Hysan Development Company Limited
希慎興業有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code：00014)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

- **Turnover and Recurring Underlying Profit increased year-on-year by 9.1% and 8.9% respectively, taking into account full-period operation of new development Lee Garden Three**
- **Occupancies of Retail and Office portfolios were 96% and 97% respectively**
- **Volatile market conditions with ongoing economic and socio-political challenges**

RESULTS

		Six months ended 30 June		
		2019	2018	
	Notes	**HK$ million**	HK$ million	Change
Turnover	*1*	**2,086**	1,912	+9.1%
Recurring Underlying Profit	*2*	**1,394**	1,280	+8.9%
Underlying Profit	*3*	**1,394**	1,280	+8.9%
Reported Profit	*4*	**2,783**	3,013	-7.6%
		HK cents	HK cents	
Basic earnings per share, based on:				
Recurring Underlying Profit	*2*	**133**	122	+8.9%
Underlying Profit	*3*	**133**	122	+8.9%
Reported Profit	*4*	**266**	288	-7.6%
First Interim Dividend per Share		**27**	27	-

		As at 30 June	As at 31 December	
		2019	2018	
		HK$ million	HK$ million	
Shareholders' Funds	*5*	**76,021**	74,431	+2.1%
		HK$	HK$	
Net Asset Value per Share	*6*	**72.64**	71.12	+2.1%

Notes:

1. ***Turnover*** *comprises gross rental income from leasing of investment properties located in Hong Kong and management fee income from the provision of property management services for the period.*
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.*
3. ***Underlying Profit*** *is arrived at by excluding principally the unrealised fair value changes on investment properties from Reported 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 the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance.*
5. ***Shareholders' Funds*** *are 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 period/year-end.*

CHAIRMAN'S STATEMENT

Hysan achieved a 9.1% increase in its first half 2019 turnover and an 8.9% improvement in its Recurring Underlying Profit, taking into account full-period operation of new development Lee Garden Three. Our office and retail rental reversions and occupancies were robust, while residential portfolio's results saw satisfactory improvement. Our estimated retail tenant sales growth of around 4% fared better than Hong Kong's general retail sales which declined 2.6%, against a backdrop of headwinds from economic and socio-political factors, as well as weaker domestic demand.

We are pleased to declare the first interim dividend of HK27 cents per share. The dividend will be paid in cash.

Mutual Empowerment

Hysan is a dual-engine business. The Group's office portfolio accounted for more than 40% of the turnover, while the retail portfolio contributed around 50%.

In recent years, Hysan has implemented measures to tackle the structural changes in the retail and office sectors. Our expanded and diverse retail offerings concentrated in a vibrant community is unique in Hong Kong. Discerning local and multinational companies increasingly choose to work in an environment which offers facilities that can cater to their staff and their families' needs and well-being during the week and weekends. Our ability to attract and expand our office tenant demographics in turn enables us to broaden our retail offerings. This dynamic relationship between the two sectors creates a positive, self-sustaining cycle, and is a special feature of our dual-engine empowerment business model. This model has and will continue to power our business.

The introduction of global financial institutions in Lee Garden Three has pivoted our office portfolio towards a higher concentration of banking and finance tenants, accounting for about 25% of total office lettable space.

Co-working/flex spaces have become part of the modern office ecosystem. They fill a useful and necessary gap for corporate tenants who increasingly require flexibility as well as an attractive work environment for their younger staff. In addition, flex spaces are popular with start-ups who then move into permanent spaces, often in the same area, once they are established. Our portfolio of flex tenants bring a more transient and diverse community of consumers who in turn drive a more dynamic approach to retail.

We have introduced a wide range of food and beverage establishments with drinking elements, more lifestyle retail geared towards home decor, high-end appliances, beauty and pampering, wellness and health. We have strengthened our children's offering beyond fashion. Our office tenants with young families are interested in children's lifestyle items such as "to dream for" children's furniture and more choices in family friendly restaurants. We have launched a private children's club which offers a rich calendar of activities set in an indoor playground and connects to a generous outdoor space.

Community Creation

Hysan's portfolio is situated in one of Hong Kong's most unique areas. Lee Gardens is a tree-lined oasis which integrates low-rise heritage buildings with impressive award-winning high-rises.

Our diverse neighbourhood, especially the low-rise area, offers unique accents. For instance, a world renowned camera brand flagship store commissioned a full-building-height mural, further adding to our area's creative and playful character. Those who visit this area of contrast and diversity can enjoy many exclusive experiences, ranging from a "new economy" recycling fashion house, and a private library, to a traditional knitting wool specialist and a renowned Shanghainese crab outlet. Every corner of the streets of Lee Gardens area has a new discovery for modern travellers and curious locals.

