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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

- **Group turnover up 7.1%; Recurring Underlying Profit up 13.9%**
- **Steady growth expected for rest of the year**
- **Hysan Place on schedule for opening at the end of Q2 2012**

RESULTS

		Six months ended 30 June		
		2011	2010	
	Notes	**HK$ million**	HK$ million	Change
Turnover	*1*	**939**	877	+7.1%
Recurring Underlying Profit	*2*	**663**	582	+13.9%
Underlying Profit	*3*	**663**	582	+13.9%
Statutory Profit	*4*	**6,012**	1,918*	+213.5%
		HK cents	HK cents	
Earnings per share, based on:				
Recurring Underlying Profit	*2*	**62.86**	55.39	+13.5%
Underlying Profit	*3*	**62.86**	55.39	+13.5%
Statutory Profit	*4*	**569.98**	182.53*	+212.3%
Interim dividend per share		**15.00**	14.00	+7.1%

		At 30 June	At 31 December	
		2011	2010	
		HK$ million	HK$ million	
Shareholders' Funds	*5*	**46,236**	40,677	+13.7%
		HK$	HK$	
Net Assets Value per Share	*6*	**43.67**	38.61	+13.1%

* *In December 2010, the Amendments to Hong Kong Accounting Standard ("HKAS") 12 "Income Taxes" were issued and the Group had applied the Amendments in advance of their effective date (annual periods beginning on or after 1 January 2012) in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40 "Investment Property". The change in accounting policy arising from the Amendments to HKAS 12 had been applied retrospectively, with consequential adjustments to comparatives for the 2010 interim period.*

Notes:
1. ***Turnover*** *comprises rental income and management fee income derived from the Group's investment properties 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 gains/losses from disposal of assets, impairment, reversal, recovery and tax provisions for prior year(s).*
3. ***Underlying Profit*** *is arrived at by excluding from Statutory Profit unrealised fair value changes on investment properties. As a property investor, the Group's results are principally derived from the rental revenues on its investment properties. The inclusion of the unrealised fair value 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. ***Statutory 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. *Previously, Adjusted Shareholders' Funds, arrived at by adding back the Group's share of cumulative deferred tax on property revaluation to* ***Shareholders' Funds****, were presented. Following the Amendments to Hong Kong Accounting Standard 12 "Income Taxes" and Hong Kong Accounting Standard 17 "Leases" issued in 2010, the Group's share of cumulative deferred tax on property revaluation became immaterial and hence only Shareholders' Funds are presented afterwards.*
6. ***Net Asset Value per Share*** *represents Shareholders' Funds divided by the number of issued shares at interim period end/year end.*

CHAIRMAN'S STATEMENT

Overview

Hong Kong's economy continued its steady growth in the first half of 2011. Market conditions for the Grade "A" office market are generally favourable, with rental levels and occupancies having further improved. Hong Kong's retail sales growth, reflecting local consumption as well as strong tourist influx, supported the continuing retail rental improvement.

Results

There was good performance across the Group's property portfolio. Our turnover for the 2011 interim period was HK$939 million, representing a year-on-year increase of 7.1% from HK$877 million in 2010. The Office and Retail sectors showed turnover growth of 6.3% and 9.1% respectively, while the Residential sector recorded an increase of 4.1%. As at 30 June 2011, the occupancy of Office, Retail and Residential sectors were 95%, 95% and 96% correspondingly. Retail portfolio vacancies principally reflected the renovation of the Leighton Centre retail podium.

Recurring Underlying Profit, the key measurement of our core leasing business performance, was HK$663 million, up 13.9% from HK$582 million in 2010. This was principally due to the improvement in gross profit generated from our core leasing activities. Higher investment income was also recorded. Our Underlying Profit, which excludes unrealised changes in fair value of investment properties, was also HK$663 million. Our Statutory Profit for the 2011 interim period was HK$6,012 million (2010: HK$1,918 million[1]), reflecting a higher fair value gain on investment properties valuation recorded in this period.

