Hysan Development Company Limited
希慎興業有限公司

(Incorporated under Hong Kong Companies Ordinance, Cap. 622, with limited liability)
(Stock Code：00014)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

- **Turnover up 7.4% year-on-year; Recurring Underlying Profit up 7.5%**
- **Strong occupancy across our portfolio (Retail: 98%; Office: fully let; Residential: 95%)**
- **Steady performance expected for full year: majority of 2015 expiring commercial leases already committed**

RESULTS

		Six months ended 30 June		
		2015	2014	
	Notes	**HK$ million**	HK$ million	Change
Turnover	*1*	**1,714**	1,596	+7.4%
Recurring Underlying Profit	*2*	**1,163**	1,082	+7.5%
Underlying Profit	*3*	**1,163**	1,082	+7.5%
Reported Profit	*4*	**2,289**	2,888	-20.7%
		HK cents	HK cents	
Earnings per share, based on:				
Recurring Underlying Profit	*2*	**109.32**	101.72	+7.5%
Underlying Profit	*3*	**109.32**	101.72	+7.5%
Reported Profit	*4*	**215.15**	271.51	-20.8%
First interim dividend per share		**25.00**	23.00	+8.7%
		At 30 June	At 31 December	
		2015	2014	
		HK$ million	HK$ million	
Shareholders' Funds	*5*	**68,230**	67,040	+1.8%
		HK$	HK$	
Net Asset Value per Share	*6*	**64.13**	63.02	+1.8%

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).*
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 limitations 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 interim period end/year-end.*

CHAIRMAN'S STATEMENT

Overview

Hong Kong's economy expanded by 2.1% year-on-year in the first quarter of 2015, moderating from 2.5% in 2014. There was slower growth in tourist arrivals and weaker tourist spending. Labour market conditions, however, remain tight. Exports also recorded a mild increase. For 2015 as a whole, the economy is forecast by the government to grow by 1-3%.

In this context, the value of Hong Kong retail sales dropped 1.6% year-on-year in the first six months of 2015. This has translated into an increased number of empty street-front shops, many of them former luxury watch and jewellery stores, in some of Hong Kong's busiest shopping areas, including Causeway Bay.

Locations with proven shoppers' traffic that have a bustling and unique surrounding atmosphere have become more sought after as retailers compete in an increasingly challenging market.

Hysan has always strived to work closely with and provide support as well as add value to our tenants, especially when shop owners are weathering market uncertainty. At Hysan's portfolio in the first half of 2015, we hosted a number of high-profile customer engagement activities and experiences, including a successful dining programme in May in partnership with our food and beverage tenants and shoppers with HSBC credit cards. We also unveiled *Leeisure* rewards for shoppers, complemented by the inaugural *Leeisure* electronic and print magazines. There were *Kidz Connect* and *Green Wonders* programmes which attracted families to play, learn and shop. These initiatives help to enhance our malls' attractiveness and improve shoppers' flow, thereby channeling more business to our tenants.

Hysan also continued to strengthen other aspects of our business in order to provide our tenants, shoppers and visitors with unique and satisfying experiences ("U.S.E."). We have a good base to build on, as our Lee Gardens commercial property portfolio is clustered in hubs in iconic Causeway Bay, home to a vast array of shops, restaurants, cafes, bars, cinemas and social clubs. In recent years, we have added a number of carefully curated office, retail and leisure destinations, reconfigured and enhanced our existing commercial spaces, as well as improved the feel of the surrounding environment. Together with the excellent transport links to different parts of the city, these elements ensure shoppers and workers continue to favour Lee Gardens as a preferred destination, thus underpinning our tenants' business.

Our iconic, well-recognised and quality LEE GARDENS brand is powered by our ownership cluster. This area concentration magnifies our ability to extract synergies amongst our retail, food and beverage and office tenant mix. It also supports our active marketing and events programmes to reinforce our brand, build our customer loyalty programme, create a sense of community and ensure awareness as a must-visit destination. Our cluster also enables us to create distinctive retail and leisure hubs where we can clearly target consumers and drive shopping traffic more effectively. Our active refurbishment and reconfiguration programmes reflect our holistic approach to the Lee Gardens. This long-term vision has helped maintain a strong tenancy demand, an improved and broadened tenancy mix, active stakeholder engagement, and most of all, a well-regarded and sustainable brand.

