Hysan 希慎

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 2014

- **Solid occupancy across our portfolios (Retail: full; Office: 96%; Residential: 97%)**
- **Turnover up 4.2% year-on-year (up 10.0%, excluding properties under redevelopment)**
- **Majority of current year's expiring commercial leases already committed**
- **Steady performance expected for the rest of 2014**
- **Well-positioned for further growth with ongoing asset enhancement initiatives**

RESULTS

		Six months ended 30 June		
		2014	2013	
	Notes	**HK$ million**	HK$ million	Change
Turnover	*1*	**1,596**	1,531	+4.2%
Recurring Underlying Profit	*2*	**1,082**	1,033	+4.7%
Underlying Profit	*3*	**1,082**	1,033	+4.7%
Reported Profit	*4*	**2,888**	3,243	-10.9%
		HK cents	HK cents	
Earnings per share, based on:				
Recurring Underlying Profit	*2*	**101.72**	97.15	+4.7%
Underlying Profit	*3*	**101.72**	97.15	+4.7%
Reported Profit	*4*	**271.51**	304.98	-11.0%
First interim dividend per share		**23.00**	22.00	+4.5%
		At 30 June 2014	At 31 December 2013	
		HK$ million	HK$ million	
Shareholders' Funds	*5*	**65,219**	63,326	+3.0%
		HK$	HK$	
Net Asset Value per Share	*6*	**61.31**	59.54	+3.0%

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; impairment or its reversal; and tax provisions for prior years).*
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 grew moderately in the first quarter of 2014 by 2.5%. While local consumption was largely stable, tourist spending had weakened, following a normalisation of the very strong growth in the past few years. These factors resulted in a 1.3% retail sales decline for the first six months of 2014. Retail leasing activities in prime malls in core districts remained broadly stable. The Grade "A" office leasing market continued to benefit from limited supply.

Against this background, Hysan produced satisfactory results. These were achieved through our strategic vision of being a progressive and dynamic company, and we are committed to providing a unique experience to all stakeholders through our properties.

We present our Lee Gardens district as a community where workers and shoppers have a sense of belonging and identity. We have and will continue to refine our diverse retail tenant mix (in terms of products, styles, price points) which can weather the inevitable changes in retail cycles. We identify changing needs and will continue to build critical mass to consolidate each of our clearly defined hubs within our retail triangle. In addition, we have added a wide variety of new food and beverage offerings and organised many well-received promotions and events throughout our portfolio. For our office portfolio, we have also adopted a strategy of managing a diverse tenant mix with no undue exposure to any particular industry group. The office portfolio has indeed attracted a wide range of multinational and local companies that fully appreciate the buildings' features and facilities, as well as the area's variety of amenities and excellent transport links. The combined Sunning site redevelopment is progressing well. We strive to balance and provide steady capital and revenue growth by underpinning redevelopment projects of a longer duration with other asset enhancements that produce more immediate returns.

In all, we believe the sum of all these elements will deliver a sustainable future to the Lee Gardens district.

Results

The Group's turnover for the 2014 interim period was HK$1,596 million (2013: HK$1,531 million), representing a year-on-year increase of 4.2%. Excluding the revenue attributable to Sunning Plaza and Sunning Court (under redevelopment) in the previous year, the turnover would have increased by 10.0% (2013: HK$1,451 million), showing healthy organic growth. This growth had normalised from the more substantial increases in 2013 which had stemmed from Hysan Place's initial contributions. As at 30 June 2014, our retail portfolio was full. Occupancy of our office and residential portfolios stood at 96% and 97% respectively.

Recurring Underlying Profit, the key measurement of our core leasing business performance, was up 4.7% to HK$1,082 million (2013: HK$1,033 million). This reflected the increase in revenue generated from our retail and office leasing activities. Our Underlying Profit, which excludes unrealised changes in fair value of investment properties, was also HK$1,082 million. Our Reported Profit for the 2014 interim period was HK$2,888 million (2013: HK$3,243 million), reflecting a smaller fair value gain on investment properties valuation recorded in this period.