We continue to upgrade our loyalty club facilities while introducing exciting new shopping and dining experiences, together with popular street events, in-mall family entertainment and many tenant or third-party partnership activities. These all help to bring a distinct Lee Gardens character to this special part of Causeway Bay.

Placemaking breathes life into our office and retail spaces that were not fully utilised in the past. A lobby area at Hysan Place has now been turned into a hotspot which provides regular arts and cultural events. Another part of the same lobby now houses a trendy food and drinks outlet that complements the artistic hub. We also utilise unused spaces throughout our portfolio to strategically showcase new concepts or to host activities such as children's events.

Our physical connectivity is further integrated in a virtual way by our area-wide video-speed Wi-Fi. The enhanced infrastructure powers our new retail model, transforming the shopping experience with initiatives like personalised customer relationship management, e-coupons and big data analytics. Beyond this, we aspire to turn Lee Gardens into a world class "smart community", where the "smart mobility", "smart living" and "smart environment" concepts will be propelled by innovative business technology.

Thinking Long Term

Hysan is committed to the life cycle of working, living, shopping and socialising, which can be enjoyed by all generations. We have deep roots in the area and we will continue to think and plan for the long term.

In late 2018, a Sustainability Committee was formalised and a refreshed Sustainability Policy was established. The Group will continue to integrate our sustainable initiatives in environmental, social and governance policy into our core business operations and partnerships.

Outlook

Hong Kong's economy is expected to face increasing uncertainties in the second half of 2019. A global economic slowdown and the Sino-U.S. trade disputes are likely to affect Hong Kong. Internally, the recent social conflicts are expected to further impact Hong Kong's economy, especially in terms of investment demand and tourism.

While the volatile market conditions and uncertainties may create pressure for Hysan in the short term, the Group believes its proactive and dynamic curation of the commercial tenant mix, its focus on asset enhancement and strength in property management, an integrated and connected portfolio set in one of Hong Kong's most unique communities, together with a healthy balance sheet, will continue to power the Group and realise its longer term goals.

Lee Irene Yun-Lien
Chairman

Hong Kong, 13 August 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Review of Results

The Group's turnover for the 2019 interim period was HK$2,086 million, up 9.1% from the same period in 2018 (2018: HK$1,912 million). As at 30 June 2019, our retail portfolio's occupancy was 96%, while the office portfolio was 97%. The residential portfolio's occupancy was 91%.

Recurring Underlying Profit, our key leasing business performance indicator, and Underlying Profit, were both HK$1,394 million for the 2019 interim period (both up 8.9% from HK$1,280 million in 2018), reflecting positive rental reversion from our portfolio, and the benefit from full operation of new development Lee Garden Three in the first half of 2019. Basic earnings per share based on Recurring Underlying Profit was HK133 cents (2018: HK122 cents), up 8.9%.

Our Reported Profit for the 2019 interim period was HK$2,783 million (2018: HK$3,013 million). This reflected a fair value gain of HK$1,453 million (2018: HK$1,790 million) on the Group's investment properties' valuation.

Shareholders' Funds increased by 2.1% to HK$76,021 million (31 December 2018: HK$74,431 million), broadly reflecting the valuation gain from the investment properties.

Our financial position remains strong, with net interest coverage of 19.1 times (2018: 17.9 times) and net debt to equity ratio of 4.9% (31 December 2018: 4.7%).

Review of Operations

Retail Portfolio

The Group's retail portfolio turnover increased by 4.1% to HK$1,001 million (2018: HK$962 million). The contribution from turnover rent was HK$49 million (2018: HK$54 million). The overall rental reversion in renewals, rent review and new lettings was positive. The portfolio's occupancy was 96%, as at 30 June 2019 (31 December 2018: 98%).

The retail portfolio recorded an increase of around 5% in foot traffic, as compared to the same period in 2018. The estimated overall tenant sales within the portfolio also recorded an improvement of around 4% as compared to the first half of 2018. This outperformed Hong Kong's retail sales decline for the same period.