To further emphasise our brand and highlight Lee Gardens' heritage and distinct character, all buildings on the eastern half of Hysan's property portfolio in Causeway Bay have been renamed under the LEE GARDENS brand name from 1 June. We are proud of our long history and we understand our tenants also wish to be more closely associated with this brand.

Hong Kong's office leasing market has seen improved demand for premium spaces. This could be attributed to, among other reasons, increased demand from local and mainland securities and financial companies riding on the Shanghai-Hong Kong stock connect scheme. This is further supported by a generally limited supply in the Grade "A" office leasing market. Our office portfolio maintained a strong occupancy with tenants representing financial and a variety of other industries. Our tenants want to benefit from our Causeway Bay portfolio's facilities, full-range of spaces with different price points, as well as excellent surrounding amenities.

We are progressing well in our Lee Garden One office lobby renovations, and are in the process of securing a BEAM Plus green building pre-certification for the same building. Lee Garden Three, formerly known as the Sunning redevelopment project, is also well on target for its scheduled completion in 2018.

As part of our ongoing plans to enhance the value of our assets, we are also making plans to renovate one block of our Bamboo Grove residential project starting from the fourth quarter of 2015.

Results

The Group's turnover for the 2015 interim period was HK$1,714 million, up 7.4% from the same period in 2014 (2014: HK$1,596 million). As at 30 June 2015, our retail portfolio occupancy was 98%, while the office portfolio was full, and residential portfolio was at 95%.

Recurring Underlying Profit, the key measurement of our core leasing business performance, was up 7.5% to HK$1,163 million (2014: HK$1,082 million). This reflected the increase in revenue across our portfolio. Our Underlying Profit, which excludes unrealised changes in fair value of investment properties, was also HK$1,163 million (2014: HK$1,082 million). Our Reported Profit for the 2015 interim period was HK$2,289 million (2014: HK$2,888 million), reflecting a smaller fair value gain on investment properties valuation recorded in this period.

As at 30 June 2015, the external valuation of the Group's investment property portfolio increased by 1.9% to HK$70,023 million (31 December 2014: HK$68,735 million), reflecting improved rentals for our portfolio. The fair value gain was, however, smaller when compared with that recorded in the same period in 2014. Shareholders' Funds rose by 1.8% to HK$68,230 million (31 December 2014: HK$67,040 million).

Dividends

The Board of Directors has declared a first interim dividend of HK25 cents per share (2014: HK23 cents). The dividend will be payable in cash.

Outlook
Hysan maintains a balanced commercial property portfolio with quality retail as well as office offerings. A majority of our commercial leases expiring in 2015 have been committed, and the Group expects a steady performance for the rest of the year, while being in a good position to explore further investment opportunities.

As for the macro picture, we believe that in the longer term, Hong Kong's office leasing will continue to benefit from China's financial market liberalisation resulting in strong office space demand. China's GDP growth should ensure its middle class will continue to expand, and with it, greater consumption power. The retail market is also underpinned by solid local support and demand. Furthermore, as retailers and landlords adapt to the changes in the shopping patterns, including that of the rising prominence of e-commerce, we are confident that the retail sector will be able to weather the market volatility.

Irene Yun Lien LEE
Chairman

Hong Kong, 5 August 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Review of Operations
The Group's turnover for the first half of 2015 was HK$1,714 million, representing a steady growth of 7.4% year-on-year (2014: HK$1,596 million).

Retail Portfolio
The Group's retail portfolio turnover grew 6.4% to HK$950 million (2014: HK$893 million), including turnover rent of HK$50 million (2014: HK$60 million). Our results reflected positive rental reversions in rental renewals, reviews and new lettings across the portfolio, with an average rental increase of around 35%. They also highlighted our strategy to increase the base rent while shifting the focus away from turnover rent. Around 80% of retail leases expiring in 2015 have already been committed.

The portfolio was 98% occupied as at 30 June 2015 (31 December 2014: fully let).