As at 30 June 2014, the external valuation of the Group's investment property portfolio increased by 3.1% to HK$67,348 million (31 December 2013: HK$65,322 million), reflecting improved rentals for our portfolio. The fair value gain was, however, smaller when compared with that recorded in the same period in 2013. Shareholders' Funds rose by 3.0% to HK$65,219 million (31 December 2013: HK$63,326 million).

Dividends
The Board of Directors has declared a first interim dividend of HK23 cents per share (2013: HK22 cents). The dividend will be payable in cash. Details of the payment of a first interim dividend are set out in "Additional Information".

Outlook
Hong Kong's economy is expected to continue to grow moderately in the second half of 2014. As a majority of commercial leases due for renewal have been committed, the Group is expected to have a steady performance for the rest of the year.

Irene Yun Lien LEE
Chairman

Hong Kong, 8 August 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Review of Operations
The Group's turnover for the first half of 2014 was HK$1,596 million, representing a 4.2% year-on-year increase (2013: HK$1,531 million). The increase reflected steady performances in our retail and office portfolios, offsetting the relatively weaker showing in residential.

Retail Portfolio
The Group's retail portfolio turnover grew 5.8% to HK$893 million (2013: HK$844 million), including turnover rent of HK$60 million (2013: HK$64 million). Positive rental reversions were experienced in rental renewals, reviews and new lettings, with an average rental increase of around 60%, which also reflected further trade mix refinement. However, a relatively smaller portion of leases are due for renewal in 2014; a majority of which have already been committed.

Excluding Sunning Plaza, which was actually vacated by year-end 2013, the portfolio was full as at 30 June 2014 (31 December 2013: 96%). The improvement was mainly due to the completion of the asset enhancement project in parts of Lee Gardens Two. (Year-on-year comparison including Sunning Plaza in portfolio size for both years: 30 June 2014: 98%; 31 December 2013: 95%; 30 June 2013: virtually fully-let at 99%).

The Hysan Retail Triangle maintained a balanced tenant mix, with a broad range of styles and price-points, thus ensuring no undue dependency on any particular group of shoppers, be they tourists or locals. This positioning has proven to be a right one to take, as retail sales began to normalise as expected from the latter part of 2013. Visitors to our retail portfolio continued to average around 150,000 per weekend day in the month of June. The estimated overall tenant sales increased by 16%, when compared to the same period in 2013, and substantially outperformed the overall performance of the retail market with the 1.3% decline.

Hysan Place, positioned as “hip and trendy” for younger age groups, showed double-digit organic growth in estimated tenant sales, as the hub’s popularity gains traction with consumers. It also benefited from a series of major marketing events. The popular recent activities included Captain America’s film tie-in exhibition; LINE communication apps’ displays and pop-up store; and adidas x Captain Tsubasa’s giant statutes and showcases.

Lee Gardens hub, with elegant and luxury premium spaces, saw positive rental reversions. Estimated tenant sales were slightly lower, attributable to a few selected brands. During the interim period, American fashion label Ralph Lauren moved into the ground and first levels of Lee Gardens Two with a scheduled opening in the third quarter of 2014, while the third floor of the building was revamped with additional children shops, as well as a new food and beverage experience.

Within the Lee Theatre hub saw Lee Theatre Plaza making its first full period contribution following its lower zone renovations. It is now well established with its urban fashion and lifestyle positioning, being home to Korean and Japanese brands such as Aland, Muji and Uniqlo, as well as several new dining venues that have proven to be popular among consumers. These are complemented by an open piazza now providing space for marketing activities. For this first full interim period, the building experienced around 50% increase in estimated tenant sales. There was also a year-on-year increase of around 20% in weekend shoppers’ footfall in June.

