

To: Business/Property Editor

 Date: 9 August 2011
 For immediate release

**HYSAN DEVELOPMENT COMPANY LIMITED
2011 INTERIM RESULTS**

Highlights

- 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

	<i>Notes</i>	Six months ended 30 June		Change
		2011 HK\$ million	2010 HK\$ million	
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 2011 HK\$ million	At 31 December 2010 HK\$ million	
Shareholders' Funds	5	46,236	40,677	+13.7%
		HK\$	HK\$	
Net Asset 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.

HYSAN DEVELOPMENT FIRST HALF 2011 RECURRING UNDERLYING PROFIT UP 13.9% TO HK\$663 MILLION

Results

Hysan Development Company Limited (Stock Code: 00014) today (9 August 2011) announced the Group's **turnover** for the first half of 2011 was HK\$939 million, representing an increase of 7.1% from HK\$877 million in the first half of 2010.

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.

Statutory Profit for the 2011 interim period was HK\$6,012 million (2010: HK\$1,918 million¹), reflecting a higher fair value gain on investment properties valuation recorded in the period. As at 30 June 2011, the Group's investment properties were revalued at HK\$46,847 million (31 December 2010: HK\$40,833 million).

Shareholders' Funds, as at 30 June 2011 were HK\$46,236 million (31 December 2010: HK\$40,677 million).

Dividends

An interim dividend of HK15.0 cents per share (2010: HK14.0 cents) was announced. The dividend will be payable in cash with a scrip dividend alternative. Please see the table for all relevant dates:

Closure of register of members	Tuesday, 23 August 2011 to Thursday, 25 August 2011 (both dates inclusive)
Ex-dividend date for interim period	Friday, 19 August 2011
Latest time to lodge transfer documents	4:00 pm on Monday, 22 August 2011
Record date for interim dividend	Thursday, 25 August 2011
Interim dividend payment date	On or about Tuesday, 20 September 2011

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.

Financial Management

Hysan adhered to a policy of financial prudence and maintained a strong financial position.

Average finance costs (defined as interest expenses divided by average gross debt for the period/year) were 2.8% for the interim period, a slight increase from 2.6% in the first half of 2010 and 2.7% for 2010 full-year.

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%).

Total gross debt was HK\$5,599 million as at 30 June 2011 (31 December 2010: HK\$4,540 million). All of the Group's debts are unsecured and on a committed basis.

Average debt maturity as at 30 June 2011 was 4.3 years (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.

Floating rate debt was approximately 59.7% (31 December 2010: 53.6%) of the total gross debt as at 30 June 2011. To ensure sufficient liquidity for the Group's operations, the Group maintained undrawn committed facilities of HK\$1,000 million as at 30 June 2011 (31 December 2010: HK\$2,550 million).

Credit Ratings

The Group maintained its investment-grade credit ratings of Baa1 as rated by Moody's and BBB as rated by Standard and Poor's as at 30 June 2011.

COMMENTS BY IRENE Y.L. LEE, CHAIRMAN

“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.”

COMMENTS ON OPERATIONS BY GERRY YIM, CHIEF EXECUTIVE OFFICER

Office Sector

The office sector turnover grew 6.3% to HK\$404 million (2010: HK\$380 million). The sector’s occupancy, as at 30 June 2011, was 95% (31 December 2010: 95%; 30 June 2010: 91%).

“Our rental performance in the office sector is satisfactory. Rental reversion, on renewing leases negotiated at the 2008 market height, has been positive as a whole,” said Mr. Yim.

“We have secured commitments for a majority of the current year’s expiring leases when they fell due during the first half of the year.”

Retail Sector

The retail sector turnover increased by 9.1% to HK\$382 million (2010: HK\$350 million). The portfolio’s 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. Hysan has committed a majority of current year’s expiring leases as they fell due during the first six months.

“Improved consumer confidence and strong inflow of Mainland China tourists are again boosting Hong Kong retail sales,” said Mr. Yim. “We have also been continuing our intensive marketing efforts directing towards both locals and visitors. The tenant sales turnover in The Lee Gardens and Lee Gardens Two grew by 33% in the first six months of 2011, when compared to the corresponding period in 2010. Mainland tourists spending saw a 90% increase in The Lee Gardens and Lee Gardens Two within the same period. There has been good growth in turnover rent which contributed to the revenue improvement.”

