Hysan 希慎

Hysan Development Company Limited
希慎興業有限公司

(Incorporated under Hong Kong Companies Ordinance, Cap. 32, with limited liability)
(Stock Code：00014)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

- **Group turnover up 38.1% reflecting 14.0% like-for-like growth and Hysan Place contributions**
- **Recurring Underlying Profit up 38.1%**
- **Hysan Place office achieved 93% commitment during the review period**
- **Steady performance expected for the rest of the year, with further contributions by Hysan Place**
- **Well-positioned for further growth with on-going asset enhancement programmes**

RESULTS

		Six months ended 30 June		
		2013	2012	
	Notes	**HK$ million**	HK$ million	Change
Turnover	*1*	**1,531**	1,109	+38.1%
Recurring Underlying Profit	*2*	**1,033**	748	+38.1%
Underlying Profit	*3*	**1,033**	748	+38.1%
Reported Profit	*4*	**3,243**	5,822	-44.3%
		HK cents	HK cents	
Earnings per share, based on:				
Recurring Underlying Profit	*2*	**97.15**	70.57	+37.7%
Underlying Profit	*3*	**97.15**	70.57	+37.7%
Reported Profit	*4*	**304.98**	549.27	-44.5%
First interim dividend per share		**22.00**	17.00	+29.4%
		At 30 June 2013	At 31 December 2012	
		HK$ million	HK$ million	
Shareholders' Funds	*5*	**60,603**	58,123	+4.3%
		HK$	HK$	
Net Asset Value per Share	*6*	**56.98**	54.68	+4.2%

Notes:

1. ***Turnover*** *comprises rental income and management fee income derived from the Group's investment property portfolio in Hong Kong.*
2. ***Recurring Underlying Profit*** *is a performance indicator of the Group's core property investment business and is arrived at by excluding from Underlying Profit items that are non-recurring in nature (such as gains or losses on disposal of long-term assets; impairment or its reversal; and tax provisions for prior years).*
3. ***Underlying Profit*** *is arrived at by excluding from Reported Profit unrealised fair value changes on investment properties. As a property investor, the Group's results are principally derived from the rental revenues on its investment properties. The inclusion of the unrealised fair value changes on investment properties in the consolidated income statement causes an increase in fluctuation in earnings and poses limitations on the use of the unadjusted earning figures, financial ratios, trends and comparison against prior period(s). Accordingly, unrealised fair value changes on investment properties are excluded in arriving at the Underlying Profit.*
4. ***Reported Profit*** *is the profit attributable to owners of the Company. It is prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance.*
5. ***Shareholders' Funds*** *is the equity attributable to owners of the Company.*
6. ***Net Asset Value per Share*** *represents Shareholders' Funds divided by the number of issued shares at interim period end/year-end.*

CHAIRMAN'S STATEMENT

Overview

Hong Kong's economy remained steady in the first half of 2013. Private consumption stayed resilient, despite concerns over the possible tapering of United States quantitative easing measures, slowing growth in China, and negative impact on the stock market towards the end of the review period. Retail businesses, and in turn retail leasing activities, were underpinned by healthy local employment conditions, and contribution of tourist spending though at a more moderate growth rate generally.

Although the demand was subdued, the Grade "A" office leasing market continued to see tight supply, and rental levels in core locations (including Causeway Bay) were stable.

Results

The Group's turnover for the 2013 interim period was HK$1,531 million (2012: HK$1,109 million), representing a year-on-year increase of 38.1%. If the rental contribution of HK$366 million (2012: HK$87 million) from Hysan Place (its retail section opened in August 2012) is excluded, the like-for-like turnover increase in the first six months in 2013 would be 14.0% to HK$1,165 million (2012: HK$1,022 million). As at 30 June 2013, the occupancy of Retail, Office and Residential sectors were 99%, 93% and 87% respectively.

Recurring Underlying Profit, the key measurement of our core leasing business performance, was HK$1,033 million (2012: HK$748 million). This reflected Hysan Place's contribution and the increase in revenue generated from our leasing activities. Our Underlying Profit, which excludes unrealised changes in fair value of investment properties, was also HK$1,033 million. Our Reported Profit for the 2013 interim period was HK$3,243 million (2012: HK$5,822 million), primarily due to a smaller fair value gain on investment properties valuation recorded in this period.

