013 were 2.9%, slightly higher than 2.7% reported for 2012. This reflected the US$300 million fixed rate notes with a coupon of 3.5% issued in January 2013.

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 2013 by Knight Frank Petty Limited, an independent professional valuer, on the basis of open market value. The amount of this valuation was HK$65,322 million, an increase of 8.8% from HK$60,022 million at 31 December 2012. The valuation at year-end 2013 principally reflected improved rental rates for the Group's investment property portfolio. The following shows the property valuation of each portfolio at year-end.

	2013 HK$ million	2012 HK$ million	Change HK$ million	Change %
Retail portfolio	**32,651**	28,906	3,745	+13.0
Office portfolio	**24,200**	22,622	1,578	+7.0
Residential portfolio	**8,471**	8,494	(23)	-0.3
	65,322	60,022	5,300	+8.8

Fair value gain on investment properties (excluding capital expenditure spent on the Group's investment properties) of HK$4,575 million (2012: HK$8,533 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 7.5% to HK$309 million (2012: HK$334 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 2013, 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$72 million (2012: HK$123 million).

The Shanghai Grand Gateway project continued to deliver a good performance in 2013. The Group's share of results, excluding revaluation gains on investment properties held by the associate, recorded an 12.3% increase year-on-year. As at the end of 2013, 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 investment grade debt securities and principal-protected investments. This helped to preserve the Group's liquidity and enhance interest yields.

Investment income, principally being interest income, amounted to HK$76 million (2012: HK$55 million). The growth was mainly due to a larger principal amount for investment in time deposits and debt securities after the issuance of the US$300 million fixed rate notes.

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

	2013 HK$ million	2012 HK$ million	Change HK$ million	Change %
Operating cash inflow	**2,498**	1,941	557	+28.7
Financing	**1,607**	(738)	2,345	n/m
Investments	**(2,236)**	1,907	(4,143)	n/m
Capital expenditure	**(704)**	(1,626)	922	-56.7
Interest and taxation	**(350)**	(333)	(17)	+5.1
Dividends paid and proceeds on exercise of options	**(1,157)**	(842)	(315)	+37.4
Net cash (outflow) inflow	**(342)**	309	(651)	n/m

** n/m – not meaningful*

The Group reported operating cash inflow of HK$2,498 million (2012: HK$1,941 million) in 2013, reflecting the growth in our core leasing business. Net cash from financing rose to HK$1,607 million (2012: net cash used in financing: HK$738 million), mainly due to the new borrowings of US$300 million fixed rate notes at the beginning of the year, which was partly offset by the cash outflow for debts repayment.

Net cash used in investments was HK$2,236 million (2012: net cash from investments: HK$1,907 million), of which the majority were time deposits with longer tenors. Capital expenditure in 2013 was HK$704 million (2012: HK$1,626 million), including the payment of the construction costs of Hysan Place and other costs for building renovations.

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$696 million (2012: HK$1,595 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 Highlights

The global economy continued its slow recovery in 2013 as the economies of the United States, Europe and Japan were recovering at varying speeds. The United States economy finally showed signs of improvement in its housing market while Japan and the eurozone began to pick up under accommodative monetary policies. Following the United States Federal Reserve's announcement of the plan to taper its stimulative monetary policy, long-term interest rates moved higher towards the year-end. To lock in a relatively low interest cost for long-term funding, the Group issued a US$300 million 10-year fixed rate notes with a coupon of 3.5% in January 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.

Moody's upgraded the Group's credit rating from Baa1 to A3 in May 2013 to reflect the stable recurring income of the Group. Standard and Poor's rating of the Group is BBB+.

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.