The three different hubs within our Hysan Retail Triangle continued to draw in shoppers who enjoy our offerings from a range of styles and price points. Visitors' traffic to our portfolio saw growth of around 14%, 17% and 7% respectively during the Chinese New Year, Easter, and May 1 holidays, as compared to the same periods the previous year. The customers experienced our efforts to provide original and engaging activities and events, which aimed to build loyalty and also to attract new shoppers. It is also important for the foot traffic to translate into satisfactory sales. The estimated overall tenant sales increase within Hysan's retail portfolio was around 40% in the first half of the year, as compared to the first half of 2014.

Hysan Place, our hub for the younger, fashion-forward crowd, achieved around 80% growth in estimated tenant sales. This reflected its attractive retail offerings, including some extremely popular digital products. We have been further refining our tenant mix and focusing on more unisex sports and leisure offerings, which match Hong Kong's growing demand for a healthier lifestyle. lululemon, the trend-setting yoga apparel brand, for example, is opening its largest Hong Kong store on the first floor. Another popular sector is cosmetics, and DFS T-Galleria has revamped an entire floor to showcase its beauty offerings with a brand new experiential format and expanded product categories, including popular Korean brands.

The premium Lee Gardens hub experienced a drop in estimated tenant sales when compared to the first half of last year. The sales there were inevitably affected by the slowing down in tourist spending, but they were also partially attributable to the life cycle and distribution strategy of certain brands. Newcomers including Roger Vivier and Dolce and Gabbana Junior helped reinforce both our adult and children's offerings, and reflected the ongoing demand for quality space by major brands at the Lee Gardens. The hub's food and beverage outlets, from traditional Chinese to trendy Asian and Michelin-starred French cuisines, experienced double-digit percentage growth in sales.

Lee Theatre hub, the urban fashion and lifestyle destination, continued to perform well with around 10% growth in estimated tenant sales, as compared to the first half of 2014. The flagship stores at the lower levels of Lee Theatre Plaza, including Uniqlo, Muji and Aland, are very popular with shopping families, and these shoppers also make good use of the food and beverage outlets on the upper floors of this Causeway Bay landmark. Our curation of the Leighton Centre ground level as a "sports-themed street" has also been successful in creating a new home for sporty apparel and footwear, such as adidas Originals, Asics and Onitsuka Tiger.

Office Portfolio
Hysan's office portfolio turnover increased 10.2% during the interim period to HK$618 million (2014: HK$561 million). There were positive rental reversions on renewals, reviews and new lettings, with an average rental increase of around 30%. A majority of office leases expiring in 2015 have already been committed.

The office portfolio was fully let as at 30 June 2015 (31 December 2014: 98%).

Office space vacancies have tightened in Central due to strong demand from Mainland Chinese firms, in particular financial institutions. Being a credible alternative to Central and Admiralty as a premium office address, Hysan's Causeway Bay portfolio is attracting local and overseas companies keen to maximise both office space efficiency and effectiveness, as well as to reap the most from our district's work-life integration advantages. The latter reason has attracted a number of technology and financial companies that thrive on Causeway Bay's inspirational setting and locational convenience.

We maintained a balanced tenant mix, with the top four industries being insurance, professional and consulting, high-end retailers and banking and finance. They represented 54% of our office lettable floor area. No category took up more than 20% of the total lettable area.

Residential Portfolio
The Group's residential portfolio, consisting of Bamboo Grove on Kennedy Road recorded a 2.8% turnover increase to HK$146 million (2014: HK$142 million). With a general improvement in demand for quality properties for rentals, there were mild positive rental reversions on renewals, reviews and new lettings at Bamboo Grove, as compared to the same period in 2014.

The residential occupancy was 95% as at 30 June 2015 (31 December 2014: 97%).

To help enhance the value of Bamboo Grove, we decided to renovate Block 74 of the project. In the meantime, we are continuing to strengthen our marketing efforts and tenant engagement to ensure Bamboo Grove provides the best international living experience for our residential tenants.

Lee Garden Three Project
Formerly known as the Sunning Plaza and Sunning Court redevelopment project, Lee Garden Three continued with its strutting, excavation and other foundation works throughout the first half of 2015. This part of the project is scheduled for completion in early 2016, and the entire project's completion date is around 2018. We are finalizing the building's design, which will see a five-level retail podium, and 20 floors of offices. In addition, there will be five levels of basement, including four levels for parking.