As at 30 June 2013, the investment properties for the Group were revalued at HK$62,507 million (31 December 2012: HK$60,022 million), reflecting improved rentals for our portfolio. The fair value gain was, however, smaller when compared with that recorded in the previous year. The Group's Shareholders' Funds rose by 4.3% to HK$60,603 million (31 December 2012: HK$58,123 million).

Dividends

The Board of Directors has declared a first interim dividend of HK22 cents per share (2012: HK17 cents). The dividend will be payable in cash. Details of the payment of a first interim dividend are set out in "Additional Information".

Outlook
Our performance is expected to remain steady in the second half of 2013, as the majority of our commercial leases due for renewal in 2013 have already been committed.

Hysan Place's shopping centre opened last August, thus reflecting its maiden full-year contribution. We have achieved 93% commitment for the Hysan Place office during the review period. This will bring further contribution in due course.

The launch of Hysan Place has added significant strategic value to our portfolio. Together with our ongoing asset enhancement programmes, we are well-positioned for further growth in the longer term with a better balanced portfolio, as well as a broader and more diverse tenant mix.

Irene Yun Lien LEE
Chairman

Hong Kong, 5 August 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Review of Operations
The Group's turnover for the first half of 2013 was HK$1,531 million, representing a 38.1% year-on-year increase (2012: HK$1,109 million). If the rental contribution of HK$366 million (2012: HK$87 million) from Hysan Place is excluded, the like-for-like turnover increase would be 14.0% to HK$1,165 million (2012: HK$1,022 million). Strong performances in the retail and office sectors offset the relatively weaker showing in the residential sector.

Retail Sector
The Group's retail sector turnover grew 65.5% to HK$844 million (2012: HK$510 million), including turnover rent of HK$64 million (2012: HK$58 million). This principally reflected the contribution of Hysan Place during the entire period. In addition, strong positive rental reversions on renewals/reviews and new lettings were recorded in the first half of 2013. Following the completion of renovations at the Lee Theatre Plaza, our retail portfolio was virtually fully-let as at 30 June 2013 (31 December 2012: 93%).

The Hysan Retail Triangle continued to offer a unique shopping experience with diversity, contrast and variety, with a broad range of styles and price-points. Visitors to our retail portfolio averaged to close to 130,000 per day in the month of June. Hysan Place made a significant contribution to our retail portfolio both in terms of turnover and tenant mix. It continued to attract shoppers through active marketing events and activities: the Rugby Hong Kong Sevens, Iron Man 3 and Breathe Paris promotions were all well received.

For the rest of the portfolio, a vast majority of leases due for renewals in 2013 have already been committed. The luxury Lee Gardens hub continued to do well with strong rental reversions on renewals/reviews and new leases. The renovated Lee Theatre Plaza welcomed a fresh range of flagship stores during the review period. This also completed the transformation of the Lee Theatre hub by creating an urban lifestyle zone at our western gateway.

Office Sector
The office sector turnover grew 22.6% during the interim period to HK$532 million (2012: HK$434 million), principally reflecting positive rental reversions on renewals/reviews and new lettings. Hysan Place also made its contributions. Office portfolio occupancy as at 30 June 2013 increased to 93% (Hysan Place: 69%), as compared to 91% on 31 December 2012.

93% of Hysan Place's office space had been committed as of 30 June 2013, representing a significant increase from 53% commitment as of 31 December 2012. New tenants of the building include financial services and professional sectors.

For the rest of the portfolio, a majority of the current year's expiring leases have been committed.

Our office portfolio is positioned to offer the clear choice for companies that want premier office space in the heart of the city, while providing true work-life balance for their employees. We have a balanced tenant mix. The top four industry groups representing around 56% of our office tenant mix by lettable floor area are insurance, professional and consulting, banking and finance and high-end retailers. No single category took up more than 20% of the total lettable area.

Residential Sector

The Group's residential sector turnover decreased by 6.1% to HK$155 million (2012: HK$165 million) in the slow market environment. The sector recorded 87% occupancy as at 30 June 2013 (31 December 2012: 92%; 30 June 2012: 95%). The Group continued to broaden tenant base beyond the financial sector. Tenant retention is also a main focus.

Continuing Asset Enhancement Programme

Planning and preparations for the combined re-development of Sunning Plaza (commercial property) and Sunning Court (residential property) are underway. Tenants are expected to vacate the buildings beginning Q4, 2013, for the eventual demolition of the buildings in phases. The re-development project is expected to be completed around 2018.