Key Performance Indicators

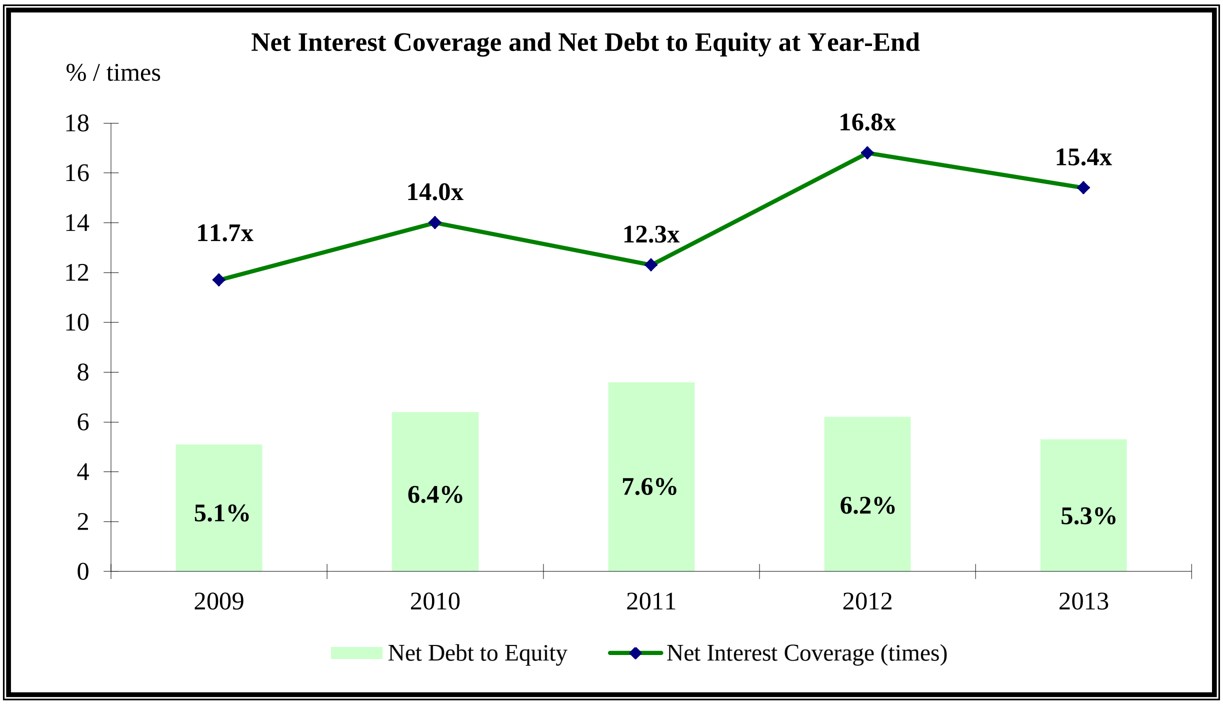
	Average Finance Costs	Source of Borrowings	Average Debt Maturity
Definition	Interest expenses over average gross debt for the year	The percentage of borrowings from banks and from capital markets	The weighted average remaining tenure of the Group's gross debt
Measurement	The average costs of debt financing	How diversified is the funding source	The timing of repayment needs of the Group
Performance	A higher average finance costs reflected the US$300 million fixed rate notes with a coupon of 3.5% issued in January 2013. **Average Finance Costs** **2.9%** for 2013 (2.7% for 2012)	During the year, US$300 million fixed rate notes were issued and HK$700 million bank loans matured. The portion from capital markets at year-end 2013 was higher than the level in 2012. **Bank Loans vs. Capital Market Issuance** **26.5% : 73.5%** at year-end 2013 (45.8% : 54.2% at year-end 2012)	The average maturity was lengthened with the US$300 million 10-year fixed rate notes issued. **Average Debt Maturity** **6.0 years** at year-end 2013 (5.0 years at year-end 2012)

	Floating Rate Debt	Net Interest Coverage	Net Debt to Equity
Definition	The percentage of total debt that is effectively floating rate based	Gross profit before depreciation less administrative expense divided by net interest expense	Borrowings less liquidity on hand divided by shareholders' funds
Measurement	The likely impact on interest expenses by changes in market interest rates	The Group's ability in meeting the interest payment obligations from its operation	The level of net leverage of the Group and its ability to raise further debt
Performance	The ratio was lower compared with 2012 because more borrowings were issued at fixed interest rates under a relatively low interest rate environment. **Floating Rate Debt** **32.0%** at year-end 2013 (47.0% at year-end 2012)	Ratio reflects our stable profit against higher net interest expenses. **Net Interest Coverage** **15.4 times** for 2013 (16.8 times for 2012)	The ratio remains low after the issuance of the US$300 million fixed rate notes and the Group's ability to raise further debt is strong. **Net Debt to Equity** **5.3%** at year-end 2013 (6.2% at year-end 2012)