As at 30 June 2011, the investment properties for the Group were revalued at HK$46,847 million (31 December 2010: HK$40,833 million) and the Group's Shareholders' Funds rose by 13.7% to HK$46,236 million (31 December 2010: HK$40,677 million).

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[1] *In December 2010, the Amendments to Hong Kong Accounting Standard ("HKAS") 12 "Income Taxes" were issued and the Group had applied the Amendments in advance of their effective date (annual periods beginning on or after 1 January 2012) in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40 "Investment Property". The change in accounting policy arising from the Amendments to HKAS 12 had been applied retrospectively, with consequential adjustments to comparatives for the 2010 interim period.*

Dividends

The Board of Directors has declared an interim dividend of HK15.0 cents per share (2010: HK14.0 cents). The dividend will be payable in cash with a scrip dividend alternative.

Outlook

Our core portfolio is expected to achieve steady growth for the rest of the year. As a majority of expiring commercial leases have been committed, the Company will focus on the leasing of our latest development, Hysan Place. Our core portfolio, enhanced by Hysan Place, can look forward to achieving solid growth in the future.

Irene Yun Lien LEE
Chairman

Hong Kong, 9 August 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operations and Financial Review

Turnover – The Group's turnover for the first half of 2011 was HK$939 million, representing a 7.1% year-on-year increase (2010: HK$877 million). The Group recorded growth across all three leasing sectors during the period under review.

Office Sector – Office sector turnover grew 6.3% to HK$404 million (2010: HK$380 million). Its occupancy was 95% as at 30 June 2011, as compared with 95% on 31 December 2010 and 91% on 30 June 2010. Rental reversion, on renewing leases negotiated at the 2008 market height, has been positive as a whole.

We have secured commitments for a majority of the current year's expiring leases as they fell due during the first half of the year. Our team will focus on the leasing of Hysan Place for the rest of the year.

Retail Sector – Good local consumer confidence and strong inflow of tourists from Mainland China have helped increased retail sales. Against this backdrop, the Group's retail sector revenue grew 9.1% to HK$382 million (2010: HK$350 million). Good growth in turnover rent also contributed to the improvement in revenue. Retail occupancy was 95% as at 30 June 2011 (31 December 2010: 96%; 30 June 2010: 99%). The vacancies principally reflected the renovation of the retail podium of Leighton Centre. We have committed a majority of current year's expiring leases as they fell due during the first six months.

We continued our intensive marketing activities to attract local shoppers as well as visitors. Asset enhancement and repositioning are in progress. A new fashion flagship store opened in One Hysan Avenue. The renovated Leighton Centre retail podium will host new fashion-oriented tenants, with all shop space having been leased.

Residential Sector – The Group's residential sector revenue increased by 4.1% to HK$153 million (2010: HK$147 million). This reflected improved occupancy (30 June 2011: 96%; 31 December 2010: 94%; 30 June 2010: 94%) as well as positive rental reversion.

Property Expenses – Property expenses decreased 4.5% to HK$107 million (2010: HK$112 million), mainly due to a reduction in agency fees as occupancy and direct marketing further improved. Coupled with an increase in rental income, the property expenses to turnover ratio accordingly improved to 11.4% (2010: 12.8%).

Investment Income – Investment income, comprising principally of dividend income and interest income, amounted to HK$40 million (2010: HK$22 million). The growth was principally due to higher dividend income derived from the Group's equity investments.

Other Gains and Losses – During the period under review, the Group continued to use a variety of financial instruments to hedge against interest rate and foreign exchange rate exposures. In addition, the Group placed surplus funds in principal-protected investments. The net loss of HK$5 million (2010: HK$12 million) primarily represented mark-to-market movements of these hedging financial instruments and principal-protected investments, as required under the current accounting standards.