Financial Review

A review of the Group's operations is featured in the preceding section. This section deals with other significant financial matters.

Operating Costs

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

Property expenses rose 19.1% to HK$181 million (2012: HK$152 million), mainly due to the operating costs (including revenue-generating marketing activities) attributable to Hysan Place, reflecting its first full-period operation. Like-for-like property expenses increased by 9.4% to HK$128 million (2012: HK$117 million), reflecting the increase in revenue-generating marketing expenses and agency fees, as well as front-line staff salary increment. Although property expenses increased in 2013, the property expenses to turnover ratio improved from 13.7% to 11.8% as compared to the same period in 2012. This reflected the stabilisation of Hysan Place property expenses following its opening.

Administrative expenses rose by 8.4% to HK$103 million (2012: HK$95 million) for the first half of 2013. This reflected human resources upskilling and salary increment.

Finance Costs

During the construction period of Hysan Place (which was completed in March 2012), interest expenses and related borrowing costs were capitalised as construction costs. No further interest expenses and related borrowing costs were capitalised since then, as required under the accounting standard.

Finance costs were HK$121 million in 2013, an increase of 72.9% from HK$70 million in 2012. The increase in finance costs would reduce to 39.1% from HK$87 million in 2012 if the interest expenses and related borrowing costs capitalised in 2012 for Hysan Place (HK$17 million) were included. The increase was the result of higher Group's average debt level after the issuance of the US$300 million fixed rate notes at the beginning of the year. The new financing helps to increase the liquidity and extend the maturity profile of the Group.

The Group's average finance costs for the interim period were 2.9%, slightly higher than the 2.7% reported for both the first half of 2012 and 2012 full-year.

Revaluation of Investment Properties

As at 30 June 2013, the investment properties of the Group were revalued at HK$62,507 million (31 December 2012: HK$60,022 million) by an independent professional valuer. Fair value gain on investment properties (excluding capital expenditure spent on the Group's investment properties) of HK$2,356 million (2012: HK$5,142 million) was recognised in the condensed consolidated income statement during the interim period.

Investments in Associates

The Group's share of results of associates decreased by 8.8% to HK$145 million (2012: HK$159 million), primarily due to a smaller year-on-year revaluation gain on the Shanghai Grand Gateway project, of which the Group owns 24.7%, as compared to the same period in 2012. Excluding revaluation gain on investment properties, the Group's share of results of associates recorded an increase of 10.9%. This reflects the continuing good performance of the Shanghai Grand Gateway project.

Other Investments

In addition to placing surplus funds as time deposits in banks with strong credit ratings, the Group also invested in debt securities and principal-protected investments. This helped to preserve the Group's liquidity and to diversify counterparty risk exposure.

Investment income, principally being interest income, amounted to HK$36 million (2012: HK$26 million). The growth was mainly due to a larger principal amount for investment in time deposits and debt securities.

Capital Expenditure

The Group is committed to enhancing the asset value of its investment property portfolio through selective re-positioning, refurbishment and re-development. Total capital expenditure on these activities amounted to HK$130 million during the period (2012: HK$1,338 million), including the payment of the construction costs of Hysan Place.

Treasury Policy

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

Objective

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

Liquidity Management

To lengthen the maturity profile, the Group issued 10-year US$300 million fixed rate notes with coupon at 3.5% during the interim period. The Group's total gross debt[1] level at 30 June 2013 was HK$8,232 million, up by HK$2,333 million compared to HK$5,899 million at the year-end of 2012.

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[1] The gross debt represents the contractual principal payment obligations as at 30 June 2013. However, in accordance with the Group's accounting policies, the debt is measured at amortised costs, using the effective interest method. Also, if the Group designates certain derivatives as hedging instruments (i.e. interest rate swaps) for fair value hedge, the net cumulative gains/losses attributable to the hedged interest rate risk of the hedged items (i.e. fixed rate notes and zero coupon notes) are adjusted to the hedged items. Therefore, as disclosed in the condensed consolidated statement of financial position as at 30 June 2013, the book value of the outstanding debt of the Group was HK$8,215 million (31 December 2012: HK$5,941 million).