The table below shows the tenants who joined or relocated/expanded in our retail portfolio in the first half of 2019:

	Opened in 1H 2019	**Relocated in 1H 2019**	**Renovated in 1H 2019**
Hysan Place	b+ab BAI FUNG BENTO HEYTEA n.o.t. x ehonia	Area 0264 DEMK DIDIER DUBOT	sen-ryo
Lee Garden One	Wallen Jewellery AMOREPACIFIC	-	Brunello Cucinelli
Lee Garden Two	Oookie Cookie	nicholas & bears Pacific Coffee	Van Cleef & Arpels sandro maje
Lee Garden Three	MONOYONO umbra Busybee FENDI Cucine	-	-
Lee Theatre Plaza	Verdant TeaHouse	-	U-BANQUET • The Starview
Leighton Centre	-	-	adidas
25 Lan Fong Road	-	-	GENTLE MONSTER

Office Portfolio

The Group's office portfolio turnover increased by 13.3% to HK$929 million (2018: HK$820 million), including turnover rent of HK$3 million (2018: nil). The performance reflected overall positive rental reversion on renewals, rent review, new lettings, as well as contributions from Lee Garden Three. The office portfolio's occupancy was 97% as at 30 June 2019 (31 December 2018: 97%).

Lee Garden Three, opened officially in November 2018, brought in a number of Banking and Finance tenants. This particular sector now accounts for about 25% of area occupied within Hysan's office portfolio. Co-working/flex spaces, which previously took up about 4% of the office space, now account for about 10% of the portfolio's area and attract many millennial users. These new groups of tenants seek quality lifestyle offerings, fresh retail experiences, health and wellness offerings, as well as dining and drinking options at different price points. Such preferences influence our continuous reshaping of the retail tenant mix. The uniqueness and quality of the retail offerings correlate strongly with our ability to attract discerning office tenants. The two components of our commercial portfolio, therefore, are providing positive impetus to help each other grow symbiotically and creating a self-sustaining cycle.

Hysan/Lee Gardens experiences that are particularly attractive to office tenants include the retail loyalty programmes, major marketing and branding events, the Hysan Place Urban Farm farming project, and performances in the recently unveiled Urban Sky cultural area. Other attractions include a number of on-going street events arranged by Lee Gardens Association, the local area association of which Hysan is a founding member and major sponsor. Hysan aims to provide more bespoke activities specifically for office tenants in the months and years to come. The aim is to develop a close-knit office community where tenants' staff can take pride in working within Lee Gardens.

Residential Portfolio

The residential portfolio comprises mainly the Bamboo Grove units on Kennedy Road. This saw a strong increase of 20.0% in turnover to HK$156 million (2018: HK$130 million). The occupancy of this sector also grew to 91% as at 30 June 2019 (31 December 2018: 88%). Bamboo Grove now benefits from the availability of a range of renovated flats, which have been well received by potential tenants. There is now also more flexibility in regard to lease terms and landlord provisions. Customer satisfaction means the overall image and reputation of Bamboo Grove have been much enhanced. Looking ahead, more lobby and lift modernisations are underway throughout 2019.

The rental reversion was overall positive in renewals, rent review and new lettings.

Tai Po Luxury Residential Project

Major statutory submissions for our low-density residential development project in Tai Po have been approved. Site formation and foundation construction are on track. The detailed design of core disciplines has also been completed and major tenders have been issued. Various interior design and visual mock-ups construction are in good progress.

Technology for Our Retail Model

We would like to use this opportunity to explain more about our retail model, which now uses advanced technology to develop an integrated shopping experience that combines product, membership, marketing and transaction services. This model consists of six digital transformation initiatives:

- **Building a smart community**: video-speed Wi-Fi across Lee Gardens area, advanced e-directory, and e-gift certificate system
- **Using retail technology and big data**: new mobile app to be launched towards the end of the year with advanced technology for queries, navigation and parking
- **Personalised customer relationship management**: the soon-to-be-launched mobile app also allows loyalty club members to use points for rewards in more productive ways
- **Enhancing co-marketing and other collaboration with tenants and third parties**: partnering with merchants to blend their physical store or experience with online offerings
- **Integrating online and offline communications**: integrating eight modes of communication to present different content with a unified corporate image
- **Promote "retail-tainment"**: soon to partner with Openrice on its first experience zone and integrate certain Openrice functions into our forthcoming mobile app; partnering with Alipay to host joint marketing campaigns

Loyalty Clubs and Marketing Events

Our loyalty programmes are renowned for enhancing the spending and staying power of our retail portfolio's shoppers and visitors. Both Lee Gardens Plus, which provides popular offers, and Club Avenue for VIPs, experienced significant growth in the number of members. Both new and existing members will benefit from our forthcoming app, which will offer members a fully optimised experience through our data analytics tools that more accurately predict their shopping patterns. This will ensure that members receive information tailored to their shopping preferences.