Administrative Expenses – In addition to costs for continuing human resources upskilling for Hysan's existing portfolio, additional payroll costs were incurred for hiring new staff in relation to the upcoming Hysan Place. These resulted in administrative expenses increasing by 18.2% to HK$78 million (2010: HK$66 million) for the first half of 2011.

Finance Costs – Finance costs for the first half of 2011 reduced slightly to HK$59 million (2010: HK$60 million) despite the increase in the Group's gross debt. The drop in finance costs was mainly due to the capitalisation of HK$18 million (2010: HK$2 million) interest expenses and related borrowing costs for the construction of Hysan Place.

If the capitalised interest expenses and related borrowing costs were included, the Group's finance costs in the first half of 2011 would have been HK$77 million, representing an increase of 24.2% from HK$62 million in the same period last year. The Group's average finance costs for the interim period were 2.8%, a slight increase from 2.6% in the first half of 2010 and 2.7% for 2010 full-year.

Change in Fair Value of Investment Properties – As at 30 June 2011, the investment properties of the Group were revalued at HK$46,847 million (31 December 2010: HK$40,833 million) by an independent professional valuer. Excluding capital expenditure spent on the Group's investment properties, fair value gain on investment properties of HK$5,608 million (2010: HK$1,214 million) was recognised in the condensed consolidated income statement during the interim period.

Share of Results of Associates – The Group's share of results of associates decreased 52.1% to HK$124 million (2010: HK$259 million), primarily due to a smaller year-on-year revaluation gain on the Shanghai Grand Gateway project, which the Group owns 24.7%. Excluding revaluation gain on investment properties, the Group's share of results of associates recorded an increase of 20.0%. This reflects the continuing good performance of the Shanghai Grand Gateway project.

Taxation – Taxation for the period (aggregation of current and deferred tax) increased from HK$106 million in 2010 to HK$118 million, which increased in line with the growth in the Group's core business operating results.

Contingent Liabilities – There have been no significant changes since the publication of the Group's 2010 Annual Report in March 2011.

Capital Expenditure – The Group is committed to enhancing the asset value of its investment properties portfolio. Total capital expenditure amounted to HK$416 million during the period (2010: HK$502 million), which was principally attributable to Hysan Place.

Hysan Place – Construction work remains on schedule for the shopping mall opening at the end of Q2 2012. Around 45% of the 17 floors of retail space had been leased by 30 June 2011. For the office portion, a major international accounting firm has taken up one-third of the space. Hysan Place is well-positioned to benefit from the continual extension of the core business district beyond Central, in light of its top building specifications and costs advantage.

Financial Policy

The Group considers that there are sufficient financial resources to fund the general operating expenses and the level of planned capital expenditure including the Hysan Place project. These financial resources include funds generated from operating activities, access to the debt capital markets through the Medium Term Note Programme, availability of undrawn committed banking facilities, and liquid treasury assets.

Financial Management – The key objective of the Group's financial management is to maintain sufficient liquidity and manage financial risks. This is achieved by way of spreading out debt maturity to minimise funding and refinancing risks; diversifying funding sources; maintaining an appropriate interest rate profile; and minimising foreign exchange exposures arising from borrowings.

Liquidity – To prepare for the repayment of certain debt and loans in 2012, the Group has prefunded itself with new financings from the credit market. As a result, the Group's total gross debt level at 30 June 2011 stood at HK$5,599 million, an increase of HK$1,059 million from HK$4,540 million at the year end of 2010. The Group's time deposits, cash and bank balances also grew to HK$2,501 million (31 December 2010: HK$1,993 million).

The Group's average debt maturity was 4.3 years as at 30 June 2011 (31 December 2010: 4.3 years) with HK$1,507 million being repayable within one year, HK$2,700 million being repayable in more than two years but not exceeding five years, and HK$1,392 million being repayable beyond five years (31 December 2010: HK$650 million being repayable within one year, HK$1,357 million being repayable in more than one year but not exceeding two years, HK$1,298 million being repayable in more than two years but not exceeding five years, and HK$1,235 million being repayable beyond five years). As at 30 June 2011, bank loans accounted for approximately 40.2% of the Group's total gross debt, with the remaining 59.8% from capital market financing (31 December 2010: 29.7%: 70.3%).

