Hysan Development Company Limited

(stock code: 00014)

INTERIM REPORT 2011

MISSION

To build, own and manage quality buildings, and being the occupiers' partner of choice in the provision of real estate accommodation and services, thereby delivering attractive and sustainable returns to our shareholders.

CONTENTS

Highlights

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

Results

		Six months ended 30 June		
		2011	2010	
	Notes	**HK$ million**	HK$ million	Change
Turnover	1	**939**	877	+7.1%
Recurring Underlying Profit	2	**663**	582	+13.9%
Underlying Profit	3	**663**	582	+13.9%
Statutory Profit	4	**6,012**	1,918*	+213.5%
		HK cents	HK cents	
Earnings per share, based on:				
Recurring Underlying Profit	2	**62.86**	55.39	+13.5%
Underlying Profit	3	**62.86**	55.39	+13.5%
Statutory Profit	4	**569.98**	182.53*	+212.3%
Interim dividend per share		**15.00**	14.00	+7.1%
		At 30 June 2011 HK$ million	At 31 December 2010 HK$ million	
Shareholders' Funds	5	**46,236**	40,677	+13.7%
		HK$	HK$	
Net Asset Value per Share	6	**43.67**	38.61	+13.1%

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

Notes:

1. **Turnover** comprises rental income and management fee income derived from the Group's investment properties portfolio in Hong Kong.

2. **Recurring Underlying Profit** is a performance indicator of the Group's core property investment business and is arrived at by excluding from Underlying Profit gains/losses from disposal of assets, impairment, reversal, recovery and tax provisions for prior year(s).

3. **Underlying Profit** is arrived at by excluding from Statutory Profit unrealised fair value changes on investment properties. As a property investor, the Group's results are principally derived from the rental revenues on its investment properties. The inclusion of the unrealised fair value changes on investment properties in the consolidated income statement causes an increase in fluctuation in earnings and poses limitation on the use of the unadjusted earning figures, financial ratios, trends and comparison against prior period(s). Accordingly, unrealised fair value changes on investment properties are excluded in arriving at the Underlying Profit.

4. **Statutory Profit** is the profit attributable to owners of the Company. It is prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance.

5. Previously, Adjusted Shareholders' Funds, arrived at by adding back the Group's share of cumulative deferred tax on property revaluation to **Shareholders' Funds**, were presented. Following the Amendments to Hong Kong Accounting Standard 12 "Income Taxes" and Hong Kong Accounting Standard 17 "Leases" issued in 2010, the Group's share of cumulative deferred tax on property revaluation became immaterial and hence only Shareholders' Funds are presented afterwards.

6. **Net Asset Value per Share** represents Shareholders' Funds divided by the number of issued shares at interim period end/year end.

Chairman's Statement

Overview

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

Results

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

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

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

Dividends

The Board of Directors has declared an interim dividend of HK15.0 cents per share (2010: HK14.0 cents). The dividend will be payable in cash with a scrip dividend alternative. Details on the payment of interim dividend including the scrip dividend arrangements are set out in "Shareholder Information" on the inside back cover.

Outlook

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

Irene Yun Lien LEE
Chairman

Hong Kong, 9 August 2011

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

Management's Discussion and Analysis

Operations and Financial Review

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Policy

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

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

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

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

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

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

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

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

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

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

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

Report on Review of Interim Financial Information

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF
HYSAN DEVELOPMENT COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 7 to 31, which comprises the condensed consolidated statement of financial position of Hysan Development Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2011 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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 HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

9 August 2011

Condensed Consolidated Income Statement

For the six months ended 30 June 2011 (unaudited)

	Notes	Six months ended 30 June **2011** **HK$ million**	 2010 HK$ million (restated)
Turnover	3	**939**	877
Property expenses		**(107)**	(112)
Gross profit		**832**	765
Investment income		**40**	22
Other gains and losses		**(5)**	(12)
Administrative expenses		**(78)**	(66)
Finance costs	5	**(59)**	(60)
Change in fair value of investment properties		**5,608**	1,214
Share of results of associates		**124**	259
Profit before taxation		**6,462**	2,122
Taxation	6	**(118)**	(106)
Profit for the period	7	**6,344**	2,016
Profit for the period attributable to:			
Owners of the Company		**6,012**	1,918
Non-controlling interests		**332**	98
		6,344	2,016
Earnings per share (expressed in HK cents)			
Basic	8	**569.98**	182.53
Diluted	8	**569.39**	182.42

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011 (unaudited)

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

Condensed Consolidated Statement of Financial Position

At 30 June 2011 (unaudited)

	Notes	At 30 June 2011 HK$ million	At 31 December 2010 HK$ million
Non-current assets			
Investment properties	10	**46,847**	40,833
Property, plant and equipment		**470**	429
Investments in associates		**3,209**	3,014
Principal-protected investments		**413**	378
Term notes		**194**	168
Equity investments		**1,010**	–
Available-for-sale investments		**–**	1,152
Other financial assets		**65**	90
Other receivables		**143**	79
		52,351	46,143
Current assets			
Accounts receivable and other receivables	11	**125**	98
Amount due from an associate		**14**	139
Principal-protected investments		**275**	84
Term notes		**212**	95
Other financial assets		**93**	2
Time deposits	12	**2,420**	1,930
Cash and bank balances	12	**81**	63
		3,220	2,411
Current liabilities			
Accounts payable and accruals	13	**413**	433
Rental deposits from tenants		**166**	175
Amounts due to non-controlling interests		**327**	327
Borrowings	14	**1,507**	650
Other financial liabilities		**13**	–
Taxation payable		**114**	50
		2,540	1,635
Net current assets		**680**	776
Total assets less current liabilities		**53,031**	46,919
Non-current liabilities			
Borrowings	14	**4,151**	3,937
Other financial liabilities		**51**	52
Rental deposits from tenants		**313**	276
Deferred taxation	15	**356**	337
		4,871	4,602
Net assets		**48,160**	42,317
Capital and reserves			
Share capital		**5,294**	5,267
Reserves		**40,942**	35,410
Equity attributable to owners of the Company		**46,236**	40,677
Non-controlling interests		**1,924**	1,640
Total equity		**48,160**	42,317

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011 (unaudited)

	Attributable to owners of the Company			
	Share capital HK$ million	Share premium HK$ million	Share options reserve HK$ million	Capital redemption reserve HK$ million
At 1 January 2011	5,267	1,754	16	276
Profit for the period	–	–	–	–
Change in fair value of equity investments	–	–	–	–
Change in fair value of derivatives designated as cash flow hedges	–	–	–	–
Transfer to profit and loss for cash flow hedges	–	–	–	–
Gain on revaluation of properties held for own use (Note a)	–	–	–	–
Deferred taxation arising on revaluation of properties held for own use	–	–	–	–
Share of other comprehensive income of an associate	–	–	–	–
Total comprehensive (expense) income for the period	–	–	–	–
Issue of shares pursuant to scrip dividend schemes	23	145	–	–
Issue of shares under share option schemes	4	12	(3)	–
Recognition of equity-settled share-based payments	–	–	3	–
Forfeiture of share options	–	–	(2)	–
Dividends paid during the period (note 9)	–	–	–	–
Transfer to retained profits upon disposal of equity investments	–	–	–	–
At 30 June 2011	**5,294**	**1,911**	**14**	**276**
At 1 January 2010, as restated (Note b)	5,253	1,703	10	276
Profit for the period	–	–	–	–
Change in fair value of available-for-sale investments	–	–	–	–
Change in fair value of derivatives designated as cash flow hedges	–	–	–	–
Transfer to profit and loss for cash flow hedges	–	–	–	–
Gain on revaluation of properties held for own use (Note a)	–	–	–	–
Deferred taxation arising on revaluation of properties held for own use	–	–	–	–
Share of other comprehensive income of an associate	–	–	–	–
Total comprehensive income (expense) for the period	–	–	–	–
Issue of shares pursuant to scrip dividend schemes	7	22	–	–
Recognition of equity-settled share-based payments	–	–	3	–
Dividends paid during the period (note 9)	–	–	–	–
At 30 June 2010, as restated	5,260	1,725	13	276

Notes:

(a) The Group's leasehold land and buildings classified as property, plant and equipment were revalued at 30 June 2011 and 2010 by Knight Frank Petty Limited, an independent qualified professional valuer, on market value basis, by reference to comparable transactions for similar properties and on the basis of capitalisation of net income with due allowance for the reversionary income. The gain of HK$34 million (2010: HK$22 million) arising on revaluation have been recognised in properties revaluation reserve.