The first half of 2019 already saw up to 20 successful marketing and branding events in Lee Gardens, which offered unique and diversified customer experiences to our shoppers. Hysan Place hosted a number of events that were "first in Hong Kong", including Moët Hennessy Diageo's World Class Cocktail Week, the promotion of Prudential's PRURide Six Day cycling event, and La Mer's world's largest Crème de la Mer jar. Other events with international brands attracted celebrity participation, including McCafe's 20th Anniversary pop-up store, SEKKISEI MYV ACTIRISE Festival, and Rick Owens' footwear crossover with Birkenstock's launch party. In addition, Hysan promoted brands through a range of interactive events, such as Nike's Woman Week highlighting health and wellness, and Acqua di Parma's artistic pop up store that showcased its fragrance and skin care products.

Community Activities

Hysan plays a major role in the Causeway Bay community and takes pride in the creation of high-profile community events to entertain locals and visitors alike. The Cathay Pacific/HSBC Hong Kong Sevens FanWalk continued to bring quality sports-related family entertainment to the area. The Lee Gardens

Eggssentially Art, hosted in cooperation with the area's Lee Gardens Association, satisfied the taste buds of thousands while the Chinese New Year Blossom Fair, in partnership with the Japan National Tourism Organisation, also presented a wide range of delicious food and drinks to the public. Marvel Studios' "Avengers: Endgame" was the talk-of-the-town event at Hysan Place and Lee Theatre Plaza, while Go Green 2.0 promoted reduction in the use of plastic and attracted celebrities and the public to support a worthwhile green cause.

Financial Review

Operating Costs

The Group's operating costs are generally classified as property expenses and administrative expenses.

Property expenses increased by 6.3% to HK$238 million (2018: HK$224 million), mainly due to full-period operation of new development Lee Garden Three in 2019, and investment in marketing activities to respond to the challenging retail environment. The property expenses to turnover ratio slightly improved from 11.7% in 2018 to 11.4% in 2019.

Administrative expenses increased by 13.9% to HK$123 million (2018: HK$108 million) in the first half of 2019. This reflected filling of previously unfilled headcounts, and an increase in technology expenses.

Finance Costs

Finance costs increased to HK$127 million, compared to HK$107 million in the first half of 2018, mainly due to additional bonds being issued during the period and an increase in the interest rate of our floating rate debts. The Group's average cost of finance for the interim period was 3.6%, a slight increase from 3.5% reported in the first half of 2018, while it was on par with 3.6% reported in the full-year 2018.

Revaluation of Investment Properties

As at 30 June 2019, the investment properties of the Group were revalued at HK$79,568 million (31 December 2018: HK$77,442 million) by an independent professional valuer. During the first half of 2019, a fair value gain on investment properties (after considering capital expenditure spent on the Group's investment properties) of HK$1,453 million (2018: HK$1,790 million) was recognised in the condensed consolidated statement of profit or loss. This gain continued to reflect several factors: improved lettings in the retail sector, the continued positive outlook for office rental and enhanced asset value due to a number of upgrade works. The capitalisation rates of each portfolio remained unchanged when compared to those adopted at the end of 2018.

Investment in Associates and a Joint Venture

The Group's investment in associates mainly represents interests in Shanghai Grand Gateway, a retail, office and residential complex, in Shanghai, China. The shared results increased by 5.8% to HK$145 million (2018: HK$137 million). As at 30 June 2019, properties at Shanghai Grand Gateway were revalued at fair value by an independent professional valuer. The Group's share of the revaluation gain of the associate (net of the deferred taxation) amounted to HK$45 million (2018: HK$33 million).

The Group's investment in a joint venture represents interests in the Tai Po residential project.

Other Investments

The Group places surplus funds as time deposits in banks with strong credit ratings, and invests in investment grade debt securities.

Excluding recognition of imputed interest income on an interest-free loan to a joint venture company for a residential site development in Tai Po of HK$15 million (2018: HK$14 million), like-for-like interest income increased by 84.2% to HK$35 million (2018: HK$19 million).

The Group also invested in a real estate fund covering certain properties in Hong Kong and other major cities in Asia, with a view to expanding our reach in collaboration with professional property managers and to generate a new source of income and capital.

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 such capital expenditure amounted to HK$663 million during the interim period (2018: HK$943 million).