All of the Group's debts are unsecured and on a committed basis. To maintain sufficient liquidity for the Group's operations, undrawn committed facilities of HK$1,000 million were maintained as at 30 June 2011 (31 December 2010: HK$2,550 million).

Risk Management – Interest expenses represent a key cost driver of the Group's business. Therefore, the Group monitors its interest rate exposure closely and adopts an appropriate hedging strategy in light of market conditions. As at 30 June 2011, the ratio of floating rate debt was approximately 59.7% of the total gross debt (31 December 2010: 53.6%).

The Group aims to have minimal foreign currency exposure in managing its liabilities. On the liability side, with the exception of the US$174 million 10-year notes and US$26 million of bank loans (both of which have been hedged into Hong Kong dollars by hedging instruments), all of the Group's other borrowings were denominated in Hong Kong dollars.

On the asset side, the Group closely monitors the foreign currency exposures to ensure they fall within the internal limits. The Group only has exposures in USD and CNY mainly arising from investments in principal-protected investments and debt securities. Unhedged foreign currency positions were US$22 million and CNY 81 million. Other foreign exchange exposure mainly relates to the Shanghai project amounting to HK$3,223 million (31 December 2010: HK$3,153 million) or 5.8% of the Group's total assets (31 December 2010: 6.5%).

Financial Ratios – Net interest coverage (defined as gross profit less administrative expenses before depreciation divided by net interest expenses) was 13.4 times for the first half of 2011 (2010: 15.6 times).

Net debt to equity (defined as borrowings less time deposits, cash and bank balances divided by Shareholders' Funds) as at 30 June 2011 was 6.8% (31 December 2010: 6.4%).

Credit Ratings – As at 30 June 2011, the ratings remained unchanged, being Baa1 from Moody's and BBB from Standard and Poor's.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011 (unaudited)

	Notes	Six months ended 30 June 2011 HK$ million	2010 HK$ million (restated)
Turnover	4	**939**	877
Property expenses		**(107)**	(112)
Gross profit		**832**	765
Investment income		**40**	22
Other gains and losses		**(5)**	(12)
Administrative expenses		**(78)**	(66)
Finance costs		**(59)**	(60)
Change in fair value of investment properties		**5,608**	1,214
Share of results of associates		**124**	259
Profit before taxation		**6,462**	2,122
Taxation	6	**(118)**	(106)
Profit for the period	7	**6,344**	2,016
Profit for the period attributable to:			
Owners of the Company		**6,012**	1,918
Non-controlling interests		**332**	98
		6,344	2,016
Earnings per share (expressed in HK cents)			
Basic	8	**569.98**	182.53
Diluted	8	**569.39**	182.42

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011 (unaudited)

	Six months ended 30 June	
	2011	2010
	HK$ million	HK$ million (restated)
Profit for the period	**6,344**	2,016
Other comprehensive income		
Losses arising from equity investments designated as at fair value through other comprehensive income	**(100)**	-
Gains arising from available-for-sale investments	**-**	72
Cash flow hedges:		
Losses arising during the period	**(14)**	(36)
Reclassification adjustments for losses included in profit or loss	**10**	10
	(4)	(26)
Revaluation of properties held for own use:		
Gains on revaluation of properties held for own use	**34**	22
Deferred taxation arising on revaluation	**(6)**	(3)
	28	19
Share of other comprehensive income of an associate	**71**	23
Other comprehensive income for the period (net of tax)	**(5)**	88
Total comprehensive income for the period	**6,339**	2,104
Total comprehensive income attributable to:		
Owners of the Company	**6,007**	2,006
Non-controlling interests	**332**	98
	6,339	2,104