Debt Management

The debt capital market was active in 2013, particularly in the first half of the year when the market was still flushed with liquidity. Quality issuers took the opportunity to tap the market while the interest rate remained low. Liquidity in the local bank loan market also improved during the year as reflected by the reduced credit margin for top tier companies borrowing from the market. To lock in a relatively low interest cost for long tenor funding and to build up funds for future use, the Group issued US$300 million 10-year fixed rate notes with a coupon of 3.5% in January 2013 under the Medium Term Notes Programme. The long term borrowing lengthened the average maturity of the debt profile to 6.0 years at year-end of 2013 (2012: 5.0 years).

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 2013, the outstanding gross debt[1] of the Group was HK$7,540 million (2012: HK$5,899 million), an increase of HK$1,641 million compared with 2012 as a result of the issuance of the US$300 million fixed rate notes and repayment of HK$700 million bank loans 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. At year-end of 2013, about 26.5% of the Group's outstanding gross debts were sourced from these banking facilities.

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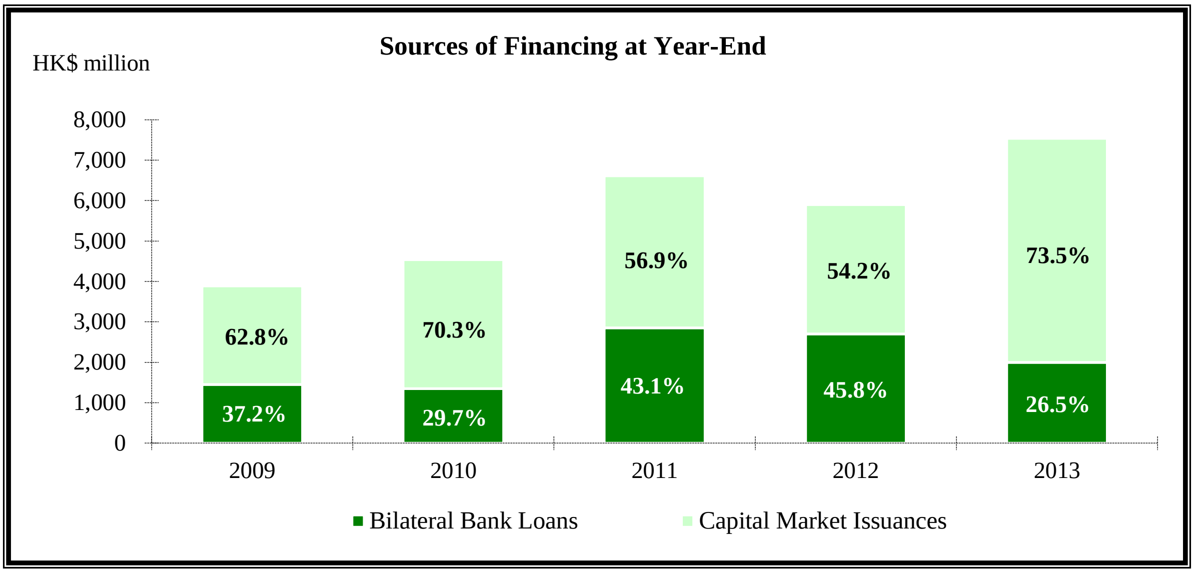
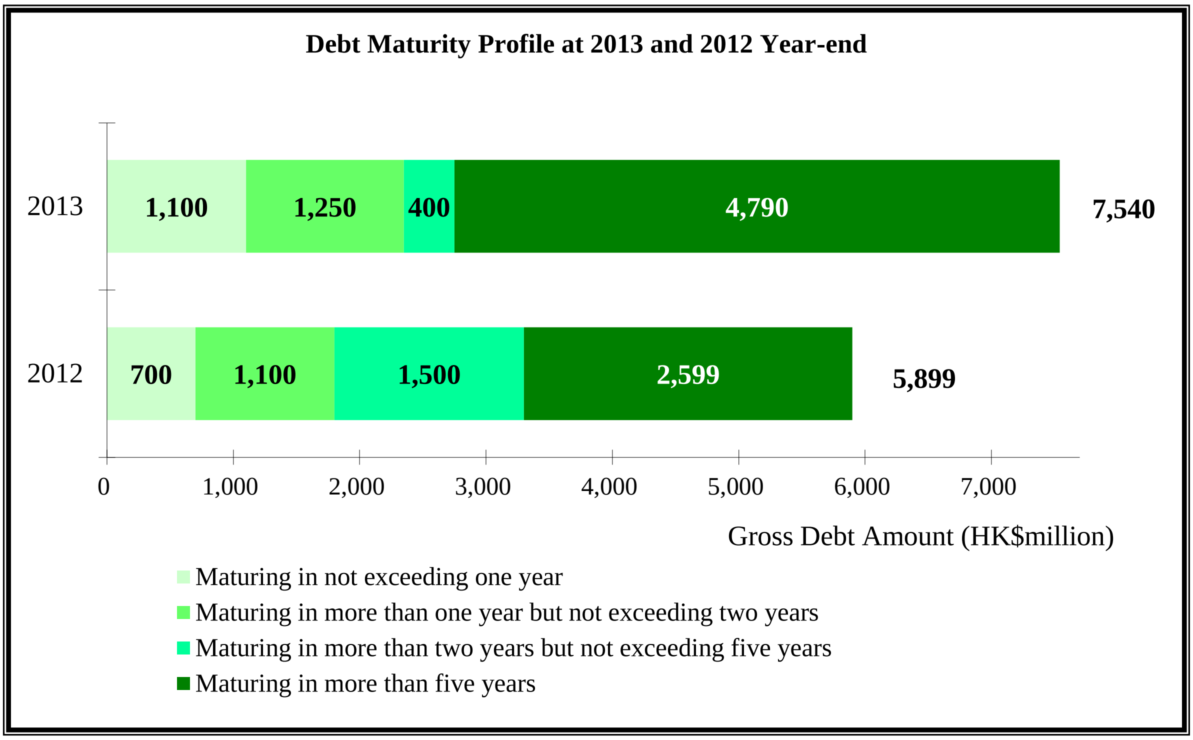
[1] The gross debt represents the contractual principal payment obligations at 31 December 2013. However, in accordance with the Group's accounting policies, the debt is measured at amortised costs, using the effective interest method. Also, if the Group designates certain derivatives as hedging instruments (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 2013, the book value of the outstanding debt of the Group was HK$7,504 million (31 December 2012: HK$5,941 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 2013, the average maturity of the debt portfolio was about 6.0 years, of which about HK$1,100 million or 14.6% of the outstanding gross debt will be due in less than one year, reflecting little re-financing pressure for 2014.

The graph below shows the debt maturity profile of the Group at 2013 and 2012 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 2013, the Group had cash and bank deposits totaling about HK$4,123 million (2012: HK$2,311 million). The increase of deposit was mainly resulted from the issuance of the US$300 million fixed rate notes. 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$1,360 million (2012: HK$1,288 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$900 million at year-end 2013 (2012: HK$1,000 million), essentially allow the Group to obtain additional liquidity as the need arises.