(b) The figures have been restated as disclosed in annual report 2010, to reflect prior year adjustments arising from recognition of deferred taxation in respect of revalued investment properties that have been presumed to be recovered through sale in accordance with the Amendments to HKAS 12 "Income Taxes".

Attributable to owners of the Company								
General reserve HK$ million	Investments revaluation reserve HK$ million	Hedging reserve HK$ million	Properties revaluation reserve HK$ million	Translation reserve HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total HK$ million
100	959	(44)	204	256	31,889	40,677	1,640	42,317
–	–	–	–	–	6,012	6,012	332	6,344
–	(100)	–	–	–	–	(100)	–	(100)
–	–	(14)	–	–	–	(14)	–	(14)
–	–	10	–	–	–	10	–	10
–	–	–	34	–	–	34	–	34
–	–	–	(6)	–	–	(6)	–	(6)
–	–	–	–	71	–	71	–	71
–	(100)	(4)	28	71	6,012	6,007	332	6,339
–	–	–	–	–	–	168	–	168
–	–	–	–	–	–	13	–	13
–	–	–	–	–	–	3	–	3
–	–	–	–	–	2	–	–	–
–	–	–	–	–	(632)	(632)	(48)	(680)
–	(33)	–	–	–	33	–	–	–
100	**826**	**(48)**	**232**	**327**	**37,304**	**46,236**	**1,924**	**48,160**
100	809	(22)	175	153	28,759	37,216	1,516	38,732
–	–	–	–	–	1,918	1,918	98	2,016
–	72	–	–	–	–	72	–	72
–	–	(36)	–	–	–	(36)	–	(36)
–	–	10	–	–	–	10	–	10
–	–	–	22	–	–	22	–	22
–	–	–	(3)	–	–	(3)	–	(3)
–	–	–	–	23	–	23	–	23
–	72	(26)	19	23	1,918	2,006	98	2,104
–	–	–	–	–	–	29	–	29
–	–	–	–	–	–	3	–	3
–	–	–	–	–	(567)	(567)	(45)	(612)
100	881	(48)	194	176	30,110	38,687	1,569	40,256

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011 (unaudited)

	Notes	Six months ended 30 June 2011 HK$ million	2010 HK$ million
Net cash from operating activities		**680**	681
Investing activities			
Interest received		**14**	6
Dividends received from equity investments		**26**	–
Dividends received from available-for-sale investments		**–**	16
Proceeds on disposal of investment properties		**–**	50
Proceeds on disposal of equity investments		**40**	–
Proceeds upon maturity of principal-protected investments		**35**	86
Repayment from an associate		**125**	–
Payments in respect of investment properties		**(446)**	(502)
Purchases of property, plant and equipment		**(2)**	(2)
Purchases of term notes		**(146)**	–
Purchases of other financial assets		**(60)**	–
Additions to principal-protected investments		**(251)**	(230)
(Increase) decrease in time deposits with original maturity over three months		**(535)**	603
Net cash (used in) from investing activities		**(1,200)**	27
Financing activities			
Interest paid		**(51)**	(41)
Payment of other finance costs		**(7)**	(3)
Medium Term Note Programme expenses		**(1)**	(1)
Dividends paid		**(464)**	(538)
Dividends paid to non-controlling interests of a subsidiary		**(48)**	(45)
Repayment of bank loans		**(849)**	–
Redemption of fixed rate notes		**–**	(68)
New bank loans		**1,750**	200
Issue of fixed rate notes		**150**	–
Proceeds on exercise of share options		**13**	–
Net cash from (used in) financing activities		**493**	(496)
Net (decrease) increase in cash and cash equivalents		**(27)**	212
Cash and cash equivalents at 1 January	12	**560**	433
Cash and cash equivalents at 30 June	12	**533**	645

1. Basis of Preparation

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

2. Principal Accounting Policies

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

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

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

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

2. Principal Accounting Policies *continued*

HKFRS 9 "Financial instruments" (as revised in December 2010)

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

Financial assets

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

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

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

2. Principal Accounting Policies *continued*

HKFRS 9 "Financial instruments" (as revised in December 2010) *continued*

Financial assets *continued*

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

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

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

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

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

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

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

2. Principal Accounting Policies *continued*

HKFRS 9 "Financial instruments" (as revised in December 2010) *continued*

Financial liabilities

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

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

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

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

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

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

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

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

3. 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.

4. Segment Information

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

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

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

Residential segment – leasing of luxury residential properties and related facilities

Segment turnover and results

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

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

4. Segment Information *continued*

Segment turnover and results *continued*

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

All of the segment turnover reported above is from external customers.

Segment profit represents the profit earned by each segment without allocation of investment income, central administration costs and directors' salaries, other gains and losses, finance costs, change in fair value of investment properties and share of results of associates. This is the measure reported to the Chief Executive Officer of the Group for the purposes of resource allocation and performance assessment.

4. Segment Information *continued*

Segment assets

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

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

5. Finance Costs

	Six months ended 30 June	
	2011	2010
	HK$ million	HK$ million
Finance costs comprise:		
Interest on bank loans and overdrafts wholly repayable within five years	**8**	5
Interest on floating rate notes wholly repayable within five years	**1**	1
Interest on fixed rate notes wholly repayable within five years	**58**	48
Interest on fixed rate notes not wholly repayable within five years	**20**	15
Imputed interest on zero coupon notes not wholly repayable within five years	**7**	7
Total interest expenses	**94**	76
Other finance costs	**7**	4
Less: Amounts capitalised (Note)	**(18)**	(2)
	83	78
Net interest receipts on interest rate swaps and cross currency swaps	**(34)**	(35)
Reclassification of losses from hedging reserve on financial instruments designated as cash flow hedges	**9**	10
Premium on redemption of fixed rate notes	**–**	6
Medium Term Note Programme expenses	**1**	1
	59	60

Note:

Interest expenses have been capitalised to investment properties under redevelopment at an average interest rate of 2.92% (2010: 0.69%) per annum.

6. Taxation

	Six months ended 30 June	
	2011	2010
	HK$ million	HK$ million (restated)
Current tax		
Hong Kong profits tax (for current period)	**105**	90
Deferred tax (note 15)	**13**	16
	118	106

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

7. Profit For The Period

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

7. Profit For The Period *continued*

Note:

In March 2011, the Remuneration Committee (formerly named "Emoluments Review Committee") (1) reviewed and approved the 2011 annual fixed base salary and determined the 2010 performance-based bonus of the Company's executive Directors; and (2) reviewed and recommended for Board and shareholder approval, the revision of fee scale for non-executive Directors and Board Committee members. Details are as follows:

(i) 2011 annual fixed base salaries approved by the Committee (effective from 1 April 2011) were HK$5,340,400 for Gerry Lui Fai YIM and HK$3,042,000 for Wendy Wen Yee YUNG.

(ii) 2010 performance-based bonuses approved by the Committee were HK$4,424,000 for Gerry Lui Fai YIM and HK$2,520,000 for Wendy Wen Yee YUNG.