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011 (unaudited)

	Notes	**At 30 June 2011 HK$ million**	At 31 December 2010 HK$ million
Non-current assets			
Investment properties		**46,847**	40,833
Property, plant and equipment		**470**	429
Investments in associates		**3,209**	3,014
Principal-protected investments		**413**	378
Term notes		**194**	168
Equity investments		**1,010**	-
Available-for-sale investments		**-**	1,152
Other financial assets		**65**	90
Other receivables		**143**	79
		52,351	46,143
Current assets			
Accounts receivable and other receivables	10	**125**	98
Amount due from an associate		**14**	139
Principal-protected investments		**275**	84
Term notes		**212**	95
Other financial assets		**93**	2
Time deposits		**2,420**	1,930
Cash and bank balances		**81**	63
		3,220	2,411
Current liabilities			
Accounts payable and accruals	11	**413**	433
Rental deposits from tenants		**166**	175
Amounts due to non-controlling interests		**327**	327
Borrowings		**1,507**	650
Other financial liabilities		**13**	-
Taxation payable		**114**	50
		2,540	1,635
Net current assets		**680**	776
Total assets less current liabilities		**53,031**	46,919
Non-current liabilities			
Borrowings		**4,151**	3,937
Other financial liabilities		**51**	52
Rental deposits from tenants		**313**	276
Deferred taxation		**356**	337
		4,871	4,602
Net assets		**48,160**	42,317
Capital and reserves			
Share capital		**5,294**	5,267
Reserves		**40,942**	35,410
Equity attributable to owners of the Company		**46,236**	40,677
Non-controlling interests		**1,924**	1,640
Total equity		**48,160**	42,317

Notes:

1. **Independent Review**

The interim results for the six months ended 30 June 2011 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), by Deloitte Touche Tohmatsu, whose report on review of interim financial information is included in the interim report to be sent to shareholders. The interim results have also been reviewed by the Group’s Audit Committee.

2. **Basis of preparation**

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2011 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 "Interim Financial Reporting" issued by the HKICPA.

3. **Principal Accounting Policies**

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

In the current period, the Group has applied all of the new and revised Standards, Amendments to Standards and Interpretations issued by the HKICPA that are relevant to its operations and effective for the Group’s financial year beginning on 1 January 2011. In addition, the Group has applied Hong Kong Financial Reporting Standard (“HKFRS”) 9 “Financial Instruments” (as revised in December 2010) in advance of its effective date of 1 January 2013 in the current period. The effects of the changes in accounting policies on the results for the prior period are set out below.

During the year ended 31 December 2010, the Group had early adopted the amendments to HKAS 12 “Income Taxes”, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40 “Investment Property”. The Group had applied HKAS 12 retrospectively and the comparative amounts had been restated, where appropriate. The Group’s profit and profit attributable to owners of the Company reported for the six months ended 30 June 2010 was increased by HK$196 million and HK$187 million respectively, whereas the Group’s basic and diluted earnings per share was increased by HK17.80 cents and HK17.78 cents respectively. The Group’s profit attributable to non-controlling interests reported for the six months ended 30 June 2010 was increased by HK$9 million.

Except for the adoption of HKFRS 9 as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2010.

<u>HKFRS 9 “Financial instruments” (as revised in December 2010)</u>

In the current period, the Group has applied HKFRS 9 in its entirety and the related consequential amendments in advance of its effective date. The Group has chosen 1 January 2011 as its date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities) because 1 January 2011 is the beginning date of the first reporting period the Group adopts HKFRS 9. In accordance with transition provisions set out in HKFRS 9, the Group has chosen not to restate comparative information. The changes in accounting policies had no material financial impact on the amounts recognised on the consolidated statement of financial position of the Group as at 1 January 2011.

Financial assets

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

As required by HKFRS 9, debt instruments are measured at amortised cost only if (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (collectively referred to as the "amortised cost criteria"). If either of the two criteria is not met, the debt instruments are classified as at fair value through profit or loss ("FVTPL").