Office Portfolio

Our office portfolio turnover grew 5.5% during the interim period to HK$561 million (2013: HK$532 million). This principally reflected Hysan Place’s full occupancy effect, as well as positive rental reversions on renewals, reviews and new lettings, with an average rental increase of around 25%. These offset the impact of Sunning Plaza’s redevelopment, with the building having been vacated by the end of 2013. A majority of this portfolio’s current year’s expiring leases have also been committed.

Excluding Sunning Plaza, which was actually vacated by year-end 2013, the office portfolio’s occupancy was 96% as at 30 June 2014 (31 December 2013: 98%). (Year-on-year comparison including Sunning Plaza in portfolio size for both year: 30 June 2014: 86%; 31 December 2013: 87%; 30 June 2013: 93%).

As a credible alternative to Central and Admiralty’s offices, our Grade A portfolio is perfect for companies that want to best manage their office space’s cost-benefit, as well as to provide a good work-life balance environment for their staff members. Our non-Grade A portfolio continues to see strong demand from smaller-sized local and international companies. Within our balanced tenant mix are four top industry groups representing around 54.5% of our office lettable floor area. They are insurance, professional and consulting, high-end retailers, and banking and finance. No single category took up more than 20% of the total lettable area.

Our “Lee Gardens Office Plus” offers year-round shopping and dining privileges to its members, who are employees of our office tenants. The community has grown into a popular one with 7,300 members.

Residential Portfolio

The Group's residential portfolio turnover declined by 8.4% to HK$142 million (2013: HK$155 million). This mainly reflected negative rental reversions as a whole, as well as the loss of Sunning Court's income due to the site's redevelopment, but partly alleviated by the success of our strategy in optimizing occupancy.

Excluding Sunning Court, which was actually substantially vacated by year-end 2013, the residential occupancy was 97% as at 30 June 2014 (31 December 2013: 92%). (Year-on-year comparison including Sunning Court in portfolio size for both years: 30 June 2014: 85%; 31 December 2013: 82%; 30 June 2013: 87%). The tenant base is now further broadened, in addition to financial sector tenants.

Sunning Redevelopment

The demolition phase of Sunning Plaza and Sunning Court's redevelopment is well underway. As at 30 June 2014, Sunning Plaza's demolition work was completed, and Sunning Court's was substantially completed. The redevelopment project is expected to be completed around 2018.

Asset Enhancement Project

An asset enhancement project will take place in The Lee Gardens/Lee Gardens One Ground floor lobby and part of the higher floors of the shopping centre, commencing in the fourth quarter of 2014. The accessibility and circulation of the office as well as the retail areas will be improved, also creating new shop space and retail offerings. The overall user experience will be further enhanced, reinforcing the property as a first-class office and retail destination. The project is anticipated to be completed by 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 decreased by 1.7% to HK$178 million (2013: HK$181 million), mainly due to a reduction in agency fees attributable to Hysan Place. Coupled with an increase in rental income, the property expenses to turnover ratio slightly improved to 11.2% (2013: 11.8%).

Administrative expenses rose by 6.8% to HK$110 million (2013: HK$103 million) for the first half of 2014. This also reflected the increase in legal and professional fees incurred for judicial review of the government's proposed Outline Zoning Plans, which affect the long-term redevelopment of the Group's Causeway Bay properties portfolio.

Finance Costs

Finance costs reduced by 5.0% to HK$115 million (2013: HK$121 million) in the first half of 2014. The decrease was attributable to the lower average debt level in 2014 as compared to the same period in 2013 after repayment of HK$1,200 million bank loans since the end of June 2013.

The Group's average finance costs for the interim period were 3.1%, slightly higher than the 2.9% reported for both the first half of 2013 and 2013 full-year.

Revaluation of Investment Properties

As at 30 June 2014, the investment properties of the Group were revalued at HK$67,348 million (31 December 2013: HK$65,322 million) by an independent professional valuer. Fair value gain on investment properties (excluding capital expenditure spent on the Group's investment properties) of HK$1,945 million (2013: HK$2,356 million) was recognised in the condensed consolidated income statement during the interim period.