Lee Garden One Asset Enhancement Project

The Lee Garden One ground floor lobby and higher floors retail space enhancement project is making good progress. The project will improve office and retail area accessibility, and will create new shop spaces. The first phase construction work, revamping the G/F lobby and adding elevators, was completed on 28 July 2015 as scheduled. The entire project is scheduled to be completed in the second half of 2016.

Financial Review

A review of the Group's operations is featured in the preceding section. 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 increased by 5.1% to HK$187 million (2014: HK$178 million), mainly due to higher marketing expenses to enhance shopping attractions. These were partially offset by a reduction in agency fees as occupancy and direct marketing further improved. Although property expenses increased in 2015, the property expenses to turnover ratio slightly improved from 11.2% to 10.9% as compared to the same period in 2014.

Administrative expenses rose by 6.4% to HK$117 million (2014: HK$110 million) in the first half of 2015. This reflected human resources upskilling and the filling of previously vacant positions, as well as salary increment.

Finance Costs

Finance costs reduced by 8.7% to HK$105 million (2014: HK$115 million) in the first half of 2015. The decrease was attributable to the lower average debt level in 2015 as compared to the same period in 2014 after repayment of HK$1,232 million floating rate debts since the end of June 2014.

As these floating rate debts carried lower finance costs compared with fixed rate debts, the Group's average costs of finance for the interim period were 3.3%, slightly higher than 3.1% reported for both the first half of 2014 and 2014 full-year.

Revaluation of Investment Properties

As at 30 June 2015, the investment properties of the Group were revalued at HK$70,023 million (31 December 2014: HK$68,735 million) by an independent professional valuer. Fair value gain on investment properties (excluding capital expenditure spent on the Group's investment properties) of HK$1,160 million (2014: HK$1,945 million) was recognised in the condensed consolidated income statement during the interim period.

Investments in Associates

The Group's share of results of associates increased by 5.5% to HK$134 million (2014: HK$127 million), primarily due to the increase in year-on-year revaluation gain on the Shanghai Grand Gateway project, of which the Group owns 24.7%, as compared to the same period in 2014. The Shanghai Grand Gateway project continued to deliver a good performance in 2015. The Group's share of results, excluding revaluation gains on investment properties held by the associate, recorded a 3.3% increase year-on-year.

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. This helped to preserve the Group's liquidity and to enhance interest yields.

Investment income, comprising mainly of interest income, amounted to HK$34 million (2014: HK$27 million) in the first half of 2015. This principally reflected smaller exchange losses arising from time deposits and term notes denominated in Renminbi, as compared to the same period in 2014.

Capital Expenditure

The Group is committed to enhancing the asset value of its investment property portfolio through selective enhancement and redevelopment. Total cash outlay of capital expenditure on these activities amounted to HK$164 million during the interim period (2014: HK$176 million).

Treasury Policy

Liquidity Management

With loan repayment amounting to HK$632 million during the interim period, the Group's total gross debt[1] level as at 30 June 2015 was reduced to HK$5,825 million (31 December 2014: HK$6,457 million).

The Group's average debt maturity was maintained at 5.7 years as at 30 June 2015 (31 December 2014: 5.6 years), with HK$1,200 million being repayable within one year, HK$450 million being repayable in more than two years but not exceeding five years, and HK$4,175 million being repayable beyond five years. (31 December 2014: HK$1,581 million being repayable within one year, HK$250 million being repayable in more than one year but not exceeding two years, HK$450 million being repayable in more than two years but not exceeding five years, and HK$4,176 million being repayable beyond five years). As at 30 June 2015, bank loans accounted for approximately 13.7% of the Group's total gross debt, with the remaining 86.3% from capital market financing (31 December 2014: 17.0%: 83.0%).

To maintain sufficient liquidity for the Group's operations, the Group had undrawn committed facilities of HK$1,000 million as at 30 June 2015 (31 December 2014: HK$1,200 million). All of the Group's debts are unsecured and on a committed basis.

Interest Rate 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 2015, the fixed rate debt ratio was approximately 81.1% of the total gross debt (31 December 2014: 76.3%).