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

As at 1 January 2011, the Directors of the Company have reviewed and assessed the Group's existing financial assets. The initial application of HKFRS 9 has had an impact on the following financial assets of the Group:

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

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

The Group's principal-protected investments (whose interest rates vary in relation to the relative movements of the underlying variables such as foreign exchange rates) previously classified as FVTPL continue to be classified as FVTPL because they do not meet the amortised cost criteria under HKFRS 9. In addition, the Group's term notes and financial assets including accounts receivable and other receivables, amount due from an associate, time deposits and cash and bank balances previously measured at amortised cost at each reporting date under HKAS 39, which also meet the amortised cost criteria under HKFRS 9, continue to be measured at amortised costs.

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

The cumulative gain resulted upon disposal of investments in listed equity securities of HK$33 million that would have been reclassified from investments revaluation reserve to profit or loss under HKAS 39 is now recognised as a transfer from investments revaluation reserve to retained profits. Accordingly, the profit reported for the six months ended 30 June 2011 has been decreased by HK$33 million as a result of the change in accounting policy, resulting in a decrease on both the Group's basic and diluted earnings per share by HK3.13 cents for the six months ended 30 June 2011.

The Group's unlisted equity securities previously measured at cost less impairment under HKAS 39 are now measured at fair value under HKFRS 9 and have been designated as at FVTOCI. The carrying amounts of these investments approximated their fair values as at 1 January 2011. During the six months ended 30 June 2011, net fair value losses of HK$2 million, which would have been recognised as impairment losses in profit or loss, have been recognised as other comprehensive loss. The fair value measurements of the Group's unlisted equity securities are grouped into Level 3, which are derived from valuation techniques that include inputs for the assets that are not based on observable market data (unobservable inputs).

Financial liabilities

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

In relation to the classification and remeasurement of financial liabilities, the application of HKFRS 9 has had no impact to the Group’s results and financial position as there were no financial liabilities that the Group previously had designated as at FVTPL under HKAS 39 that were subject to reclassification upon the application of HKFRS 9.

The Group has not early applied the following new and revised Standards and Amendments to Standards that have been issued but are not yet effective.

HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
HKFRS 7 (Amendments)	Disclosure – Transfers of Financial Assets[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 July 2011.

Excluding HKFRS 7 (Amendments) and HKFRS 13, if the Group chooses to apply any of the other five new or revised standards early, it must apply all five at the same time. The Directors of the Company are in the process of assessing the impact on the results and the financial position of the Group. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

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

4. Turnover

Turnover represents gross rental income from investment properties and management fee income for the period.

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.

5. **Segment Information**

Based on the internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. Chief Executive Officer of the Group) in order to allocate resources to segments and to assess their performance, the Group's operating segments are as follows:

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

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

Residential segment – leasing of luxury residential properties and related facilities

Segment turnover and results

The following is an analysis of the Group's turnover and results by operating segment.

	Office HK$ million	Retail HK$ million	Residential HK$ million	Consolidated HK$ million
For the six months ended 30 June 2011 (unaudited)				
Turnover				
Gross rental income from investment properties	**343**	**349**	**138**	**830**
Management fee income	**61**	**33**	**15**	**109**
Segment revenue	**404**	**382**	**153**	**939**
Property expenses	**(41)**	**(45)**	**(21)**	**(107)**
Segment profit	**363**	**337**	**132**	**832**
Investment income				**40**
Other gains and losses				**(5)**
Administrative expenses				**(78)**
Finance costs				**(59)**
Change in fair value of investment properties				**5,608**
Share of results of associates				**124**
Profit before taxation				**6,462**