Treasury Policy

Market Highlights

The global economic environment was full of uncertainties during the first half of 2019. Sino-U.S. trade disputes and the expected slowdown in the global economy are impacting market sentiment. The U.S. Federal Reserve has revised expectations regarding its interest rate policy and has become more reliant on economic and market data. The market generally expects the U.S. Federal Reserve to cut its federal funds rate again in the remaining second half of 2019 to boost the U.S. economy. Despite expectations of a drop in the federal funds rate, the Hong Kong dollar (HKD) HIBOR rate rose during the first half of 2019, narrowing the differential with the U.S. dollar LIBOR rate. The 3-month HKD HIBOR increased from 2.3% at the end of 2018 to around 2.5% at the end of June 2019.

Hong Kong's economy and financial conditions are closely linked with global market uncertainties. A weaker Hong Kong retail sales performance was recorded in the first six months of 2019 despite the number of visitor arrivals increasing by nearly 14% in the same period. Hong Kong's GDP also showed some signs of slowing down from 1.3% in Q4 2018 to 0.6% in both Q1 and Q2 2019.

Uncertainties caused by both global and local political issues and financial markets may worsen our operating environment and dampen business expansion potential. It is therefore important for the Group to maintain our prudent financial management policy.

Capital Structure Management
The Group's total Gross Debt[1] level as at 30 June 2019 increased to HK$7,576 million (31 December 2018: HK$6,326 million). The Group's average debt maturity was at 5.1 years as at 30 June 2019 (31 December 2018: 3.9 years).

The following shows the debt maturity profile of the Group at 2019 interim period-end and 2018 year-end:

	As at 30 June 2019 HK$ million	As at 31 December 2018 HK$ million
Maturing in not exceeding 1 year	**-**	300
Maturing in more than 1 year but not exceeding 2 years	565	565
Maturing in more than 2 years but not exceeding 3 years	1,381	250
Maturing in more than 3 years but not exceeding 4 years	2,526	1,331
Maturing in more than 4 years but not exceeding 5 years	904	3,230
Maturing in more than 5 years	2,200	650
	7,576	6,326

As at 30 June 2019, bank loans accounted for approximately 20.5% of the Group's total gross debt, with the remaining 79.5% from capital market financing (31 December 2018: 24.5%:75.5%). All of the Group's debts are unsecured and on a committed basis.

Gearing Ratio and Net Interest Coverage
The Group's gearing ratio, as measured by Net Debt to Equity[2] increased slightly from 4.7% at year-end of 2018 to 4.9% at interim period-end of 2019, mainly due to the increase in borrowings as mentioned.

The Group's Net Interest Coverage[3] increased to 19.1 times for the first half of 2019 due to improved operating results (2018: 17.9 times).

Credit Ratings
As at 30 June 2019, the Group's credit ratings were maintained at A3 from Moody's, A- from Fitch and BBB+ from Standard and Poor's.

Liquidity Management
As at 30 June 2019, the Group has cash and bank deposits totalling about HK$3,836 million (31 December 2018: HK$2,817 million). In order to preserve liquidity and enhance interest yields, the Group invested HK$172 million (31 December 2018: HK$227 million) in debt securities.

Further liquidity, if needed, is available from the undrawn committed facilities offered by the Group's relationship banks. These facilities, amounting to HK$950 million at 2019 interim period-end (31 December 2018: HK$950 million), will expire in 2021 and 2022.

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[1] The Gross Debt represents the contractual principal payment obligations as at 30 June 2019. However, in accordance with the Group's accounting policies, the debt is measured at amortised costs, using the effective interest method. As disclosed in the Group's condensed consolidated statement of financial position as at 30 June 2019, the book value of the outstanding debt of the Group was HK$7,556 million (31 December 2018: HK$6,322 million).
[2] Net Debt to Equity is defined as borrowings less time deposits, cash and cash equivalents divided by shareholders' funds.
[3] Net Interest Coverage is defined as gross profit less administrative expense before depreciation divided by net interest expenses.

Interest Rate Management
Interest expenses represent one of the key cost drivers 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. The fixed rate debt ratio increased slightly to 79.5% at interim period-end 2019 from 75.5% at year-end 2018. We believe we are in a good position to manage our finance costs given our high fixed rate debt ratio.

Foreign Exchange Management
The Group aims to achieve minimal currency exposure and does not speculate in currency movements for asset and liability management. Except for US$300 million fixed rate notes issued in 2013, which have been hedged by an appropriate hedging instrument, all of the Group's borrowings were denominated in Hong Kong dollar.

On the investment side, as at 30 June 2019, the Group's outstanding foreign currency balances in cash, time deposits, debt securities and a real estate fund amounted to US$77 million (31 December 2018: US$88 million), of which US$4 million (31 December 2018: US$28 million) was hedged by foreign exchange forward contracts.