Foreign Exchange Management

The Group aims to have minimal foreign currency exposure when managing its liabilities. On the liability side, with the exception of the US$300 million fixed rate notes (which have been hedged into Hong Kong dollars by appropriate hedging instruments), all of the Group's other borrowings were denominated in Hong Kong dollars.

On the investment side, the Group closely monitors its foreign currency exposure to ensure it falls within the internal limits. The Group only has exposures in USD and RMB mainly arising from cash, time deposits, and debt securities. Unhedged foreign currency positions were US$48 million and RMB157 million. Other foreign exchange exposure mainly relates to the Shanghai Grand Gateway project amounting to HK$3,975 million (31 December 2014: HK$4,154 million) or 5.0% (31 December 2014: 5.3%) of the Group's total assets.

---

[1] The gross debt represents the contractual principal payment obligations as at 30 June 2015. However, in accordance with the Group's accounting policies, the debt is measured at amortised cost, 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) are adjusted to the hedged items. Therefore, as disclosed in the condensed consolidated statement of financial position as at 30 June 2015, the book value of the outstanding debt of the Group was HK$5,810 million (31 December 2014: HK$6,447 million).

Financial Ratios
Net interest coverage (defined as gross profit less administrative expenses before depreciation divided by net interest expenses) improved to 20.3 times for the first half of 2015 (2014: 15.4 times), mainly due to debt repayment.

Net debt to equity (defined as borrowings less time deposits, cash and bank balances divided by Shareholders' Funds) reduced to 3.2% as at 30 June 2015 (31 December 2014: 4.2%) as a result of continuous strong contribution of cash from business.

Credit Ratings
As at 30 June 2015, the Group's ratings were maintained at A3 from Moody's and BBB+ from Standard and Poor's.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2015 (unaudited)

	Notes	**Six months ended 30 June 2015 HK$ million**	Six months ended 30 June 2014 HK$ million
Turnover	4	**1,714**	1,596
Property expenses		**(187)**	(178)
Gross profit		**1,527**	1,418
Investment income		**34**	27
Other gains and losses		**-**	(2)
Administrative expenses		**(117)**	(110)
Finance costs		**(105)**	(115)
Change in fair value of investment properties		**1,160**	1,945
Share of results of associates		**134**	127
Profit before taxation		**2,633**	3,290
Taxation	6	**(223)**	(187)
Profit for the period	7	**2,410**	3,103
Profit for the period attributable to:			
Owners of the Company		**2,289**	2,888
Non-controlling interests		**121**	215
		2,410	3,103
Earnings per share (expressed in HK cents)			
Basic	8	**215.15**	271.51
Diluted	8	**215.12**	271.48

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015 (unaudited)

	Six months ended 30 June	
	2015	2014
	HK$ million	HK$ million
Profit for the period	**2,410**	3,103
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Revaluation of properties held for own use:		
Gains on revaluation of properties held for own use	**6**	8
Deferred taxation arising on revaluation	**(1)**	(1)
	5	7
Items that may be reclassified subsequently to profit or loss:		
Derivatives designated as cash flow hedges:		
Net (losses) gains arising during the period	**(40)**	51
Reclassification adjustments for net losses (gains) included in profit or loss	**5**	(15)
	(35)	36
Amortisation of forward element excluded from hedge designation	**(6)**	3
	(41)	39
Share of translation reserve of an associate	**(4)**	(38)
	(45)	1
Other comprehensive (expenses) income for the period (net of tax)	**(40)**	8
Total comprehensive income for the period	**2,370**	3,111
Total comprehensive income attributable to:		
Owners of the Company	**2,249**	2,896
Non-controlling interests	**121**	215
	2,370	3,111

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2015 (unaudited)