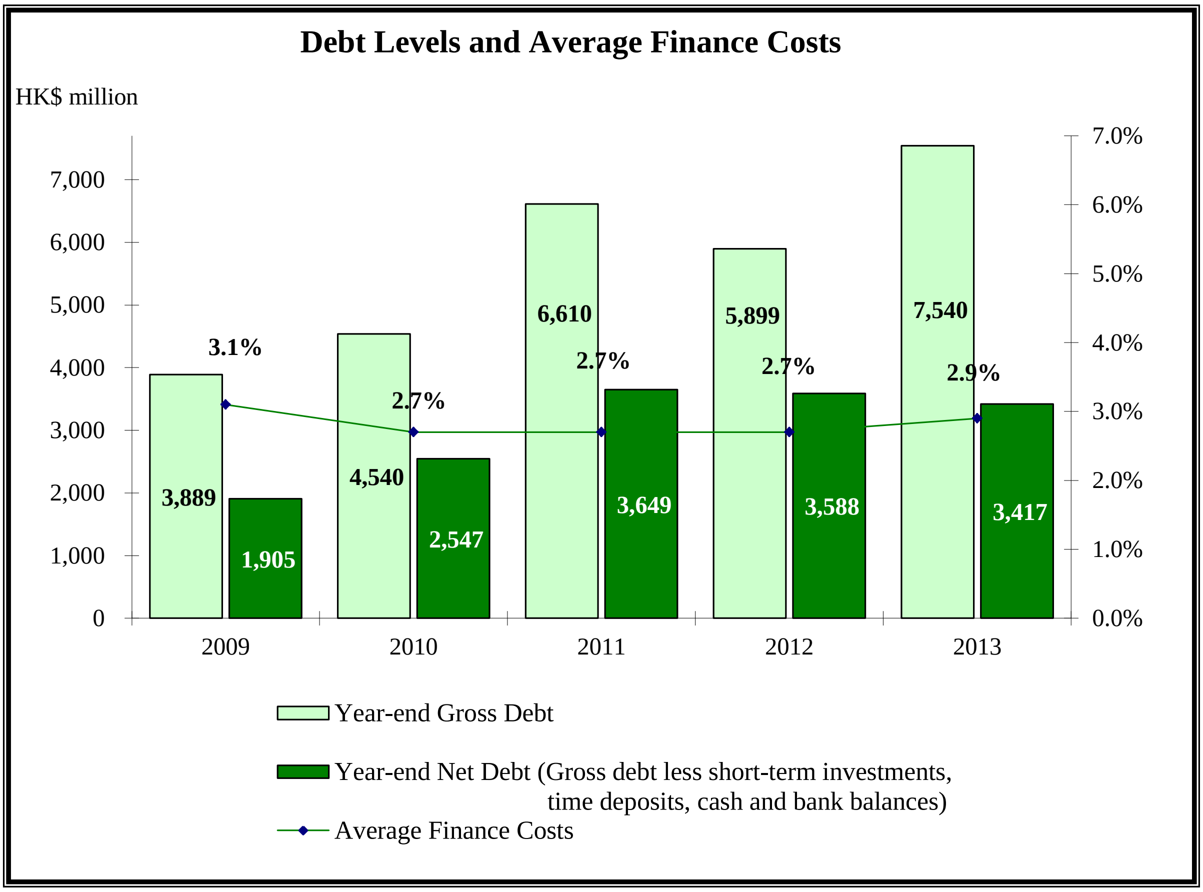
Interest Rate Management

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 of the US$300 million 10-year fixed rate notes with a coupon of 3.5% issued in 2013, the average cost of financing increased to 2.9% in 2013 compared to 2.7% in 2012. The fixed debt ratio also increased to 68.0% at year-end of 2013 from 53.0% at year-end of 2012.

As the Group believes that interest rates will rise in the next few years, we expect the issuance will reduce the overall interest rate exposures over the 10-year period.

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 AUD37 million bank loan and US$300 million fixed rate notes, which have been hedged by appropriate hedging instruments, all of the Group's other borrowings were denominated in Hong Kong dollars. For the US$300 million fixed rate notes issued in January 2013, hedges were entered to effectively convert the borrowing into Hong Kong dollar. For the foreign exchange exposure on the investment side, the Group's outstanding in amount in cash, time deposits, principal-protected investments and debt securities amounted to US$109 million and RMB322 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$4,181 million (2012: HK$3,759 million) or 5.5% (2012: 5.5%) of total assets.