Other foreign exchange exposure mainly relates to investments in the Shanghai associate. These unhedged foreign exchange exposures amounted to the equivalent of HK$3,678 million (31 December 2018: HK$3,715 million) or 4.1% (31 December 2018: 4.3%) of the Group's total assets.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period ended 30 June 2019 (unaudited)

	Notes	Six months ended 30 June 2019 HK$ million	2018 HK$ million
Turnover	4	**2,086**	1,912
Property expenses		**(238)**	(224)
Gross profit		**1,848**	1,688
Investment income		**50**	33
Other gains and losses		**11**	(9)
Administrative expenses		**(123)**	(108)
Finance costs		**(127)**	(107)
Change in fair value of investment properties		**1,453**	1,790
Share of results of associates		**145**	137
Profit before taxation		**3,257**	3,424
Taxation	6	**(265)**	(241)
Profit for the period	7	**2,992**	3,183
Profit for the period attributable to:			
Owners of the Company		**2,783**	3,013
Non-controlling interests		**209**	170
		2,992	3,183
Earnings per share (expressed in HK cents)	8		
Basic		**266**	288
Diluted		**266**	288

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2019 (unaudited)

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Profit for the period	**2,992**	3,183
Other comprehensive income (expenses)		
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	**18**	32
Deferred taxation arising on revaluation	**(3)**	(5)
	15	27
Items that may be reclassified subsequently to profit or loss:		
Net adjustments to hedging reserve	**29**	3
Share of translation reserve of an associate	**(17)**	(36)
	12	(33)
Other comprehensive income (expenses) for the period (net of tax)	**27**	(6)
Total comprehensive income for the period	**3,019**	3,177
Total comprehensive income attributable to:		
Owners of the Company	**2,810**	3,007
Non-controlling interests	**209**	170
	3,019	3,177

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019 (unaudited)

	Notes	**As at 30 June 2019 HK$ million**	As at 31 December 2018 HK$ million *(audited)*
Non-current assets			
Investment properties		**79,568**	77,442
Property, plant and equipment		**765**	747
Investments in associates		**3,668**	3,708
Loans to associates		**14**	11
Investment in a joint venture		**144**	145
Loans to a joint venture		**1,075**	1,062
Fund investment		**308**	294
Term notes		**141**	-
Other financial assets		**1**	1
Other receivables	10	**333**	386
		86,017	83,796
Current assets			
Accounts and other receivables	10	**232**	203
Term notes		**31**	227
Time deposits		**2,445**	748
Cash and cash equivalents		**1,391**	2,069
		4,099	3,247
Current liabilities			
Accounts payable and accruals	11	**782**	873
Deposits from tenants		**310**	331
Amounts due to non-controlling interests		**223**	223
Borrowings		**-**	300
Taxation payable		**245**	108
		1,560	1,835
Net current assets		**2,539**	1,412
Total assets less current liabilities		**88,556**	85,208
Non-current liabilities			
Borrowings		**7,556**	6,022
Other financial liabilities		**3**	26
Deposits from tenants		**737**	669
Deferred taxation		**886**	854
		9,182	7,571
Net assets		**79,374**	77,637
Capital and reserves			
Share capital		**7,720**	7,718
Reserves		**68,301**	66,713
Equity attributable to owners of the Company		**76,021**	74,431
Non-controlling interests		**3,353**	3,206
Total equity		**79,374**	77,637

Notes:

1. Independent Review

The interim results for the six months ended 30 June 2019 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 and Risk Management Committee.

2. Basis of Preparation

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 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.

The financial information relating to the year ended 31 December 2018 that is included in this result announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

- The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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.

The accounting policies and methods of computations followed in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the application of all the new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for the Group's financial year beginning on 1 January 2019 as disclosed below.

Except as described below, the adoption of these new and amendments to HKFRSs 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.

Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations. However, assessments of whether a contract, which existed prior to 1 January 2019, contains a lease in accordance with HKAS 17 and Hong Kong (IFRIC) – Interpretation 4 "Determining whether an Arrangement contains a Lease" have been maintained. No reassessment of the related lease contracts has been made.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. The Group, as a lessor, is thus not required to make any adjustment on transition for leases but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated. However, the application of HKFRS 16 resulted the changes in accounting policies as described below.

The Group as a lessor

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at the date of initial application are considered as additional lease payments from lessees. This application has had no material impact on the Group's condensed consolidated statement of profit or loss for the six months ended 30 June 2019 and the condensed consolidated statement of financial position as at 1 January 2019 and 30 June 2019.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. This application has had no material impact on the Group's condensed consolidated statement of financial position as at 1 January 2019. However, effective from 1 January 2019, lease payments received from lessees relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

4. Turnover

Turnover represents gross rental income from leasing of investment properties and management fee income from provision of property management services 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.