	Notes	**At 30 June 2015 HK$ million**	At 31 December 2014 HK$ million
Non-current assets			
Investment properties		**70,023**	68,735
Property, plant and equipment		**707**	710
Investments in associates		**3,975**	4,154
Term notes		**548**	720
Other financial assets		**2**	3
Other receivables	10	**225**	226
		75,480	74,548
Current assets			
Accounts and other receivables	10	**213**	255
Principal-protected investments		**-**	80
Term notes		**554**	485
Other financial assets		**2**	15
Time deposits		**3,559**	3,534
Cash and bank balances		**43**	106
		4,371	4,475
Current liabilities			
Accounts payable and accruals	11	**469**	481
Rental deposits from tenants		**294**	306
Amounts due to non-controlling interests		**327**	327
Borrowings		**1,201**	1,589
Other financial liabilities		**-**	2
Taxation payable		**229**	104
		2,520	2,809
Net current assets		**1,851**	1,666
Total assets less current liabilities		**77,331**	76,214
Non-current liabilities			
Borrowings		**4,609**	4,858
Other financial liabilities		**70**	30
Rental deposits from tenants		**619**	569
Deferred taxation		**655**	628
		5,953	6,085
Net assets		**71,378**	70,129
Capital and reserves			
Share capital		**7,641**	7,640
Reserves		**60,589**	59,400
Equity attributable to owners of the Company		**68,230**	67,040
Non-controlling interests		**3,148**	3,089
Total equity		**71,378**	70,129

Notes:

1. **Independent Review**

The interim results for the six months ended 30 June 2015 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 condensed consolidated financial statements 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 2015 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 Amendments to Standards issued by the HKICPA that are relevant to its operations and effective for the Group's financial year beginning on 1 January 2015. The adoption of these Amendments to Standards had no material effect on the results and financial position of the Group and/or disclosures set out in the unaudited condensed consolidated financial statements for the current and/ or prior accounting periods.

The accounting policies and methods of computations followed in the preparation of the unaudited condensed consolidated financial statements are the same as those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014.

<u>New and revised HKFRSs issued but not yet effective</u>

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

HKFRS 9	Financial Instruments[3]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]

[1] Effective for annual periods beginning on or after 1 January 2016.

[2] Effective for annual periods beginning on or after 1 January 2017.

[3] Effective for annual periods beginning on or after 1 January 2018, except for the 2010 version of HKFRS 9 and the new requirements for hedge accounting issued in 2013, which the Group has early adopted.

The Directors of the Company anticipate that the application of these 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 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 six months ended 30 June 2015 (unaudited)				
Turnover				
Gross rental income from investment properties	**882**	**545**	**130**	**1,557**
Management fee income	**68**	**73**	**16**	**157**
Segment revenue	**950**	**618**	**146**	**1,714**
Property expenses	**(111)**	**(53)**	**(23)**	**(187)**
Segment profit	**839**	**565**	**123**	**1,527**
Investment income				**34**
Administrative expenses				**(117)**
Finance costs				**(105)**
Change in fair value of investment properties				**1,160**
Share of results of associates				**134**
Profit before taxation				**2,633**

	Retail HK$ million	Office HK$ million	Residential HK$ million	Consolidated HK$ million
For the six months ended 30 June 2014 (unaudited)				
Turnover				
Gross rental income from investment properties	830	494	128	1,452
Management fee income	63	67	14	144
Segment revenue	893	561	142	1,596
Property expenses	(92)	(56)	(30)	(178)
Segment profit	801	505	112	1,418
Investment income				27
Other gains and losses				(2)
Administrative expenses				(110)
Finance costs				(115)
Change in fair value of investment properties				1,945
Share of results of associates				127
Profit before taxation				3,290

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 administration 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 purposes 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 30 June 2015 (unaudited)				
Segment assets	**35,087**	**23,117**	**7,727**	**65,931**
Investment properties under redevelopment				**4,100**
Investments in associates				**3,975**
Other assets				**5,845**
Consolidated assets				**79,851**
As at 31 December 2014 (audited)				
Segment assets	34,315	22,685	7,718	64,718
Investment properties under redevelopment				4,020
Investments in associates				4,154
Other assets				6,131
Consolidated assets				79,023

No segment liabilities analysis is presented as the Group's liabilities are monitored on a group basis.

