

BEING A RESPONSIBLE BUSINESS



Peter T.C. Lee
Chairman

OVERVIEW

The Hong Kong economy continued to improve during 2005 under broadly favourable global economic conditions. Investment properties generally performed well across the commercial and residential sectors, notwithstanding the impact of higher interest rates on market sentiment. Office sector rentals recorded the strongest growth as recovery gathered further momentum, particularly during the second half of the year. In comparison to the sharp recovery that began in late 2003, the retail and residential sectors recorded a slower yet stable growth rate.

PERFORMANCE

The Group's 2005 turnover increased by 8.3%, reflecting improved performance by our repositioned retail and residential properties. Office turnover was broadly the same as last year, and office rental reversions turned positive during the second half of the year. Finance charges were higher due to increased market interest rates.

New applicable accounting standards were adopted for the first full year beginning 2005. Underlying net profit, excluding the impact of revaluation of investment properties, was HK\$1,005 million (2004 restated: HK\$609 million), up 65.0%. Underlying earnings per share for the period correspondingly rose to HK95.6 cents (up 64.4%).

Net profit excluding asset value changes and prior year tax provision was HK\$641 million, up 9.4% from the corresponding figure in 2004 (2004 restated: HK\$586 million).

The external valuation of the Group's investment property portfolio (excluding Entertainment Building) increased to HK\$29,815 million, up 16.1%. Adjusted shareholders' funds rose by 21.1% to HK\$27,134 million.

The Board recommends the payment of a final dividend of HK35.0 cents per share (2004: HK30.0 cents). Together with the interim dividend of HK10.0 cents per share (2004: HK10.0 cents), there is an aggregate distribution of HK45.0 cents per share, representing a year-on-year increase of 12.5%. Subject to shareholder approval, the final dividend will be payable in cash with a scrip dividend alternative.

RESPONSIBLE BUSINESS

For every company, the journey to success is unique and there is no single way to achieve it. We believe that success is more than just the measure of achieved financial results. One should also consider how these results were accomplished. Central to this is a company's culture and management principles, which guide the way it operates and interacts with various stakeholders. Sustainable results can only be achieved if a company consistently applies such principles in the face of a broad range of opportunities and risks.

Hysan's guiding principle is to act as a responsible business that places great emphasis on accountability, professionalism, and ethical practices. For our shareholders, this means creating shareholder value by putting in place a clear business strategy and taking steps to implement it. For our customers, it means providing high-quality products and services in a competitive way, building partnerships and trust. For our employees, it means treating everyone with respect and helping individuals to realise their full potential and contribution. We are equally committed to the community in which we operate and we regularly contribute to programmes and initiatives for its benefit.

DIRECTORS AND STAFF

I would like to take this opportunity to express my sincere thanks to Mr. David M. Turnbull, who resigned as Independent non-Executive Director in December, for his contribution to the Group. I also thank all staff members for their dedication and good work during the year.

OUTLOOK

The Hong Kong economy is expected to maintain steady growth in 2006. Within our portfolio, we expect the office, retail and residential sectors to continue their respective rental growth. In the absence of unforeseen external factors, the overall outlook for this year remains positive.

Peter T.C. Lee

Chairman

Hong Kong, 7 March 2006