Investments in Associates

The Group's share of results of associates decreased by 12.4% to HK$127 million (2013: HK$145 million), primarily due to a smaller 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 2013. The Shanghai Grand Gateway project continued to deliver a good performance in 2014. The Group's share of results, excluding revaluation gains on investment properties held by the associate, recorded a 7.1% 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 and principal-protected investments. This helped to preserve the Group's liquidity and to enhance interest yields.

Investment income, comprising mainly of interest income, amounted to HK$27 million (2013: HK$36 million) in the first half of 2014. Although the average investment yields improved for the interim period, these were offset by the exchanges loss arisen from time deposits and term notes, due to the depreciation in Renminbi during the interim period.

Capital Expenditure

The Group is committed to enhancing the asset value of its investment property portfolio through selective re-positioning, refurbishment and redevelopment. Total capital expenditure on these activities amounted to HK$161 million during the interim period (2013: HK$129 million).

Treasury Policy

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

Objective

Our key objective is to maintain sufficient liquidity and manage financial risks. This is achieved by way of diversifying our funding sources; keeping appropriate levels of cash and committed banking facilities; spreading out debt maturity to minimise funding and refinancing risks; maintaining an appropriate interest rate profile; and controlling foreign exchange exposures arising from borrowings and investments. To manage our exposure to the volatile market, we strictly monitor counter-party risks and restrict our investments to simple and liquid products.

Liquidity Management
With repayment of HK$500 million bank loans during the interim period, the Group's total gross debt[1] level as at 30 June 2014 was HK$7,048 million, a reduction of HK$492 million compared to HK$7,540 million at the year-end of 2013.

The Group's average debt maturity was maintained at 5.9 years as at 30 June 2014 (31 December 2013: 6.0 years), with HK$900 million being repayable within one year, HK$1,200 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$4,498 million being repayable beyond five years. (31 December 2013: HK$1,100 million being repayable within one year, HK$1,250 million being repayable in more than one year but not exceeding two years, HK$400 million being repayable in more than two years but not exceeding five years, and HK$4,790 million being repayable beyond five years). As at 30 June 2014, bank loans accounted for approximately 21.3% of the Group's total gross debt, with the remaining 78.7% from capital market financing (31 December 2013: 26.5%: 73.5%).

To maintain sufficient liquidity for the Group's operations, the Group had undrawn committed facilities of HK$900 million as at 30 June 2014 (31 December 2013: HK$900 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 appropriate hedging strategy in light of market conditions. As at 30 June 2014, the fixed debt ratio was approximately 72.7% of the total gross debt (31 December 2013: 68.0%).

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 and AUD37 million of bank loan (all 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$27 million and RMB125 million. Other foreign exchange exposure mainly relates to the Shanghai Grand Gateway project amounting to HK$4,270 million (31 December 2013: HK$4,181 million) or 5.5% (31 December 2013: 5.5%) of the Group's total assets.

Financial Ratios
Net interest coverage (defined as gross profit less administrative expenses before depreciation divided by net interest expenses) was 15.4 times for the first half of 2014 (2013: 15.3 times).

Net debt to equity (defined as borrowings less time deposits, cash and bank balances divided by Shareholders' Funds) as at 30 June 2014 was 5.1% (31 December 2013: 5.3%).

Credit Ratings
As at 30 June 2014, the Group's ratings were maintained at A3 from Moody's and BBB+ from Standard and Poor's.