6. Taxation

	Six months ended 30 June	
	2015 **HK$ million**	2014 HK$ million
Current tax		
Hong Kong profits tax (for current period)	**197**	154
Deferred tax	**26**	33
	223	187

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	
	2015	2014
	HK$ million	HK$ million
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**9**	8
Gross rental income from investment properties including contingent rental of HK$50 million (2014: HK$60 million)	**(1,557)**	(1,452)
Less:		
- Direct operating expenses arising from properties that generated rental income	**183**	175
- Direct operating expenses arising from properties that did not generate rental income	**4**	3
	(1,370)	(1,274)
Net interest income	**(34)**	(27)
Staff costs, comprising:		
- Directors' emoluments	**21**	20
- Other staff costs	**130**	113
	151	133
Share of income tax of an associate (included in share of results of associates)	**57**	55

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 2015 HK$ million	 2014 HK$ million
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	**2,289**	2,888

	Number of shares Six months ended 30 June 2015	 2014
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,063,884,548**	1,063,669,813
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**156,570**	130,501
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,064,041,118**	1,063,800,314

In both periods, 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 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			
	2015		2014	
	Profit HK$ million	**Basic earnings per share HK cents**	Profit HK$ million	Basic earnings per share HK cents
Profit for the period attributable to owners of the Company	**2,289**	**215.15**	2,888	271.51
Change in fair value of investment properties	**(1,160)**		(1,945)	
Effect of non-controlling interests' shares	**44**		146	
Share of change in fair value of investment properties (net of deferred taxation) of an associate	**(10)**		(7)	
Underlying Profit	**1,163**	**109.32**	1,082	101.72
Recurring Underlying Profit	**1,163**	**109.32**	1,082	101.72

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-term assets). As there were no such adjustments in both the six months ended 30 June 2015 and 2014, the Recurring Underlying Profit is the same as the Underlying Profit.

(2) The denominators used in calculating the adjusted earnings per share 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	
	2015	2014
	HK$ million	HK$ million
2014 second interim dividend paid – HK100 cents per share	**1,064**	-
2013 second interim dividend paid – HK95 cents per share	-	1,010
	1,064	1,010

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

	Six months ended 30 June	
	2015	2014
	HK$ million	HK$ million
First interim dividend declared – HK25 cents per share (2014: HK23 cents per share)	**266**	245

The first interim dividend is not recognised as a liability as at 30 June 2015 and 2014 because it has been declared after the end of the reporting period.

The declared 2015 first interim dividend will be payable in cash.

10. Accounts and Other Receivables

	At 30 June 2015 **HK$ million**	At 31 December 2014 HK$ million
Accounts receivable	**8**	3
Interest receivable	**59**	93
Prepayments in respect of investment properties	**109**	71
Other receivables	**262**	314
	438	481
Analysis for reporting purposes as:		
Current assets	**213**	255
Non-current assets	**225**	226
	438	481

Rents from leasing of investment properties are normally received in advance. At 30 June 2015, accounts receivable of the Group with carrying amount of HK$8 million (31 December 2014: HK$3 million) mainly represented rents receipts in arrears, which were aged less than 90 days.

11. Accounts Payable and Accruals

	At 30 June 2015 **HK$ million**	At 31 December 2014 HK$ million
Accounts payable	**168**	173
Interest payable	**94**	83
Other payables	**207**	225
	469	481

As at 30 June 2015, accounts payable of the Group with carrying amount of HK$168 million (31 December 2014: HK$173 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, with the exception that its Remuneration Committee (established since 1987) has the responsibility of determining compensation at Executive Director-level only. While the Remuneration Committee does not determine staff compensation below Executive Director-level, its terms of reference have been expanded to cover (inter alia) the review of key terms of new compensation and benefits plans with material financial, reputational and strategic impact. 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 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 2015 was 684 (31 December 2014: 687). 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 the "Responsible Business" section of the 2014 Annual Report.

Closure of Register of Members

The register of members will be closed on Thursday, 20 August 2015, during which period no transfer of shares will be registered. The ex-dividend date will be Tuesday, 18 August 2015. In order to qualify for the first interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Wednesday, 19 August 2015. The first interim dividend will be paid to shareholders whose names appear on the register of members on Thursday, 20 August 2015 and the payment date will be on or about Tuesday, 1 September 2015.

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

Hong Kong, 5 August 2015

*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**, Lawrence Juen-Yee LAU**, Joseph Chung Yin POON**, Hans Michael JEBSEN* (Trevor Chi-Hsin YANG 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 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 2015 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites around end of August 2015.