(iii) The revised fee scale for non-executive Directors and Board Committee members, effective from 1 June 2011, was approved by shareholders at 2011 annual general meeting held on 9 May 2011 as follows. Executive Directors will not receive Director fees as from 1 June 2011.

	Revised fee per annum HK$
Board of Directors	
Chairman	*400,000
Director	200,000
Audit Committee	
Chairman	100,000
Member	60,000
Remuneration Committee	
Chairman	50,000
Member	40,000
Other Committees	
Chairman	*30,000
Member	*20,000

* These fees remain unchanged.

8. Earnings Per Share

(a) Basic and diluted earnings per share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

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

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

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

8. Earnings Per Share *continued*

(b) Adjusted basic earnings per share

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

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

Notes:

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

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

9. Dividends

(a) Dividends recognised as distribution during the period:

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

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

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

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

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

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

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

10. Investment Properties

	Fair value HK$ million
At 1 January 2011	40,833
Additions	414
Transfer to property, plant and equipment	(8)
Change in fair value recognised in profit or loss	5,608
At 30 June 2011	**46,847**

The fair value of the Group's investment properties at 30 June 2011 have been arrived at on the basis of valuation carried out on that date by Knight Frank Petty Limited, an independent qualified professional valuer not connected with the Group. The Group's investment properties have been valued individually, on market value basis, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties. The valuation was mainly arrived at by reference to comparable market transactions for similar properties and on the basis of capitalisation of net income with due allowance for the reversionary income and redevelopment potential. For the investment properties under redevelopment, the valuation was mainly arrived at by reference to sales or rental evidences as available on the market to determine the value of the proposed development as if it were completed as at the date of valuation.

11. Accounts Receivable

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

12. Time Deposits/Cash and Bank Balances

	At 30 June 2011 HK$ million	At 31 December 2010 HK$ million
Time deposits	**2,420**	1,930
Cash and bank balances	**81**	63
Cash and deposits with banks shown in the condensed consolidated statement of financial position	**2,501**	1,993
Less: Time deposits with original maturity over three months	**(1,968)**	(1,433)
Cash and cash equivalents shown in the condensed consolidated statement of cash flows	**533**	560

13. Accounts Payable

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

14. Borrowings

The analysis of the carrying amounts of borrowings is as follows:

	Current		Non-Current	
	At 30 June 2011 HK$ million	At 31 December 2010 HK$ million	At 30 June 2011 HK$ million	At 31 December 2010 HK$ million
Unsecured bank loans	**150**	650	**2,100**	699
Floating rate notes	**–**	–	**200**	200
Fixed rate notes	**1,357**	–	**1,547**	2,750
Zero coupon notes	**–**	–	**304**	288
	1,507	650	**4,151**	3,937

14. Borrowings *continued*

During the current period, the Group drew down new unsecured bank loans of HK$1,750 million and issued new fixed rate notes of HK$150 million. The new unsecured bank loans carry interest at variable rates ranging from 0.52% to 1.04% per annum. Among the new bank loans, HK$150 million are repayable within one year and HK$1,600 million are repayable in more than two years but not exceeding five years from the end of the reporting period. The new fixed rate notes carry interest at fixed rate of 3.86% per annum payable quarterly and are fully repayable in May 2018.

15. Deferred Taxation

The following are the major deferred tax liabilities recognised by the Group and movements thereon during the period:

	Accelerated tax depreciation HK$ million	Revaluation of properties HK$ million	Total HK$ million
At 1 January 2011	297	40	337
Charge to profit or loss (note 6)	13	–	13
Charge to other comprehensive income	–	6	6
At 30 June 2011	**310**	**46**	**356**

At 30 June 2011, the Group has unused estimated tax losses of HK$585 million (31 December 2010: HK$570 million), of which HK$266 million (31 December 2010: HK$253 million) has not been agreed by the Hong Kong Inland Revenue Department, available for offset against future profits. No deferred tax asset has been recognised in respect of such losses as the utilisation of these estimated tax losses is uncertain. These estimated tax losses may be carried forward indefinitely.

16. Capital Commitments

At the end of the reporting period, the Group had the following capital commitments in respect of its investment properties and property, plant and equipment:

	At 30 June 2011 HK$ million	At 31 December 2010 HK$ million
Authorised but not contracted for	**396**	535
Contracted but not provided for	**1,474**	1,535

17. Related Party Transactions and Balances

(a) Transactions with related parties

During the period, the Group has received gross rental income from the following related parties:

	Six months ended 30 June	
	2011 HK$ million	2010 HK$ million
A substantial shareholder	**1**	1
Companies controlled by Directors or their associates	**13**	13
	14	14

(b) Balance with a related party

As at 30 June 2011, the Group has an amount of HK$94 million (31 December 2010: HK$94 million) due to a non-controlling interest, which represented outstanding loan advanced to a non-wholly owned subsidiary of the Group, Barrowgate Limited ("Barrowgate") by Mightyhall Limited, a wholly owned subsidiary of Jebsen and Company Limited ("Jebsen and Company"), of which Hans Michael JEBSEN is a director and shareholder, as shareholders' loan in proportion to its shareholding in Barrowgate for general funding purpose. The amount is unsecured, interest-free and repayable on demand.

17. Related Party Transactions and Balances *continued*

(c) Compensation of key management personnel

The remuneration of Directors and other members of key management of the Group during the period was as follows:

	Six months ended 30 June	
	2011	2010
	HK$ million	HK$ million
Salaries and other short-term employee benefits	**16**	10
Share-based payments	**2**	2
	18	12

The remuneration of the Directors and key executives is determined by the Remuneration Committee and Chief Executive Officer respectively having regard to the performance of individuals and market trends.

Additional Information

Corporate Governance

Hysan believes that embracing strong governance is the foundation to delivering on its strategic objective of consistent and sustainable performance over the long term. At the heart of Hysan's governance structure is an effective Board that is committed to upholding strong governance principles and to reinforcing Hysan's long-established and deeply engrained corporate governance tradition and culture of accountability, transparency and integrity.

We recognise the importance of having a broad complement of skills, experience and competencies on our Board to ensure the continued effective oversight of, and informed decision making with respect to, issues affecting Hysan. We are committed to continuing Board renewal to ensure that the Board of Directors (the "Board") is infused with fresh perspectives from time to time and that it always has the necessary skills and attributes required to oversee and govern in the ever-changing operating environment. Since October 2009, six non-executive Directors with backgrounds in the areas of finance, general management and professional practices have joined our Board.

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

Board Effectiveness

Board Responsibilities and Board/Management Relationship

The roles of the Board and of management are separate and distinct. The Board's responsibilities are, firstly to formulate strategy and, secondly, to monitor and control operating and financial performance in pursuit of the Group's strategic objectives. On the other hand, the responsibility for the day-to-day management of the Group's business activities and the implementation of the Group's policies remains vested in management.

The Board and management fully appreciate their respective roles and are supportive of the development of a healthy corporate governance culture.

These are governed by a formal Board of Directors Mandate (details are available on the Company's website: www.hysan.com.hk) which sets out the key responsibilities of the Board in fulfilling its stewardship roles. These include strategic planning and monitoring, internal controls and risk management, culture and values, capital management, corporate governance and board succession.

Board Effectiveness *continued*

Board Composition

The Board currently comprises 2 Executive Directors, 3 Independent non-executive Directors and 6 Non-executive Directors. There is a majority of Non-executive Directors on the Board with a wide range of experience and calibre who bring valuable judgment on issues of strategy, performance and resources.

During the review period, Irene Yun Lien LEE was appointed Non-executive Chairman as from the conclusion of the May 2011 Annual General Meeting ("May AGM"). She succeeded Sir David AKERS-JONES, who stepped down following the May AGM, after having served on the Board for over 20 years, including 8 years as Deputy Chairman. Ms. Lee also serves as Alternate Director to Anthony Hsien Pin LEE as from 11 January 2011, and Non-executive Director since 9 March 2011. Siu Chuen LAU was appointed Non-executive Director after the stepping down of Dr. Deanna Ruth Tak Yung RUDGARD as Non-executive Director as from conclusion of the May AGM.