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[1] The gross debt represents the contractual principal payment obligations at 30 June 2014. However, in accordance with the Group's accounting policies, the debt is measured at amortised costs, 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 and zero coupon notes) are adjusted to the hedged items. Therefore, as disclosed in the condensed consolidated statement of financial position as at 30 June 2014, the book value of the outstanding debt of the Group was HK$7,015 million (31 December 2013: HK$7,504 million).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2014 (unaudited)

	Notes	Six months ended 30 June 2014 HK$ million	2013 HK$ million
Turnover	4	**1,596**	1,531
Property expenses		**(178)**	(181)
Gross profit		**1,418**	1,350
Investment income		**27**	36
Other gains and losses		**(2)**	(1)
Administrative expenses		**(110)**	(103)
Finance costs		**(115)**	(121)
Change in fair value of investment properties		**1,945**	2,356
Share of results of associates		**127**	145
Profit before taxation		**3,290**	3,662
Taxation	6	**(187)**	(188)
Profit for the period	7	**3,103**	3,474
Profit for the period attributable to:			
Owners of the Company		**2,888**	3,243
Non-controlling interests		**215**	231
		3,103	3,474
Earnings per share (expressed in HK cents)			
Basic	8	**271.51**	304.98
Diluted	8	**271.48**	304.91

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014 (unaudited)

	Six months ended 30 June	
	2014	2013
	HK$ million	HK$ million
Profit for the period	**3,103**	3,474
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	**8**	19
Deferred taxation arising on revaluation	**(1)**	(3)
	7	16
Items that may be reclassified subsequently to profit or loss:		
Derivatives designated as cash flow hedges:		
Net gains (losses) arising during the period	**51**	(74)
Reclassification adjustments for net (gains) losses included in profit or loss	**(12)**	39
	39	(35)
Share of translation reserve of an associate	**(38)**	67
	1	32
Other comprehensive income for the period (net of tax)	**8**	48
Total comprehensive income for the period	**3,111**	3,522
Total comprehensive income attributable to:		
Owners of the Company	**2,896**	3,291
Non-controlling interests	**215**	231
	3,111	3,522

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014 (unaudited)

	Notes	**At 30 June 2014 HK$ million**	At 31 December 2013 HK$ million
Non-current assets			
Investment properties		**67,348**	65,322
Property, plant and equipment		**686**	604
Investments in associates		**4,270**	4,181
Principal-protected investments		**-**	81
Term notes		**752**	622
Other financial assets		**21**	32
Other receivables	10	**217**	231
		73,294	71,073
Current assets			
Accounts receivable and other receivables	10	**270**	241
Principal-protected investments		**80**	77
Term notes		**435**	580
Other financial assets		**12**	-
Time deposits		**3,634**	4,042
Cash and bank balances		**52**	81
		4,483	5,021
Current liabilities			
Accounts payable and accruals	11	**513**	500
Rental deposits from tenants		**253**	190
Amounts due to non-controlling interests		**327**	327
Borrowings		**868**	1,055
Other financial liabilities		**37**	48
Taxation payable		**192**	101
		2,190	2,221
Net current assets		**2,293**	2,800
Total assets less current liabilities		**75,587**	73,873
Non-current liabilities			
Borrowings		**6,147**	6,449
Other financial liabilities		**40**	74
Rental deposits from tenants		**573**	610
Deferred taxation		**593**	559
		7,353	7,692
Net assets		**68,234**	66,181
Capital and reserves			
Share capital		**7,635**	5,318
Reserves		**57,584**	58,008
Equity attributable to owners of the Company		**65,219**	63,326
Non-controlling interests		**3,015**	2,855
Total equity		**68,234**	66,181

Notes:

1. **Independent Review**

The interim results for the six months ended 30 June 2014 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 2014 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 and Interpretation issued by the HKICPA that are relevant to its operations and effective for the Group's financial year beginning on 1 January 2014. The adoption of these Amendments to Standards and Interpretation had no material effect on the results and financial position of the Group and/or disclosures set out in these unaudited condensed consolidated financial statements for the current and/ or prior accounting periods.

In addition, the Group had applied the new requirements for hedge accounting under Hong Kong Financial Reporting Standard ("HKFRS") 9 in advance of its effective date further to the Group's early application of HKFRS 9 as amended in 2010 in prior years.

Except as described below, 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 2013.