Use of Derivatives

As at 31 December 2013, 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 2013 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 2013 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 2013

	Notes	2013 *HK$ million*	2012 *HK$ million*
Turnover	3	**3,063**	2,486
Property expenses		**(405)**	(423)
Gross profit		**2,658**	2,063
Investment income		**76**	55
Other gains and losses		**1**	18
Administrative expenses		**(208)**	(187)
Finance costs		**(242)**	(156)
Change in fair value of investment properties		**4,575**	8,533
Share of results of associates		**309**	334
Profit before taxation		**7,169**	10,660
Taxation	5	**(372)**	(289)
Profit for the year	6	**6,797**	10,371
Profit for the year attributable to:			
Owners of the Company		**6,158**	9,955
Non-controlling interests		**639**	416
		6,797	10,371
Earnings per share (expressed in HK cents)	7		
Basic		**579.04**	938.02
Diluted		**578.84**	937.59

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	**2013** *HK$ million*	2012 *HK$ million*
Profit for the year		**6,797**	10,371
Other comprehensive income	8		
Items that will not be reclassified subsequently to profit or loss:			
Net gains arising from equity investments designated as at fair value through other comprehensive income		**-**	115
Gains on revaluation of properties held for own use		**20**	33
		20	148
Items that may be reclassified subsequently to profit or loss:			
Net (losses) gains arising from derivatives designated as cash flow hedges		**(53)**	16
Share of translation reserve of an associate		**117**	2
		64	18
Other comprehensive income for the year (net of tax)		**84**	166
Total comprehensive income for the year		**6,881**	10,537
Total comprehensive income attributable to:			
Owners of the Company		**6,242**	10,121
Non-controlling interests		**639**	416
		6,881	10,537

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	**2013** *HK$ million*	2012 *HK$ million*
Non-current assets			
Investment properties		**65,322**	60,022
Property, plant and equipment		**604**	580
Investments in associates		**4,181**	3,759
Principal-protected investments		**81**	160
Term notes		**622**	527
Equity investments		**1**	1
Other financial assets		**32**	57
Other receivables	10	**230**	243
		71,073	65,349
Current assets			
Accounts receivable and other receivables	10	**241**	158
Principal-protected investments		**77**	218
Term notes		**580**	383
Other financial assets		**-**	2
Tax recoverable		**-**	2
Time deposits		**4,042**	2,158
Cash and bank balances		**81**	153
		5,021	3,074
Current liabilities			
Accounts payable and accruals	11	**500**	469
Rental deposits from tenants		**190**	190
Amounts due to non-controlling interests		**327**	327
Borrowings		**1,055**	699
Other financial liabilities		**48**	5
Taxation payable		**101**	77
		2,221	1,767
Net current assets		**2,800**	1,307
Total assets less current liabilities		**73,873**	66,656
Non-current liabilities			
Borrowings		**6,449**	5,242
Other financial liabilities		**74**	25
Rental deposits from tenants		**610**	508
Deferred taxation		**559**	434
		7,692	6,209
Net assets		**66,181**	60,447
Capital and reserves			
Share capital		**5,318**	5,315
Reserves		**58,008**	52,808
Equity attributable to owners of the Company		**63,326**	58,123
Non-controlling interests		**2,855**	2,324
Total equity		**66,181**	60,447

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, these 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 2012.

Except as described below, the adoption of these new and revised Standards and Amendments to Standards had no material effect on the results and financial position of the Group or the Company for the current and/or prior accounting years.

<u>Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"</u>

The amendments to Hong Kong Accounting Standard ("HKAS") 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 has had no impact on the results or financial position of the Group.

<u>Amendments to HKFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities"</u>

The amendments to Hong Kong Financial Reporting Standard ("HKFRS") 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The Group has outstanding derivative instruments presented as other financial assets and other financial liabilities in the consolidated statement of financial position which are under master netting agreements.

The amendments have been applied retrospectively. The application of the amendments has had no impact on the results or financial position of the Group but results in additional disclosures in the Group's consolidated financial statements.

<u>HKFRS 12 "Disclosure of Interests in Other Entities"</u>

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries and associates. In general, the application of HKFRS 12 has resulted in more extensive 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 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative year. The application of HKFRS 13 has had no impact on the results or financial position of the Group but results in more disclosures in the Group’s annual consolidated financial statements for the year ended 31 December 2013.