Board Process

The Board meets at least quarterly. A detailed list of Matters Reserved for Board Decisions sets out the key matters that are to be retained for the decision of the full Board and such list is reviewed periodically, at least once a year. These matters include: the extension of Group activities into new business areas; capital management framework and policy; treasury policies; material investment transactions; connected transactions; annual budgets; preliminary announcements of interim and final results; and the declaration of dividends.

An important element of the Company's corporate governance programme is the continuous improvement in the quality and timeliness of the dissemination of information to Directors. The Board receives detailed quarterly presentations from management in respect of their areas of responsibility. Appropriate key performance indicators are used to facilitate benchmarking and peer group comparison. Financial plans, including budgets and forecasts, are regularly discussed at Board meetings. Monthly reports showing performance highlights are also provided. From time to time, the Board also receives presentations, including from non-Board management members, on issues of significance or new opportunities for the Group. This facilitates the build-up of constructive relations and dialogue between the Board and the management team.

Directors are also kept updated of any material developments from time to time through notifications and circulars giving them the relevant background and explanatory information. Directors also have access to non-Director management staff where appropriate. These ensure that the Board will be given the answers it needs to fulfill its obligations.

The Board recognises that there may be occasions when one or more Directors feel that it is necessary to obtain independent legal and/or financial advice for the purpose of fulfilling their obligations. Such advice may be obtained at the Company's expense and there is an agreed procedure to enable Directors to obtain such advice, as stated in our Corporate Governance Guidelines.

Board Effectiveness *continued*

Internal Controls

The Group is committed to implementing effective risk management policies and internal controls procedures to identify, evaluate and manage the risks that the Group may be exposed to, thereby providing reasonable assurance regarding the achievement of corporate objectives.

The Board has the overall responsibility to ensure that sound and effective internal controls are maintained, while management is charged with the responsibility to design and implement the internal controls system to manage risks. As stated in our 2010 Annual Report, the Board considered the internal controls system effective and adequate. The scope of this review covers the adequacy of resources, qualifications/experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. No significant areas of concern which might affect the operational, financial reporting and compliance functions of the Company are identified.

Our Internal Audit function assists management in its monitoring function by providing independent assessment and assurance. The principle of independence was firmly established, as evident by its reporting line to Audit Committee and Chief Executive Officer.

Board Committees

In order to provide effective oversight and leadership and pursuant to its Corporate Governance Guidelines, the Board has established 3 corporate governance-related Board committees (being the Audit, Remuneration and Nomination Committees). During the review period, following every committee meeting, committee chairs report to the Board on the activities of their respective committees.

- ***Audit Committee***

  The Audit Committee is currently chaired by Nicholas Charles ALLEN, Independent non-executive Director, and has a majority of Independent non-executive Directors. The other members of the Audit Committee are Philip Yan Hok FAN and Anthony Hsien Pin LEE. Nicholas Charles ALLEN (Chairman) is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in auditing and accounting, which he developed while working with a "Big Four" international firm. The Audit Committee meets no less than twice a year. At the invitation of the Audit Committee, meetings are also attended by members of management, including the Head of Finance Department. Pre-meeting sessions with external and internal auditors were held without management presence. Full terms of reference are available on the Company's website: www.hysan.com.hk.

Board Effectiveness *continued*

Board Committees *continued*

- ***Audit Committee*** *continued*

  Hysan believes a clear appreciation of the separate roles of management, the external auditor and Audit Committee members is crucial to the effective functioning of an audit committee. Management is responsible for selecting appropriate accounting policies and the preparation of the financial statements. The external auditor is responsible for auditing and attesting to the Group's financial statements and evaluating the Group's system of internal controls, to the extent that they consider necessary to support their audit report. The Audit Committee, as the delegate of the full Board, is responsible for overseeing the entire process. The Committee reports to the Board after each meeting which addresses the work and findings of the Committee.

  The Committee also has the responsibility of reviewing the Group's "whistle-blowing" procedures allowing employees to raise concerns, in confidence or anonymously, about possible breaches of the Group's Code of Ethics and to ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

  The Committee has reviewed and discussed with management and external auditor the unaudited condensed consolidated financial statements for the first six months of 2011 included in this Report.

- ***Remuneration Committee***

  The members of the Remuneration Committee are Philip Yan Hok FAN and Michael Tze Hau LEE. During the review period, Sir David AKERS-JONES stepped down as Independent non-executive Chairman as well as chairman of the Committee after the conclusion of the May AGM. The Board is currently reviewing the composition of the Remuneration Committee. It is the Company's intention to maintain a majority of Independent Non-executive Directors in the Committee. The Remuneration Committee generally meets at least once every year. In-camera meetings were held without management presence. Full terms of reference are available on the Company's website: www.hysan.com.hk.

  The Committee reviews and determines the remuneration of the executive Directors. Management makes recommendations to the Committee on the Company's framework for, and cost of, the remuneration of executive Directors and the Committee then reviews these recommendations. The Remuneration Committee also reviews the fees of the Chairman, non-executive Directors and members of Board Committees prior to such fees being submitted for approval at the AGM. No Director or any of his associates is involved in deciding his own remuneration. In addition, the Committee reviews new share option plans, changes to key terms of pension plans, and key terms of new compensation and benefit plans with material financial, reputational and strategic impact.

  A separate "Directors' Remuneration and Interests Report" in the 2010 Annual Report sets out details of the level of the Directors' remuneration including remuneration breakdown of each individual executive Directors on a "named" basis.

Board Effectiveness *continued*

Board Committees *continued*

- ***Nomination Committee***

  The Nomination Committee is currently chaired by Irene Yun Lien LEE, Non-executive Chairman. The other members are Philip Yan Hok FAN, Chien LEE and Gerry Lui Fai YIM. Sir David AKERS-JONES was chairman of the Committee until he stepped down in May 2011. The Nomination Committee meets when it is considered necessary. Full terms of reference are available on the Company's website: www.hysan.com.hk.

  The Committee has the responsibility of nominating candidates, for Board approval, to fill Board vacancies as and when they arise, and of evaluating the balance of skills, knowledge and experience of the Board. It is clearly set out in the terms of reference of the Committee that the Chairman of the Board will not chair the Committee when it is dealing with the matter of succession of the chairmanship.

In addition, the Board formed a Strategy Committee and has convened two meetings during the review period to discuss long-term development of the Group's properties portfolio. It is currently chaired by Irene Yun Lien LEE, Chairman of the Board. Its other members are Gerry Lui Fai YIM (Chief Executive Officer), Nicholas Charles ALLEN, Philip Yan Hok FAN, Chien LEE and Siu Chuen LAU. Other Board members are also invited to attend Committee meetings.

Communication with Shareholders

The Group is committed to maintaining a policy of open and timely disclosure of relevant information on its attributes to shareholders and other stakeholders, subject to applicable legal requirements. A communication programme is in place to maintain an on-going dialogue with the Company's stakeholders, including communication with shareholders in a regular and timely manner, through the Group's annual and interim reports and accounts, press releases/announcements; and holding regular briefings and meetings between executive Directors and institutional investors, fund managers and analysts.

The Board is equally interested in the concerns of private shareholders and recognises the significance of constructive use of the AGM as a useful means to enter into a dialogue with private shareholders based on mutual understanding of objectives. Individual shareholders can put questions to the Chairman at the general meeting. Board Committee Chairmen, as provided under the respective terms of references, attend AGMs to respond to any shareholder questions on the activities of the Committees. Since 2004, to enable shareholders to gain a better understanding of our business activities, we have included a "business review" session in addition to the statutory part of the meeting. In the May AGM, topics addressed include overview of the 2010 business environment, financial position, annual results and subsequent updates, and 2011 outlook.