<u>HKFRS 9 "Financial instrument: Hedge Accounting"</u>

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

In accordance with the transitional provision for hedge accounting of HKFRS 9, the Group is only required to prospectively apply the new requirements for hedge accounting under HKFRS 9 except for certain limited exceptions from the date of initial application on 1 January 2014. At initial application, hedging relationships that qualified for hedge accounting in accordance with Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement" that also qualify for hedge accounting in accordance with the criteria of the new requirements after taking into account any rebalancing of the hedging relationship on transition were regarded as continuing hedging relationships.

In addition, the Group has applied the following accounting policies prospectively for cash flow hedges designated during the current interim period in accordance with the new requirements for hedge accounting under HKFRS 9.

Hedge accounting – Cash flow hedges

When the Group separates the spot element of a forward contract and designates only the change in the fair value of the spot element as hedging instrument, the change in fair value of the spot element that is determined to be an effective hedge is recognised in other comprehensive income in hedging reserve and the ineffective portion is recognised in profit or loss. The amount that has been accumulated in hedging reserve is reclassified to profit or loss as a reclassification adjustment in the same period during which the relevant hedged items affect profit or loss.

If the forward elements of a forward contract have the character of a cost for obtaining protection against a risk over a particular period of time, the change in fair value of the forward element is recognised in other comprehensive income in hedging reserve to the extent it relates to the hedged item. The value of the aligned forward element that exists at the date of designation of the forward contract is amortised from hedging reserve to profit or loss on a rational basis over the period during which the hedge adjustment for the forward contract could affect profit or loss. At the end of reporting period, the amortisation amount is reclassified from hedging reserve to profit or loss as a reclassification adjustment.

The early application of these new requirements for hedge accounting under HKFRS 9 has had no material impact on the results and financial position of the Group for the current period and prior years.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operations[3]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions Accounting[1]
HKFRS 15	Revenue from Contracts with Customers[4]

1 Effective for annual periods beginning on or after 1 July 2014.
2 Effective for annual periods beginning on or after 1 July 2014 with certain exceptions.
3 Effective for annual periods beginning on or after 1 January 2016.
4 Effective for annual periods beginning on or after 1 January 2017.

The Directors of the Company anticipate that the application of these new Standard 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 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**

	Retail HK$ million	Office HK$ million	Residential HK$ million	Consolidated HK$ million
For the six months ended 30 June 2013 (unaudited)				
Turnover				
Gross rental income from investment properties	781	466	140	1,387
Management fee income	63	66	15	144
Segment revenue	844	532	155	1,531
Property expenses	(92)	(60)	(29)	(181)
Segment profit	752	472	126	1,350
Investment income				36
Other gains and losses				(1)
Administrative expenses				(103)
Finance costs				(121)
Change in fair value of investment properties				2,356
Share of results of associates				145
Profit before taxation				3,662

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 2014 (unaudited)				
Segment assets	**33,492**	**22,339**	**7,710**	**63,541**
Investment properties under redevelopment *(Note)*				**3,820**
Investments in associates				**4,270**
Other assets				**6,146**
Consolidated assets				**77,777**

Note:
During the six months ended 30 June 2014, certain investment properties were under redevelopment and transferred out from segment assets.

	Retail HK$ million	Office HK$ million	Residential HK$ million	Consolidated HK$ million
As at 31 December 2013 (audited)				
Segment assets	32,655	24,205	8,472	65,332
Investments in associates				4,181
Other assets				6,581
Consolidated assets				76,094

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

6. Taxation

	Six months ended 30 June	
	2014 HK$ million	2013 HK$ million
Current tax		
Hong Kong profits tax (for current period)	**154**	134
Deferred tax	**33**	54
	187	188