For revenue from provision of property management services recognised over time in Hong Kong, the categories for disaggregation of revenue are consistent with the segment disclosure under note 5.

5. Segment Information

Based on the internal reports about components of the Group that are regularly reviewed by the chief operating decision maker 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

Property development segment – development and sale of properties

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	Property Development HK$ million	Consolidated HK$ million
For the six months ended 30 June 2019 (unaudited)					
Turnover					
Leasing of investment properties	**914**	**818**	**141**	**-**	**1,873**
Provision of property management services	**87**	**111**	**15**	**-**	**213**
Segment revenue	**1,001**	**929**	**156**	**-**	**2,086**
Property expenses	**(125)**	**(84)**	**(29)**	**-**	**(238)**
Segment profit	**876**	**845**	**127**	**-**	**1,848**
Investment income					**50**
Other gains and losses					**11**
Administrative expenses					**(123)**
Finance costs					**(127)**
Change in fair value of investment properties					**1,453**
Share of results of associates					**145**
Profit before taxation					**3,257**

	Retail HK$ million	Office HK$ million	Residential HK$ million	Property Development HK$ million	Consolidated HK$ million
For the six months ended 30 June 2018 (unaudited)					
Turnover					
Leasing of investment properties	884	724	115	-	1,723
Provision of property management services	78	96	15	-	189
Segment revenue	962	820	130	-	1,912
Property expenses	(106)	(92)	(26)	-	(224)
Segment profit	856	728	104	-	1,688
Investment income					33
Other gains and losses					(9)
Administrative expenses					(108)
Finance costs					(107)
Change in fair value of investment properties					1,790
Share of results of associates					137
Profit before taxation					3,424

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' emoluments), finance costs, change in fair value of investment properties and share of results of associates. This is the measure reported to the chief operating decision maker 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	Office	Residential	Property Development	Consolidated
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
As at 30 June 2019 (unaudited)					
Segment assets	**35,864**	**35,210**	**8,509**	**1,219**	**80,802**
Investments in and loans to associates					**3,682**
Fund investment					**308**
Other assets					**5,324**
Consolidated assets					**90,116**
As at 31 December 2018 (audited)					
Segment assets	35,112	34,160	8,185	1,207	78,664
Investments in and loans to associates					3,719
Fund investment					294
Other assets					4,366
Consolidated assets					87,043

Segment assets represented the investment properties and accounts receivable of each segment and investment in and loans to a joint venture under property development segment without allocation of property, plant and equipment, investments in and loans to associates, fund investment, term notes, other financial assets, other receivables, time deposits, and cash and cash equivalents. This is the measure reported to the chief operating decision maker of the Group for the purpose of monitoring segment performances and allocating resources between segments. The investment properties are included in segment assets at their fair values whilst the change in fair value of investment properties is not included in segment profit.

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

6. Taxation

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
Current tax		
Hong Kong Profits Tax		
- current period	**241**	222
- underprovision in prior periods	**2**	3
	243	225
Deferred tax	**22**	16
	265	241

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	
	2019	2018
	HK$ million	HK$ million
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**10**	9
Gross rental income from investment properties including contingent rentals of HK$52 million (2018: HK$54 million)	**(1,873)**	(1,723)
Staff costs (including directors' emoluments)	**138**	127
Share of income tax of associates (included in share of results of associates)	**57**	60

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	
	2019	2018
	HK$ million	HK$ million
Earnings for the purposes of basic and diluted earnings per share: Profit for the period attributable to owners of the Company	**2,783**	3,013

	Number of shares Six months ended 30 June	
	2019	2018
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,046,512,587**	1,045,976,162
Effect of dilutive potential ordinary shares: Share options issued by the Company	**368,066**	642,092
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,046,880,653**	1,046,618,254

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 and diluted earnings per share

For the purpose of assessing the performance of the Group's principal activities, 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 and diluted earnings per share as follows:

For the six months ended 30 June 2019 (unaudited)

	Profit	**Basic earnings per share**	**Diluted earnings per share**
	HK$ million	**HK cents**	**HK cents**
Profit for the period attributable to owners of the Company	**2,783**	**266**	**266**
Change in fair value of investment properties	**(1,453)**	**(139)**	**(139)**
Effect of non-controlling interests' shares	**135**	**13**	**13**
Share of change in fair value of investment properties (net of deferred taxation) of associates	**(45)**	**(4)**	**(4)**
Imputed interest income on interest-free loan to a joint venture	**(15)**	**(2)**	**(2)**
Other gains and losses	**(11)**	**(1)**	**(1)**
Underlying Profit	**1,394**	**133**	**133**
Recurring Underlying Profit	**1,394**	**133**	**133**