We recognise the significance of consistent disclosure practices aimed at accurate, timely and broadly disseminated disclosure of material information about Hysan. The Group's Corporate Disclosure Policy provides guidance for coordinating the disclosure of material information to investors, analysts and media as well as our processes for results announcements.

Updated Information on Directors Pursuant to Rule 13.51B(1) of the Listing Rules

Directors' Updated Biographical Details

The Directors' updated information is set out below. Upon specific enquiry by the Company and following confirmations from Directors, save as otherwise set out in this Report, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules since the Company's last published annual report.

Non-executive Chairman

Irene Yun Lien LEE

Ms. Lee is the non-executive chairman of Keybridge Capital Limited, a financial services company listed on the Australian Stock Exchange, a non-executive director of Cathay Pacific Airways Limited, QBE Insurance Group Limited (listed on the Australian Stock Exchange), The Myer Family Company Pty Limited and ING Bank (Australia) Limited. She is a member of the Advisory Council of JP Morgan Australia. She has held senior positions in investment banking and fund management in a number of renowned international financial institutions. Previously, Ms. Lee has been an executive director of Citicorp Investment Bank Limited in New York, London and Sydney, head of corporate finance at Commonwealth Bank of Australia and chief executive officer of Sealcorp Holdings Limited, both based in Sydney. Ms. Lee was formerly a member of the Australian Government Takeovers Panel. She is a member of the founding Lee family, a sister of Mr. Anthony Hsien Pin LEE and his alternate on the Board. Ms. Lee holds a Bachelor of Arts Degree from Smith College, United States of America, and is a Barrister-at-Law in England and Wales and a member of the Honourable Society of Gray's Inn, United Kingdom. She was appointed a Non-executive Director in March 2011 and became Non-executive Chairman in May 2011.

Chief Executive Officer

Gerry Lui Fai YIM

Mr. Yim leads the management team and is responsible for the entire Group's business and development. Prior to joining Hysan, he was managing director (for the Americas, Middle East and Africa) of the ports division of a conglomerate and has held senior positions in general management, finance, and investment banking at major organisations in Hong Kong. Mr. Yim holds a Bachelor's degree in Economics from the University of Leeds, United Kingdom. He is a member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. He was appointed Executive Director in December 2009 and Chief Executive Officer in March 2010.

Independent Non-executive Director

Nicholas Charles ALLEN

Mr. Allen is an independent non-executive director of CLP Holdings Limited, Lenovo Group Limited and VinaLand Limited. He has extensive experience in accounting and auditing and was a partner of PricewaterhouseCoopers (PwC) from 1988 until his retirement in June 2007. His other appointments in Hong Kong prior to his retirement from PwC included: Member of the Securities and Futures Appeal Panel; Member of the Takeovers & Merger Panel; Member of the Takeovers Appeal Committee; Member of the Share Registrars' Disciplinary Committee and Member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants. Mr. Allen holds a Bachelor of Arts degree in Economics/Social Studies from Manchester University, United Kingdom. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. He was appointed an Independent non-executive Director in November 2009.

Updated Information on Directors Pursuant to Rule 13.51B(1) of the Listing Rules *continued*

Directors' Updated Biographical Details *continued*

Independent Non-executive Director
Philip Yan Hok FAN
Mr. Fan is a non-executive director of China Everbright International Limited and an independent non-executive director of HKC (Holdings) Limited and Zhuhai Zhongfu Enterprise Co. Ltd. Mr. Fan holds a Bachelor's Degree in Industrial Engineering and a Master's Degree in Operations Research from Stanford University, as well as a Master's Degree in Management Science from Massachusetts Institute of Technology. He was appointed Independent non-executive Director in January 2010.

Independent Non-executive Director
Joseph Chung Yin POON
Mr. Poon is group managing director and deputy chief executive officer of a private company and an independent non-executive director of AAC Technologies Holdings Inc. He was formerly managing director and deputy chief executive of Hang Seng Bank Limited and had held senior management posts in HSBC Group and a number of international renowned financial institutions. Mr. Poon is a member of the Board of Inland Revenue of Hong Kong Special Administrative Region and the Environment and Conservation Fund Investment Committee, also a committee member of the Chinese General Chamber of Commerce. He was the former chairman of Hang Seng Index Advisory Committee, Hang Seng Indexes Company Limited. Mr. Poon holds a Bachelor of Commerce degree from the University of Western Australia, is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in Australia. He was appointed Independent non-executive Director in January 2010.

Non-executive Director
Hans Michael JEBSEN B.B.S.
Mr. Jebsen is chairman of Jebsen and Company Limited as well as a director of other Jebsen Group companies worldwide. He is also an independent non-executive director of The Wharf (Holdings) Limited. He was appointed a Non-executive Director in 1994.

Non-executive Director
Siu Chuen LAU
Mr. Lau is a private investor. Previously, he has worked as a management consultant at McKinsey & Company and a stock analyst at Morgan Stanley Asia and subsequently became a Responsible Officer of a SFC licensed investment advisory firm. Mr. Lau was the acting Head of Finance of Hysan Group in 1999. He is a member of the founding Lee family and an alternate director of Lee Hysan Company Limited, a substantial shareholder of the Company. Mr. Lau holds a Bachelor of Social Sciences Degree in Management and Economics from The University of Hong Kong, and a Master of Business Administration Degree from INSEAD, France. He was appointed a Non-executive Director in May 2011.

Non-executive Director
Anthony Hsien Pin LEE
Mr. Lee is a director and substantial shareholder of the Australian-listed Beyond International Limited, principally engaged in television programme production and international sales of television programmes and feature films. He is also an alternate director of Television Broadcasts Limited. He received a Bachelor of Arts Degree from Princeton University and a Master of Business Administration Degree from The Chinese University of Hong Kong. Mr. Lee is a member of the founding Lee family and a director of Lee Hysan Estate Company, Limited, a substantial shareholder of the Company. He was appointed a Non-executive Director in 1994.

Updated Information on Directors Pursuant to Rule 13.51B(1) of the Listing Rules *continued*

Directors' Updated Biographical Details *continued*

Non-executive Director
Chien LEE
Mr. Lee is a private investor and a non-executive director of Swire Pacific Limited and Television Broadcasts Limited and a number of private companies. He is a member of the founding Lee family and a director of Lee Hysan Estate Company, Limited, a substantial shareholder of the Company. Mr. Lee received a Bachelor of Science Degree in Mathematical Science, a Master of Science Degree in Operations Research and a Master of Business Administration Degree from Stanford University. Mr. Lee was appointed a Non-executive Director in 1988.

Non-executive Director
Michael Tze Hau LEE
Mr. Lee is currently the managing director of MAP Capital Limited, an investment management company. He is also an independent non-executive director of Hong Kong Exchanges and Clearing Limited, Chen Hsong Holdings Limited, Trinity Limited; and a Steward of The Hong Kong Jockey Club. Mr. Lee was an independent non-executive director of Tai Ping Carpets International Limited and a member of the Main Board and Growth Enterprise Market Listing Committees of The Stock Exchange of Hong Kong Limited. Mr. Lee is a member of the founding Lee family and a director of Lee Hysan Estate Company, Limited, a substantial shareholder of the Company. He joined the Board in January 2010 having previously served as a Director from 1990 to 2007. Mr. Lee received his Bachelor of Arts Degree from Bowdoin College and his Master of Business Administration Degree from Boston University.