Asset Enhancement

“The first half of the year saw the opening of a much celebrated I.T fashion store in One Hysan Avenue,” said Mr. Yim. “We can now look forward to an essentially all new line-up of trend-setting stores at Leighton Centre, including a number of brands new to Hong Kong. Opening in Q4 2011, these units have all been leased, and they include a number of youthful fashion as well as food and beverage outlets.

Residential Sector

The residential sector turnover improved to HK\$153 million in the first six months of 2011 (2010: HK\$147 million). Residential sector occupancy was 96% at 30 June 2011 (31 December 2010: 94%; 30 June 2010: 94%).

“The revenue increase reflected both the improvement in occupancy, as well as positive rental reversion,” said Mr. Yim.

Hysan Place

“Hysan Place’s construction remains on schedule, with the opening of the shopping mall set for the end of Q2 2012. 60% of the retail units have already been leased, and many of the tenants are new to Hong Kong. We have also announced the signing of the major international accounting firm KPMG taking up one-third of the office space. Hysan will continue to seek quality tenants for our remaining retail and office spaces.”

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CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011 (unaudited)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011 (unaudited)

	<u>Notes</u>	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.

HKFRS 9 “Financial instruments” (as revised in December 2010)

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.

	<u>Office</u> HK\$ million	<u>Retail</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Consolidated</u> HK\$ million
<i>For the six months ended 30 June 2011 (unaudited)</i>				
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

	<u>Office</u> HK\$ million	<u>Retail</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Consolidated</u> HK\$ million
<i>For the six months ended 30 June 2010 (unaudited)</i>				
Turnover				
Gross rental income from investment properties	323	317	132	772
Management fee income	57	33	15	105
	<hr/>	<hr/>	<hr/>	<hr/>
Segment revenue	380	350	147	877
Property expenses	(57)	(35)	(20)	(112)
	<hr/>	<hr/>	<hr/>	<hr/>
Segment profit	323	315	127	765
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	
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
				<hr/>
Profit before taxation				2,122
				<hr/> <hr/>

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.

	<u>Office</u> HK\$ million	<u>Retail</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Consolidated</u> HK\$ million
<i>As at 30 June 2011 (unaudited)</i>				
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				<u>55,571</u>
<i>As at 31 December 2010 (audited)</i>				
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				<u>48,554</u>

6. Taxation

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

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	
	<u>2011</u>	<u>2010</u>
	HK\$ million	HK\$ million
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	<u>3</u>	<u>4</u>
Dividends from listed equity investments	<u>(26)</u>	<u>-</u>
Dividends from available-for-sale listed investments	<u>-</u>	<u>(16)</u>
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	<u>2</u>	<u>2</u>
	<u>(723)</u>	<u>(660)</u>
Interest income	<u>(14)</u>	<u>(6)</u>
Staff costs, comprising:		
- Directors' emoluments	12	9
- Share-based payments	2	2
- Other staff costs	<u>83</u>	<u>70</u>
	<u>97</u>	<u>81</u>
Share of income tax of an associate (included in share of results of associates)	<u>43</u>	<u>98</u>

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	
	<u>2011</u>	<u>2010</u>
	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	<u>6,012</u>	<u>1,918</u>
	Number of shares	
	Six months ended 30 June	
	<u>2011</u>	<u>2010</u>
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	<u>1,082,184</u>	<u>586,250</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,055,858,771</u>	<u>1,051,400,112</u>

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	
	<u>Profit</u>	<u>Basic earnings per share</u>	<u>Profit</u>	<u>Basic earnings per share</u>
	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	<u>663</u>	<u>62.86</u>	<u>582</u>	<u>55.39</u>
Recurring Underlying Profit	<u>663</u>	<u>62.86</u>	<u>582</u>	<u>55.39</u>

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	
	<u>2011</u>	<u>2010</u>
	HK\$ million	HK\$ million
2010 final dividend paid – HK60 cents per share	632	-
2009 final dividend paid – HK54 cents per share	-	567
	<u>632</u>	<u>567</u>

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	
	<u>2011</u> HK\$ million	<u>2010</u> HK\$ million
2010 final dividend (2009 final dividend):		
Cash payment	464	538
Share alternative	168	29
	632	567
	632	567

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

	Six months ended 30 June	
	<u>2011</u> HK\$ million	<u>2010</u> HK\$ million
Interim dividend declared – HK15 cents per share (2010: HK14 cents per share)	159	147
	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.