For the six months ended 30 June 2018 (unaudited)

	Profit	Basic earnings per share	Diluted earnings per share
	HK$ million	HK cents	HK cents
Profit for the period attributable to owners of the Company	3,013	288	288
Change in fair value of investment properties	(1,790)	(172)	(172)
Effect of non-controlling interests' shares	95	9	9
Share of change in fair value of investment properties (net of deferred taxation) of associates	(33)	(3)	(3)
Imputed interest income on interest-free loan to a joint venture	(14)	(1)	(1)
Other gains and losses	9	1	1
Underlying Profit	1,280	122	122
Recurring Underlying Profit	1,280	122	122

Notes:

(i) Recurring Underlying Profit is arrived at by excluding from Underlying Profit items that are non-recurring in nature. As there were no such adjustments in both the six months ended 30 June 2019 and 30 June 2018, the Recurring Underlying Profit is the same as the Underlying Profit.

(ii) The denominators used in calculating the adjusted basic and diluted earnings per share are the same as those detailed above for basic and diluted earnings per share.

9. Dividends

(a) Dividends recognised as distribution during the period:

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
2018 second interim dividend paid – HK117 cents per share	**1,224**	-
2017 second interim dividend paid – HK111 cents per share	**-**	1,161
	1,224	1,161

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

	Six months ended 30 June	
	2019	2018
	HK$ million	HK$ million
First interim dividend - HK27 cents per share (2018: HK27 cents per share)	**283**	283

The first interim dividend for 2019 is not recognised as a liability as at 30 June 2019 because it has been declared after the end of the reporting period. It will be payable in cash.

10. Accounts and Other Receivables

	As at 30 June 2019	As at 31 December 2018
	HK$ million	HK$ million
Accounts receivable	**15**	15
Interest receivable	**54**	46
Prepayments in respect of investment properties	**160**	228
Other receivables and prepayments	**336**	300
Total	**565**	589
Analysed for reporting purposes as:		
Current assets	**232**	203
Non-current assets	**333**	386
	565	589

Rents from leasing of investment properties are normally received in advance. As at 30 June 2019, accounts receivable of the Group with carrying amount of HK$15 million (31 December 2018: HK$15 million) mainly represented rental receipts in arrears, which were aged less than 90 days.

11. Accounts Payable and Accruals

	As at 30 June 2019 HK$ million	As at 31 December 2018 HK$ million
Accounts payable	**214**	257
Interest payable	**93**	74
Other payables	**475**	542
	782	873

As at 30 June 2019, accounts payable of the Group with carrying amount of HK$124 million (31 December 2018: HK$175 million) were aged less than 90 days.

ADDITIONAL INFORMATION

Corporate Governance

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

The Company meets the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The Board reviews its corporate governance practices continuously to cope with the evolving needs of the Group. Further information on the Company's corporate governance practices is available on our website at www.hysan.com.hk.

Compliance with 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 of 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 2019 was 508.

There has been no material change in respect of the human resources programs, training and development as set out in the "2018 Sustainability Report".

Closure of Register of Members

The first interim dividend will be paid to shareholders whose names appear on the register of members on Wednesday, 28 August 2019 and the payment date will be on or about Friday, 6 September 2019. The register of members will be closed on Wednesday, 28 August 2019, on which date no transfer of shares will be registered. The ex-dividend date will be Monday, 26 August 2019. 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Tuesday, 27 August 2019.

By Order of the Board
Lee Irene Yun-Lien
Chairman

Hong Kong, 13 August 2019

*As at the date of this announcement, the Board comprises: Lee Irene Yun-Lien (Chairman), Churchouse Frederick Peter**, Fan Yan Hok Philip**, Lau Lawrence Juen-Yee**, Poon Chung Yin Joseph**, Wong Ching Ying Belinda**, Jebsen Hans Michael* (Yang Chi Hsin Trevor as his alternate), Lee Anthony Hsien Pin* (Lee Irene Yun-Lien as his alternate), Lee Chien* and Lee Tze Hau Michael*.*

* *Non-Executive Directors*
** *Independent Non-Executive Directors*

This interim results announcement is published on the websites of the Company (www.hysan.com.hk) and the Stock Exchange (www.hkexnews.hk). The Interim Report 2019 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 2019.