Executive Director and Company Secretary
Wendy Wen Yee YUNG
Ms. Yung joined the Group in 1999 and was appointed an Executive Director in 2008. She advises the Board on all matters of corporate governance, and is responsible for the Group's shareholder communications and key stakeholder relations management. In addition, she has an oversight of all aspects of the Group's legal matters. Ms. Yung holds a Master of Arts degree from Oxford University, United Kingdom and is qualified as a solicitor of the Supreme Court of England and Wales as well as High Court of Hong Kong. She was a partner of an international law firm prior to joining the Group. Ms. Yung is also qualified as a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, and sits on the Institute's Professional Accountants in Business Leadership Panel. Her public services include serving as a member of the Securities and Futures Appeal Panel, and a member of the Hong Kong Selection Committee of the Rhodes Scholarship.

Directors' Emoluments

In March 2011, the Remuneration Committee (1) reviewed and approved the 2011 annual fixed base salary and determined the 2010 performance-based bonus of the Company's executive Directors; and (2) reviewed and recommended for Board and shareholder approval, the revision of fee scales for non-executive Directors and Board Committee members. New fee levels of non-executive Directors (other than the Chairman) and Board Committee members were approved by shareholders at the May AGM. Details of such new fee levels and other details are set out in the note to the condensed consolidated financial statements on pages 22 and 23.

Executive Directors were also granted share options on 10 March 2011 pursuant to the Company's share option scheme, details are set out in the section "Long-term incentives: Share Option Schemes" below.

Directors' Interests in Shares

As at 30 June 2011, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), are set out below:

Aggregate long positions in shares and underlying shares of the Company

	Number of ordinary shares held					
Name	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**% of the issued share capital** (Note a)
Hans Michael JEBSEN	60,984	–	2,473,316 (Note b)	–	2,534,300	0.239
Chien LEE	800,000	–	–	–	800,000	0.076
Gerry Lui Fai YIM	40,000	–	–	–	40,000	0.004
Wendy Wen Yee YUNG	28,000	–	–	–	28,000	0.003
Siu Chuen LAU	–	–	20,115 (Note c)	–	20,115	0.002

Notes:

a. This percentage has been compiled based on the total number of shares of the Company in issue (i.e. 1,058,706,243 ordinary shares) as at 30 June 2011.

b. Such shares were held through a corporation in which Hans Michael JEBSEN was a member entitled to exercise no less than one-third of the voting power at general meeting.

c. Such shares were held through a corporation in which Siu Chuen LAU and his wife were members and each entitled to exercise no less than one-third of the voting power at general meeting.

Certain executive Directors of the Company have been granted share options under the Company's share option schemes (details are set out in the section headed "Long-term incentives: Share Option Schemes" below). These constitute interests in underlying shares of equity derivatives of the Company under the SFO.

Directors' Interests in Shares *continued*

Aggregate long positions in shares of associated corporations

Listed below is a Director's interest in the shares of Barrowgate, a 65.36% subsidiary of the Company:

	Number of ordinary shares held			
Name	Corporate interests	Other interests	Total	% of the issued share capital
Hans Michael JEBSEN	1,000	–	1,000	10 (Note)

Note:

Jebsen and Company held a 10% interest in the issued share capital in Barrowgate through a wholly-owned subsidiary. Hans Michael JEBSEN was deemed to be interested in the shares of Barrowgate by virtue of being a controlling shareholder of Jebsen and Company.

Apart from the above, no other interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations as at 30 June 2011 were recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Long-term incentives: Share Option Schemes

The Company has granted options under 2 executive share option schemes. The purpose of both schemes was to strengthen the link between individual staff and shareholder interests. The power of grant to executive Directors is vested in the Remuneration Committee and endorsed by all Independent non-executive Directors as required under the Listing Rules. The Chairman or the Chief Executive Officer may make grants to management staff below executive Director level.

The 1995 Share Option Scheme (the "1995 Scheme")

The 1995 Scheme was approved by shareholders on 28 April 1995 and had a term of 10 years. It expired on 28 April 2005. All outstanding options granted under the 1995 Scheme will continue to be valid and exercisable in accordance with the provisions of the 1995 Scheme.

The 2005 Share Option Scheme (the "2005 Scheme")

The Company adopted the 2005 Scheme at its AGM held on 10 May 2005, which has a term of 10 years and will be expiring on 9 May 2015 (together with the 1995 Scheme are referred to as the "Schemes").

During the review period, a total of 713,000 shares options were granted under the 2005 Scheme.

Directors’ Interests in Shares *continued*

Long-term incentives: Share Option Schemes *continued*

As at 30 June 2011, an aggregate of 2,849,336 shares are issuable for options granted under the Schemes, representing approximately 0.27% of the issued share capital of the Company.

Details of options granted, exercised, cancelled/lapsed and outstanding under the Schemes during the review period are as follows:

Name	Date of grant	Exercise price HK$	Exercisable period (Note a)	Balance as at 1.1.2011	Changes during the period: Granted	Exercised	Cancelled/ lapsed	Balance as at 30.6.2011
1995 Scheme								
Executive Director								
Wendy Wen Yee YUNG	30.3.2005	15.850	30.3.2005 – 29.3.2015	96,000	–	–	–	96,000
2005 Scheme								
Executive Directors								
Peter Ting Chang LEE (Note b)	6.3.2007	21.380	6.3.2007 – 16.1.2011	235,000	–	(235,000) (Note c)	–	–
	13.3.2008	21.450	13.3.2008 – 16.1.2011	260,000	–	(173,333) (Note c)	(86,667)	–
	11.3.2009	11.760	11.3.2009 – 16.1.2011	500,000	–	(166,666) (Note c)	(333,334)	–
Gerry Lui Fai YIM	1.12.2009	22.800	1.12.2009 – 30.11.2019	218,000	–	–	–	218,000
	10.3.2011	35.710 (Note d)	10.3.2011 – 9.3.2021	–	217,000	–	–	217,000

Directors' Interests in Shares *continued*

Long-term incentives: Share Option Schemes *continued*

Name	Date of grant	Exercise price HK$	Exercisable period (Note a)	Balance as at 1.1.2011	Changes during the period: Granted	Exercised	Cancelled/ lapsed	Balance as at 30.6.2011
2005 Scheme *continued*								
Executive Directors								
Wendy Wen Yee YUNG	26.6.2006	20.110	26.6.2006 – 25.6.2016	110,000	–	–	–	110,000
	30.3.2007	21.250	30.3.2007 – 29.3.2017	95,000	–	–	–	95,000
	31.3.2008	21.960	31.3.2008 – 30.3.2018	100,000	–	–	–	100,000
	11.3.2009	11.760	11.3.2009 – 10.3.2019	300,000	–	–	–	300,000
	11.3.2010	22.100	11.3.2010 – 10.3.2020	185,000	–	–	–	185,000
	10.3.2011	35.710 (Note d)	10.3.2011 – 9.3.2021	–	103,000	–	–	103,000
Eligible employees (Note e)	30.3.2006	22.000	30.3.2006 – 29.3.2016	15,000	–	–	–	15,000
	30.3.2007	21.250	30.3.2007 – 29.3.2017	15,000	–	(15,000) (Note f)	–	–
	31.3.2008	21.960	31.3.2008 – 30.3.2018	78,000	–	(5,000) (Note g)	–	73,000
	2.5.2008	23.900	2.5.2008 – 1.5.2018	95,000	–	–	–	95,000
	2.10.2008	20.106	2.10.2008 – 1.10.2018	85,000	–	–	–	85,000
	31.3.2009	13.300	31.3.2009 – 30.3.2019	363,334	–	(71,999) (Note h)	–	291,335
	31.3.2010	22.450	31.3.2010 – 30.3.2020	523,000	–	(27,999) (Note i)	(22,000) (Note j)	473,001
	31.3.2011	32.000 (Note k)	31.3.2011 – 30.3.2021	–	393,000	–	–	393,000
				3,273,334	713,000	(694,997)	(442,001)	2,849,336

Directors' Interests in Shares *continued*

Long-term incentives: Share Option Schemes *continued*

Notes:

(a) All options granted have a vesting period of 3 years in equal proportions.