The Group and the Company have not early applied the following new Standard, Amendments to Standards and Interpretation that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HKFRS 9	Financial Instruments: Hedge Accounting[4]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Effective for annual periods beginning on or after 1 July 2014 with certain exceptions.
4 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

HKFRS 9 “Financial instrument: Hedge Accounting”

The Group had early adopted HKFRS 9 as amended in 2010 in prior years. HKFRS 9 has been further amended in 2013 to include the new requirements for hedge accounting.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

In the opinion of the Directors of the Company, it is not practicable to provide a reasonable estimate of that effect on the Group's financial instruments under hedge accounting until a detailed review has been completed.

Other than as described above, the Directors of the Company anticipate that the application of the other Amendments to Standards and Interpretation will have no material impact on the results and financial position of the Group or the Company.

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 2013				
Turnover				
Gross rental income from investment properties	**1,553**	**952**	**270**	**2,775**
Management fee income	**125**	**133**	**30**	**288**
Segment revenue	**1,678**	**1,085**	**300**	**3,063**
Property expenses	**(212)**	**(128)**	**(65)**	**(405)**
Segment profit	**1,466**	**957**	**235**	**2,658**
Investment income				**76**
Other gains and losses				**1**
Administrative expenses				**(208)**
Finance costs				**(242)**
Change in fair value of investment properties				**4,575**
Share of results of associates				**309**
Profit before taxation				**7,169**

For the year ended 31 December 2012	Retail *HK$ million*	Office *HK$ million*	Residential *HK$ million*	Consolidated *HK$ million*
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

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.

	Retail *HK$ million*	Office *HK$ million*	Residential *HK$ million*	Consolidated *HK$ million*
As at 31 December 2013				
Segment assets	**32,655**	**24,205**	**8,472**	**65,332**
Investments in associates				**4,181**
Other assets				**6,581**
Consolidated assets				**76,094**
As at 31 December 2012				
Segment assets	28,918	22,623	8,494	60,035
Investments in associates				3,759
Other assets				4,629
Consolidated assets				68,423

Segment assets represented the investment properties and accounts receivable of each segment without allocation of property, plant and equipment, investments in associates, equity investments, principal-protected investments, term notes, other financial assets, other receivables, tax recoverable, time deposits, cash and bank balances. This is the measure reported to the Chief Executive Officer of the Group 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") with carrying amounts of HK$4,181 million (2012: HK$3,755 million), all the Group's assets are located in Hong Kong.

As at 31 December 2012, the Group's investment in associate operated in Singapore with carrying amounts of HK$4 million.

Other segment information

	Retail *HK$ million*	Office *HK$ million*	Residential *HK$ million*	Consolidated *HK$ million*
For the year ended 31 December 2013				
Additions to non-current assets	**679**	**50**	**10**	**739**
For the year ended 31 December 2012				
Additions to non-current assets	958	55	3	1,016
Additions to investment properties under re-development *(Note)*				504
				1,520

Note:
The investment properties under re-development were completed during the year ended 31 December 2012.

5. Taxation

	2013 ***HK$ million***	2012 *HK$ million*
Current tax		
Hong Kong profits tax		
- current year	**250**	224
- underprovision (overprovision) in prior years	**1**	(2)
	251	222
Deferred tax	**121**	67
	372	289

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

6. Profit For The Year

	2013	2012
	HK$ million	*HK$ million*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**2**	2
Depreciation of property, plant and equipment	**16**	11
Gross rental income from investment properties including contingent rentals of HK$106 million (2012: HK$104 million)	**(2,775)**	(2,232)
Less:		
- Direct operating expenses arising from properties that generated rental income	**400**	418
- Direct operating expenses arising from properties that did not generate rental income	**5**	5
	(2,370)	(1,809)
Staff costs, comprising:		
- Directors' emoluments	**32**	21
- Share-based payments	**4**	4
- Other staff costs	**218**	193
	254	218
Share of income tax of an associate (included in share of results of associates)	**119**	134

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	
	2013	2012
	HK$ million	*HK$ million*
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	**6,158**	9,955