	Office HK$ million	Retail HK$ million	Residential HK$ million	Consolidated HK$ million
For the six months ended 30 June 2010 (unaudited)				
Turnover				
Gross rental income from investment properties	323	317	132	772
Management fee income	57	33	15	105
Segment revenue	380	350	147	877
Property expenses	(57)	(35)	(20)	(112)
Segment profit	323	315	127	765
Investment income				22
Other gains and losses				(12)
Administrative expenses				(66)
Finance costs				(60)
Change in fair value of investment properties				1,214
Share of results of associates				259
Profit before taxation				2,122

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, central administration costs and directors' salaries, other gains and losses, finance costs, change in fair value of investment properties and share of results of associates. This is the measure reported to the Chief Executive Officer of the Group for the purposes of resource allocation and performance assessment.

Segment assets

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

	Office HK$ million	**Retail** HK$ million	**Residential** HK$ million	**Consolidated** HK$ million
As at 30 June 2011 (unaudited)				
Segment assets	**16,586**	**13,975**	**8,221**	**38,782**
Investment properties under redevelopment				**8,070**
Investments in associates				**3,209**
Other assets				**5,510**
Consolidated assets				**55,571**
As at 31 December 2010 (audited)				
Segment assets	14,708	11,900	7,822	34,430
Investment properties under redevelopment				6,408
Investments in associates				3,014
Other assets				4,702
Consolidated assets				48,554

6. Taxation

	Six months ended 30 June	
	2011 HK$ million	2010 HK$ million (restated)
Current tax		
Hong Kong profits tax (for current period)	**105**	90
Deferred tax	**13**	16
	118	106

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both periods.

7. Profit For The Period

	Six months ended 30 June	
	2011	2010
	HK$ million	HK$ million
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**3**	4
Dividends from listed equity investments	**(26)**	-
Dividends from available-for-sale listed investments	**-**	(16)
Gross rental income from investment properties	**(830)**	(772)
Less:		
- Direct operating expenses arising from properties that generated rental income	**105**	110
- Direct operating expenses arising from properties that did not generate rental income	**2**	2
	(723)	(660)
Interest income	**(14)**	(6)
Staff costs, comprising:		
- Directors' emoluments	**12**	9
- Share-based payments	**2**	2
- Other staff costs	**83**	70
	97	81
Share of income tax of an associate (included in share of results of associates)	**43**	98

8. 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	
	Six months ended 30 June	
	2011	2010
	HK$ million	HK$ million (restated)
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	**6,012**	1,918

	Number of shares	
	Six months ended 30 June	
	2011	2010
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,054,776,587**	1,050,813,862
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**1,082,184**	586,250
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,055,858,771**	1,051,400,112

For the six months ended 30 June 2010, the computation of diluted earnings per share did not assume the exercise of certain of the Company's outstanding share options as the exercise prices of those options were higher than the average market price for shares.

(b) Adjusted basic earnings per share

For the purpose of assessing the performance of the Group's principal activities (i.e. leasing of investment properties), the management is of the view that the profit for the period attributable to the owners of the Company should be adjusted in the calculation of basic earnings per share as follows:

	Six months ended 30 June			
	2011		2010	
	Profit	**Basic earnings per share**	Profit	Basic earnings per share
	HK$ million	**HK cents**	HK$ million (restated)	HK cents (restated)
Profit for the period attributable to owners of the Company	**6,012**	**569.98**	1,918	182.53
Change in fair value of investment properties	**(5,608)**		(1,214)	
Effect of non-controlling interests' shares	**287**		57	
Share of change in fair value of investment properties (net of deferred taxation) of an associate	**(28)**		(179)	
Underlying Profit	**663**	**62.86**	582	55.39
Recurring Underlying Profit	**663**	**62.86**	582	55.39

Notes:

(1) Recurring Underlying Profit is arrived at by excluding from Underlying Profit gains/losses from disposal of assets, impairment, reversal, recovery and tax provisions for prior year(s). As there were no such adjustments in both the six months period ended 30 June 2011 and 2010, the Recurring Underlying Profit is the same as the Underlying Profit.