(b) The late Chairman, Peter Ting Chang LEE, passed away on 17 October 2009. An extension in time (to 16 January 2011) for exercising his options was granted to his legal personal representative pursuant to the 2005 Scheme. Share options of 235,000, 173,333 and 166,666, which were granted to him on 6 March 2007, 13 March 2008 and 11 March 2009 respectively, were exercised by his sole executrix to his estate on 3 January 2011. The outstanding share options of 420,001 lapsed on 17 January 2011.

(c) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$36.60.

(d) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 9 March 2011) was HK$35.70.

(e) Eligible employees are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.

(f) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$36.25.

(g) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$34.35.

(h) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$34.91.

(i) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$34.83.

(j) The options lapsed during the period upon resignation of an eligible employee.

(k) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2011) was HK$31.95.

Apart from the above, the Company had not granted any share option under the Schemes to any other persons as required to be disclosed under Rule 17.07 of the Listing Rules.

Directors' Interests in Shares *continued*

Long-term incentives: Share Option Schemes *continued*

Value of share options

Pursuant to Rule 17.08 of the Listing Rules, the value of the share options granted during the period is to be expensed through the Group's income statement over the three-year vesting period of the options.

The fair values of share options granted by the Company were determined by using Black-Scholes option pricing model (the "Model"). The Model is one of the commonly used models to estimate the fair value of an option. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

The inputs into the Model were as follows:

Date of grant	**31.3.2011**	**10.3.2011**
Closing share price at the date of grant	HK$32.00	HK$34.00
Exercise price	HK$32.00	HK$35.71
Risk free rate (Note a)	2.687%	2.717%
Expected life of option (Note b)	10 years	10 years
Expected volatility (Note c)	34.151%	34.026%
Expected dividend per annum (Note d)	HK$0.640	HK$0.740
Estimated fair values per share option	HK$12.409	HK$12.553

Notes:

(a) Risk free rate: being the approximate yields of 10-year Exchange Fund Notes traded on the date of grant, matching the expected life of each option.

(b) Expected life of option: being the period of 10 years commencing on the date of grant, based on management's best estimates for the effects of non-transferability, exercise restriction and behavioural consideration.

(c) Expected volatility: for options granted on or after 1 December 2009, the approximate historical volatility of closing prices of the shares of the Company in the past 10 years immediately before the date of grant is applied in order to match the expected life of the options of 10 years.

(d) Expected dividend per annum: being the approximate average annual cash dividend for the past 5 financial years.

Substantial Shareholders' and Other Persons' Interests in Shares

As at 30 June 2011, the interests or short positions of substantial shareholders and other persons of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company, were as follows:

Aggregate long positions in shares and underlying shares of the Company

Name	Capacity	Number of ordinary shares held	% of the issued share capital (Note a)
Lee Hysan Estate Company, Limited	Beneficial owner and interests of controlled corporations	433,130,735 (Note b)	40.91
Lee Hysan Company Limited	Interests of controlled corporations	433,130,735 (Note b)	40.91
Silchester International Investors LLP	Investment manager	84,116,000	7.95

Notes:

(a) The percentage has been compiled based on the total number of shares of the Company in issue as at 30 June 2011 (i.e. 1,058,706,243 ordinary shares).

(b) These interests represent the same block of shares of the Company. 270,118,724 shares were held by Lee Hysan Estate Company, Limited ("LHE") and 163,012,011 shares were held by certain subsidiaries of LHE. LHE is a wholly-owned subsidiary of Lee Hysan Company Limited.

Apart from the above, no other interest or short position in the shares or underlying shares of the Company were recorded in the register required to be kept under section 336 of the SFO as at 30 June 2011.

Related Party Transactions

The Group entered into certain transactions with parties regarded as "Related Parties" under applicable accounting principles. These mainly relate to contracts entered into by the Group in the ordinary course of business, which contracts were negotiated on normal commercial terms and on an arm's length basis. Further details are set out in note 17 to the condensed consolidated financial statements.

Some of these transactions also constitute "Continuing Connected Transactions" under the Listing Rules, as identified on pages 47 to 50.

Continuing Connected Transactions

Certain transactions entered into by the Group constituted continuing connected transactions (the "Transactions") under Rule 14A.34 of the Listing Rules during the review period. Details of the Transactions required to be disclosed are set out as follows:

I. Leases granted by the Group

(a) The Lee Gardens, 33 Hysan Avenue, Hong Kong ("The Lee Gardens")

The following lease arrangements were entered into by Perfect Win Properties Limited, a wholly-owned subsidiary of the Company and property owner of The Lee Gardens, as landlord, with Oxer Limited ("Oxer"), an associate of Michael Tze Hau LEE, Non-executive Director of the Company. Details of the lease arrangement are set out below:

Connected person	**Date of agreement**	**Terms**	**Premises**	**Annual consideration** (Note a)
Oxer Limited (Note b)	14 June 2010 (Lease and Carpark Licence Agreement)	3 years commencing from 1 July 2010	Rooms 3703 and 3704 on the 37th Floor and 1 carparking space	2011: HK$1,661,616 2012: HK$1,638,876 2013: HK$819,438 (on pro-rata basis)

Continuing Connected Transactions *continued*

I. Leases granted by the Group *continued*

(b) Lee Gardens Two, 28 Yun Ping Road, Hong Kong ("Lee Gardens Two")

The following lease arrangements were entered into by Barrowgate, a 65.36% subsidiary of the Company and property owner of Lee Gardens Two, as landlord with the following connected persons:

Connected person	Date of agreement	Terms	Premises	Annual consideration (Note a)
(i) Jebsen and Company Limited (Note c)	31 March 2010	3 years commencing from 1 September 2010	Office units on the 28th, 30th and 31st Floors	2011: HK$20,870,246 2012: HK$20,802,552 2013: HK$13,868,368 (on pro-rata basis)
(ii) Hang Seng Bank Limited (Note c)	15 October 2007 (Note d)	72 months commencing from 15 October 2007 (for Shops 2-10 on the Lower Ground Floor) 68 months commencing from 15 February 2008 (for Shop G13A on the Ground Floor and Shops 11-12 on the Lower Ground Floor) (Note e)	Shop G13A on the Ground Floor and Shops 2-10 and 11-12 on the Lower Ground Floor	2011: HK$17,706,600 2012: HK$17,706,600 2013: HK$13,946,327 (on pro-rata basis) (Note f)
(iii) Pearl Investments (HK) Limited (Note g)	(l) 23 May 2008 (Lease)	3 years commencing from 15 May 2008	Room 1401C on the 14th Floor	2011: HK$739,226 (on pro-rata basis for the Lease)
	(2) 24 May 2011 (Lease and Carpark Licence Agreement) (renewal)	3 years commencing from 15 May 2011	Room 1401C on the 14th Floor and 1 carparking space	2011: HK$1,294,231 (on pro-rata basis) 2012: HK$2,057,496 2013: HK$2,057,496 2014: HK$763,265 (on pro-rata basis)
(iv) MF Jebsen International Limited (Note h)	(l) 22 December 2008	3 years commencing from 1 February 2008	Office units on the 24th and 25th Floors	2011: HK$1,133,449 (on pro-rata basis)
	(2) 7 September 2010 (renewal)	3 years commencing from 1 February 2011	Office units on the 25th Floor	2011: HK$6,646,282 (on pro-rata basis) 2012: HK$7,213,548 2013: HK$7,213,548 2014: HK$601,129 (on pro-rata basis)

Continuing Connected Transactions *continued*

I. Leases granted by the Group *continued*

(c) One Hysan Avenue, Causeway Bay, Hong Kong ("One Hysan Avenue")