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	
	2014	2013
	HK$ million	HK$ million
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**8**	7
Gross rental income from investment properties including contingent rental of HK$60 million (2013: HK$64 million)	**(1,452)**	(1,387)
Less:		
- Direct operating expenses arising from properties that generated rental income	**175**	179
- Direct operating expenses arising from properties that did not generate rental income	**3**	2
	(1,274)	(1,206)
Net interest income	**(27)**	(36)
Staff costs, comprising:		
- Directors' emoluments	**20**	19
- Other staff costs	**113**	110
	133	129
Share of income tax of an associate (included in share of results of associates)	**55**	57

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	
	2014	2013
	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	**2,888**	3,243

	Number of shares	
	Six months ended 30 June	
	2014	2013
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,063,669,813**	1,063,344,504
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**130,501**	236,446
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,063,800,314**	1,063,580,950

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			
	2014		2013	
	Profit	**Basic earnings per share**	Profit	Basic earnings per share
	HK$ million	**HK cents**	HK$ million	HK cents
Profit for the period attributable to owners of the Company	**2,888**	**271.51**	3,243	304.98
Change in fair value of investment properties	**(1,945)**		(2,356)	
Effect of non-controlling interests' shares	**146**		179	
Share of change in fair value of investment properties (net of deferred taxation) of an associate	**(7)**		(33)	
Underlying Profit	**1,082**	**101.72**	1,033	97.15
Recurring Underlying Profit	**1,082**	**101.72**	1,033	97.15

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; impairment or its reversal; and tax provisions for prior years). As there were no such adjustments in both the six months ended 30 June 2014 and 2013, the Recurring Underlying Profit is the same as the Underlying Profit.

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

9. Dividends

(a) Dividends recognised as distribution during the period:

	Six months ended 30 June	
	2014	2013
	HK$ million	HK$ million
2013 second interim dividend paid – HK95 cents per share	**1,010**	-
2012 second interim dividend paid – HK78 cents per share	**-**	830
	1,010	830

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

	Six months ended 30 June	
	2014	2013
	HK$ million	HK$ million
First interim dividend declared – HK23 cents per share (2013: HK22 cents per share)	**245**	234

The first interim dividend is not recognised as a liability as at 30 June 2014 and 2013 because it has been declared after the end of the reporting period.

The declared 2014 first interim dividend will be payable in cash.

10. Accounts Receivable and Other Receivables

	At 30 June 2014 HK$ million	At 31 December 2013 HK$ million
Accounts receivable	**13**	10
Interest receivable	**75**	80
Prepayments in respect of investment properties	**58**	47
Other receivables	**341**	335
	487	472
Analysis for reporting purposes as:		
Current assets	**270**	241
Non-current assets	**217**	231
	487	472

Rents from leasing of investment properties are normally received in advance. At 30 June 2014, accounts receivable of the Group with carrying amount of HK$13 million (31 December 2013: HK$10 million) mainly represented rents receipts in arrears, which were aged less than 90 days.

11. Accounts Payable and Accruals

	At 30 June 2014 HK$ million	At 31 December 2013 HK$ million
Accounts payable	**129**	162
Interest payable	**98**	83
Other payables	**286**	255
	513	500

As at 30 June 2014, accounts payable of the Group with carrying amount of HK$129 million (31 December 2013: HK$162 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. 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 2014 was 638 (31 December 2013: 653). The Group’s human resources practices are aligned with our corporate objectives so as to maximise shareholder value and achieve growth.

There has been no material change in respect of the human resources programs, training and development as set out in our 2013 Corporate Responsibility Report.

Closure of Register of Members

The register of members will be closed on Monday, 25 August 2014, during which period no transfer of shares will be registered. The ex-dividend date will be Thursday, 21 August 2014. 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 Friday, 22 August 2014. The first interim dividend will be paid to shareholders whose names appear on the register of members on Monday, 25 August 2014 and the payment date will be on or about Thursday, 4 September 2014.

By Order of the Board

Wendy Wen Yee YUNG

Executive Director and Company Secretary

Hong Kong, 8 August 2014

*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**, Joseph Chung Yin POON**, Hans Michael JEBSEN* (Kam Wing LI 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 2014 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 2014.