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

9. Dividends

(a) Dividends recognised as distribution during the period:

	Six months ended 30 June	
	2011	2010
	HK$ million	HK$ million
2010 final dividend paid – HK60 cents per share	**632**	-
2009 final dividend paid – HK54 cents per share	-	567
	632	567

Scrip dividend alternatives were offered to the shareholders in respect of the above dividends. These alternatives were accepted by the shareholders as follows:

	Six months ended 30 June	
	2011	2010
	HK$ million	HK$ million
2010 final dividend (2009 final dividend):		
Cash payment	**464**	538
Share alternative	**168**	29
	632	567

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

	Six months ended 30 June	
	2011	2010
	HK$ million	HK$ million
Interim dividend declared – HK15 cents per share (2010: HK14 cents per share)	**159**	147

The above interim dividends were declared after the interim reporting dates and have not been recognised as liabilities at the end of the respective reporting periods.

The declared 2011 interim dividend will be payable in cash with a scrip dividend alternative.

10. Accounts Receivable

Rents from leasing of investment properties are normally received in advance. At 30 June 2011, accounts receivable of the Group with carrying amount of HK$4 million (31 December 2010: HK$5 million) mainly represented rents receipts in arrears, which were aged less than 90 days.

11. Accounts Payable

As at 30 June 2011, accounts payable of the Group with carrying amount of HK$173 million (31 December 2010: HK$229 million) were aged less than 90 days.

ADDITIONAL INFORMATION

Corporate Governance

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

The Company meets the Code Provisions contained in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, except that its Remuneration Committee (established since 1987, formerly known as "Emoluments Review Committee") has the responsibility for reviewing the fees and remuneration at Directors level only. The Board is of the view that, in light of the current organisational structure and the relatively simple nature of Hysan's business activities, the current arrangements are appropriate. The Board will continue to review this arrangement in light of the needs of the Group. The Board is currently reviewing the composition of the Remuneration Committee after the stepping down of Sir David AKERS-JONES at the conclusion of Annual General Meeting in May. Its current members are Philip Yan Hok FAN, Independent Non-executive Director, and Michael Tze Hau LEE, Non-executive Director. It is the Company's intention to maintain a majority of Independent Non-executive Directors in the Committee. Further information on the Company's corporate governance practices is available on our website www.hysan.com.hk.

Compliance of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

The Company has adopted the Model Code set out in the Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the review period.

Purchase, Sale or Redemption of the Company's Listed Securities

During the review period, 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 30 June 2011 was 507. The Group's human resources practices are aligned with our corporate objectives so as to maximise shareholder value and achieve growth.

There has been no material change in respect of the human resources programs, training and development as set out in our 2010 Annual Report.

Scrip Dividend Arrangement

A circular containing details of the scrip dividend and the form of election will be mailed to shareholders on or about Monday, 29 August 2011. The scrip dividend alternative is conditional upon the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the new shares to be issued pursuant thereto.

Closure of Register of Members

The register of members will be closed from Tuesday, 23 August 2011 to Thursday, 25 August 2011, both dates inclusive, for the purpose of determining shareholders' entitlements to the interim dividend, during which period no transfer of shares will be registered. The ex-dividend date will be Friday, 19 August 2011. In order to qualify for the 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 Monday, 22 August 2011. The interim dividend will be paid to shareholders whose names appear on the register of members on Thursday, 25 August 2011 and the payment date will be on or about Tuesday, 20 September 2011.

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

Hong Kong, 9 August 2011

As at the date of this announcement, the Board comprises: Irene Yun Lien LEE (Chairman), Gerry Lui Fai YIM (Chief Executive Officer), Nicholas Charles ALLEN**, Philip Yan Hok FAN**, Joseph Chung Yin POON**, Hans Michael JEBSEN* (Kam Wing LI as his alternate), Siu Chuen LAU*, 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 interim 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 Interim Report 2011 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites around the first week of September 2011.