	Number of shares	
	2013	2012
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,063,488,216**	1,061,276,321
Effect of dilutive potential ordinary shares: Share options issued by the Company	**365,948**	486,784
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,063,854,164**	1,061,763,105

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:

	2013		2012	
	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	**6,158**	**579.04**	9,955	938.02
Change in fair value of investment properties	**(4,575)**	**(430.19)**	(8,533)	(804.03)
Effect of non-controlling interests' shares	**532**	**50.02**	323	30.43
Share of change in fair value of investment properties (net of deferred taxation) of an associate	**(72)**	**(6.77)**	(123)	(11.59)
Underlying Profit	**2,043**	**192.10**	1,622	152.83
Recurring Underlying Profit	**2,043**	**192.10**	1,622	152.83

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

	2013 *HK$ million*	2012 *HK$ million*
Other comprehensive income comprises:		
Items that will not be reclassified subsequently to profit or loss:		
Equity investments designated as at FVTOCI:		
Net gains arising during the year	**-**	115
Revaluation of properties held for own use:		
Gain on revaluation of properties held for own use	**24**	40
Deferred taxation arising on revaluation	**(4)**	(7)
	20	33
	20	148
Items that may be reclassified subsequently to profit or loss:		
Derivatives designated as cash flow hedges:		
Net (losses) gains arising during the year	**(105)**	12
Reclassification adjustments for net losses included in profit or loss	**52**	4
	(53)	16
Share of translation reserve of an associate	**117**	2
	64	18
Other comprehensive income for the year (net of tax)	**84**	166

9. Dividends

(a) Dividends recognised as distribution during the year:

	2013 *HK$ million*	2012 *HK$ million*
2013 first interim dividend paid - HK22 cents per share	**234**	-
2012 first interim dividend paid - HK17 cents per share	**-**	180
2012 second interim dividend paid - HK78 cents per share	**830**	-
2011 final dividend paid - HK64 cents per share	**-**	679
	1,064	859

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

Second interim dividend (in lieu of a final dividend) - HK95 cents per share (2012: HK78 cents per share)	**1,010**	829

The second interim dividend is not recognised as a liability as at 31 December 2013 because it has been declared after the end of the reporting period. Such dividend will be accounted for as an appropriation of the retained profits in the year ending 31 December 2014.

The declared second interim dividend will be payable in cash.

10. Accounts Receivable and Other Receivables

	2013 ***HK$ million***	2012 *HK$ million*
Accounts receivable	**10**	13
Interest receivable	**80**	27
Prepayments in respect of investment properties	**47**	59
Other receivables and prepayments	**334**	302
Total	**471**	401
Analysed for reporting purposes as:		
Current assets	**241**	158
Non-current assets	**230**	243
	471	401

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$10 million (2012: HK$13 million) mainly represented rents receipts in arrears, which were aged less than 90 days.

At the end of the reporting period, none of the accounts receivable were past due but not impaired.

11. Accounts Payable and Accruals

	2013 ***HK$ million***	2012 *HK$ million*
Accounts payable	**162**	198
Interest payable	**83**	32
Other payables	**255**	239
	500	469

At the end of the reporting period, accounts payable of the Group with carrying amount of HK$162 million (2012: HK$198 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, this 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 2013 was 653 (31 December 2012: 630). 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 Corporate Responsibility Report 2013.

Closure of Register of Members

The register of members will be closed on Monday, 24 March 2014, during which period no transfer of shares will be registered. The ex-dividend date will be Thursday, 20 March 2014. 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 Registrar, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) not later than 4:00 p.m. on Friday, 21 March 2014. The second interim dividend will be paid to shareholders whose names appear on the register of members on Monday, 24 March 2014 and the payment date will be on or about Thursday, 3 April 2014.

The register of members will be closed from Monday, 12 May 2014 to Tuesday, 13 May 2014, 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 Registrar, Tricor Standard Limited at the abovementioned new address not later than 4:00 p.m. on Friday, 9 May 2014.

AGM

The AGM will be held at Granville and Nathan Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 13 May 2014. 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 2014.

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

Hong Kong, 7 March 2014

*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 and Company Secretary).*

* *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 2013 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 2014.