The following lease arrangement was entered into by OHA Property Company Limited, a wholly-owned subsidiary of the Company and property owner of One Hysan Avenue, as landlord with Atlas Corporate Management Limited, a wholly-owned subsidiary of LHE, a substantial shareholder of the Company (holding 40.91% interest). Details of the lease are set out below:

Connected person	Date of agreement	Terms	Premises	Annual consideration (Note a)
Atlas Corporate Management Limited	14 November 2008	3 years commencing from 1 November 2008	Whole of 21st Floor	2011: HK$2,103,500 (on pro-rata basis)

II. Provision of leasing and property management services to a non wholly-owned subsidiary regarding Lee Gardens Two

(a) The following management agreement was entered into by Hysan Leasing Company Limited, a wholly-owned subsidiary of the Company, with Barrowgate for the provision of leasing, marketing and lease administration services to Lee Gardens Two:

Connected person	Date of agreement	Terms	Premises	Consideration
Barrowgate Limited	31 March 2010	3 years commencing from 1 April 2010	Whole premises of Lee Gardens Two	HK$9,942,611 (Note i)

(b) The following management agreement was entered into by Hysan Property Management Limited, a wholly-owned subsidiary of the Company, with Barrowgate for the provision of property management services to Lee Gardens Two:

Connected person	Date of agreement	Terms	Premises	Consideration
Barrowgate Limited	31 March 2010	3 years commencing from 1 April 2010	Whole premises of Lee Gardens Two	HK$1,518,499 (Note i)

Continuing Connected Transactions *continued*

Notes:

(a) The annual considerations for 2011 are based on all relevant considerations paid and to be paid during the year including additional expenses (overtime air-conditioning charges) actually charged during the review period under the agreements. The annual considerations for remaining terms are estimated based on current rates of rental, operating charges, (for retail premises) promotional levies and (for carparking spaces) licence fees for each of the relevant financial years. The rental, operating charges, promotional levies and licence fees (as the case may be) are payable monthly in advance.

(b) Oxer is a connected person of the Company by virtue of its being an associate of Michael Tze Hau LEE, Non-executive Director of the Company.

(c) Jebsen and Company and Hang Seng Bank Limited ("Hang Seng") are beneficial substantial shareholders of Barrowgate and having equity interest of 10% and 24.64% respectively in Barrowgate.

(d) Barrowgate and Hang Seng entered into an agreement for lease dated 15 October 2007. A formal lease agreement, a supplemental deed and an endorsement (following rent review as provided under the lease arrangements) in respect of the premises mentioned under I(b)(ii) above were entered on 15 February 2008, 13 May 2008 and 22 November 2010 respectively.

(e) The term of the lease mentioned under I(b)(ii) above exceeds 3 years and, according to Listing Rules requirement, an independent financial adviser to the Board was engaged and it formed the view that the term of this lease with duration longer than 3 years was required and it was normal business practice for leases of this type to be of such duration.

(f) Pursuant to an endorsement dated 22 November 2010 as mentioned in Note (d) above, the rent for the period from 15 October 2010 to 14 October 2013 was revised at the then prevailing market rent.

(g) Pearl Investments (HK) Limited is a connected person of the Company by virtue of its being an associate of Chien LEE, Non-executive Director of the Company.

(h) MF Jebsen International Limited is a connected person of the Company by virtue of its being controlled (more than 50%) by the brother of Hans Michael JEBSEN, Non-executive Director of the Company.

(i) These represent the actual consideration received for the period from 1 January 2011 to 30 June 2011, calculated on the basis of the fee schedules as prescribed in the respective management agreements.

All the Transactions were entered in the ordinary and usual course of business of the respective companies after due negotiations on an arm's length basis with reference to the prevailing market conditions. Announcements were published regarding the Transactions in accordance with the Listing Rules.

Compliance of 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 2011 was 507. The Group's human resources practices are aligned with our corporate objectives so as to maximise shareholder value and achieve growth.

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

Corporate Information

Board of Directors

Non-executive Chairman

Irene Yun Lien LEE

Chief Executive Officer

Gerry Lui Fai YIM

Independent non-executive Directors

Nicholas Charles ALLEN

Philip Yan Hok FAN

Joseph Chung Yin POON

Non-executive Directors

Hans Michael JEBSEN
B.B.S.

Siu Chuen LAU

Anthony Hsien Pin LEE

Chien LEE

Michael Tze Hau LEE

Executive Director

Wendy Wen Yee YUNG
Executive Director and Company Secretary

Auditor

Deloitte Touche Tohmatsu

Share Registrars and Transfer Office

Tricor Standard Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Registered Office

49/F., The Lee Gardens
33 Hysan Avenue
Hong Kong

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

Announcement of interim results	9 August 2011
Ex-dividend date for interim dividend	19 August 2011
Closure of register of members	23 to 25 August 2011
Record date for interim dividend	25 August 2011
Dispatch of scrip dividend circular and election form	(on or about) 29 August 2011
Dispatch of interim dividend warrants / definitive share certificates	(on or about) 20 September 2011

INTERIM DIVIDEND

The Board declares the payment of an interim dividend of HK15 cents per share. The interim dividend will be payable in cash with a scrip dividend alternative to shareholders on the register of members as at Thursday, 25 August 2011. The scrip dividend alternative is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the new shares to be issued pursuant thereto.

A circular containing details of the scrip dividend and the form of election is to be mailed to shareholders on or about Monday, 29 August 2011. Shareholders who elect for the scrip dividend, in lieu of the cash dividend, in whole or in part, shall return the form of election to the Company's Registrars on or before Wednesday, 14 September 2011.

Definitive share certificates in respect of the scrip dividend and cheques (for those shareholders who do not elect for scrip dividend) will be dispatched to shareholders on or about Tuesday, 20 September 2011.

The register of members will be closed from Tuesday, 23 August 2011 to Thursday, 25 August 2011, both dates inclusive, for the purpose of determining shareholders' entitlements to the interim dividend, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrars not later than 4:00 p.m. on Monday, 22 August 2011.

SHARE LISTING

Hysan's shares are listed on The Stock Exchange of Hong Kong Limited. It has a sponsored American Depositary Receipts (ADR) Programme in the New York market.

STOCK CODE

The Stock Exchange of Hong Kong Limited: 00014
Bloomberg: 14HK
Reuters: 0014.HK
Ticket Symbol for ADR Code: HYSNY
CUSIP reference number: 449162304

SHAREHOLDER SERVICES

For enquiries about share transfer and registration, please contact the Company's Registrars:

Tricor Standard Limited
26/F., Tesbury Centre,
28 Queen's Road East,
Wanchai, Hong Kong
Telephone : (852) 2980 1768
Facsimile : (852) 2861 1465

Holders of the Company's ordinary shares should notify the Registrars promptly of any change of their address.

The Interim Report is printed in English and Chinese languages and is available on our website: www.hysan.com.hk. Shareholders may at any time choose to receive the Interim Report in printed form in either the English or Chinese language or both or by electronic means. Shareholders who have chosen to receive the Interim Report using electronic means and who for any reason have difficulty in receiving or gaining access to the Interim Report will promptly upon request be sent a printed copy free of charge.

Shareholders may at any time change their choice of the language or means of receipt of the Interim Report by notice in writing to the Company's Registrars at the address above. The Change Request Form may be downloaded from the Company's website at www.hysan.com.hk.

INVESTOR RELATIONS

For enquiries relating to investor relations, please email to investor@hysan.com.hk or write to the Company at:

Investor Relations
Hysan Development Company Limited
49/F., The Lee Gardens, 33 Hysan Avenue
Hong Kong
Telephone : (852) 2895 5777
Facsimile : (852) 2577 5153

OUR WEBSITE

Press releases and other information of the Group can be found at our website: www.hysan.com.hk.

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