The Group's average debt maturity improved to 5.9 years as at 30 June 2013 (31 December 2012: 5.0 years), with HK$1,200 million being repayable within one year, HK$900 million being repayable in more than one year but not exceeding two years, HK$1,350 million being repayable in more than two years but not exceeding five years, and HK$4,782 million being repayable beyond five years. (31 December 2012: HK$700 million being repayable within one year, HK$1,100 million being repayable in more than one year but not exceeding two years, HK$1,500 million being repayable in more than two years but not exceeding five years, and HK$2,599 million being repayable beyond five years). As at 30 June 2013, bank loans accounted for approximately 32.8% of the Group's total gross debt, with the remaining 67.2% from capital market financing (31 December 2012: 45.8%: 54.2%).

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 2013 (31 December 2012: HK$1,000 million).

Interest Rate Management

Interest expenses represent a key cost driver of the Group's business. Therefore, the Group monitors its interest rate exposure closely and adopts an appropriate hedging strategy in light of market conditions. As at 30 June 2013, the fixed rate debt was approximately 63.5% of the total gross debt (31 December 2012: 53.0%).

Foreign Exchange Management

The Group aims to have minimal foreign currency exposure when managing its liabilities. On the liability side, with the exception of the newly issued US$300 million fixed rate notes, US$26 million and AUD37 million of bank loans (all have been hedged into Hong Kong dollars by appropriate hedging instruments), all of the Group's other borrowings were denominated in Hong Kong dollars.

On the asset side, the Group closely monitors its foreign currency exposure to ensure it falls within the internal limits. The Group only has exposures in USD and CNY mainly arising from time deposits, investments in principal-protected investments and debt securities. Unhedged foreign currency positions were US$64 million and CNY269 million. Other foreign exchange exposure mainly relates to the Shanghai Grand Gateway project amounting to HK$3,967 million (31 December 2012: HK$3,759 million) or 5.4 % (31 December 2012: 5.5%) of the Group's total assets.

Financial Ratios

Net interest coverage (defined as gross profit less administrative expenses before depreciation divided by net interest expenses) was 15.3 times for the first half of 2013 (2012: 14.6 times).

Net debt to equity (defined as borrowings less time deposits, cash and bank balances divided by Shareholders' Funds) was 6.3% as at 30 June 2013 (31 December 2012: 6.2%).

Credit Ratings

During the interim period, Moody's upgraded the Group's credit rating from Baa1 to A3 to reflect the Group's improved position following the opening of Hysan Place. Credit rating from Standard and Poor's was BBB+ as at 30 June 2013.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013 (unaudited)

	Notes	Six months ended 30 June **2013** **HK$ million**	 2012 HK$ million
Turnover	4	**1,531**	1,109
Property expenses		**(181)**	(152)
Gross profit		**1,350**	957
Investment income		**36**	26
Other gains and losses		**(1)**	13
Administrative expenses		**(103)**	(95)
Finance costs		**(121)**	(70)
Change in fair value of investment properties		**2,356**	5,142
Share of results of associates		**145**	159
Profit before taxation		**3,662**	6,132
Taxation	6	**(188)**	(136)
Profit for the period	7	**3,474**	5,996
Profit for the period attributable to:			
Owners of the Company		**3,243**	5,822
Non-controlling interests		**231**	174
		3,474	5,996
Earnings per share (expressed in HK cents)			
Basic	8	**304.98**	549.27
Diluted	8	**304.91**	549.14

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013 (unaudited)

	Six months ended 30 June	
	2013	2012
	HK$ million	HK$ million
Profit for the period	**3,474**	5,996
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Equity investments designated as at fair value through other comprehensive income:		
Net gains arising during the period	**-**	107
Revaluation of properties held for own use:		
Gains on revaluation of properties held for own use	**19**	15
Deferred taxation arising on revaluation	**(3)**	(3)
	16	12
	16	119
Items that may be reclassified subsequently to profit or loss:		
Derivatives designated as cash flow hedges:		
Net (losses) gains arising during the period	**(74)**	2
Reclassification adjustments for net losses included in profit or loss	**39**	3
	(35)	5
Share of translation reserve of an associate	**67**	(18)
	32	(13)
Other comprehensive income for the period (net of tax)	**48**	106
Total comprehensive income for the period	**3,522**	6,102
Total comprehensive income attributable to:		
Owners of the Company	**3,291**	5,928
Non-controlling interests	**231**	174
	3,522	6,102

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013 (unaudited)

	Notes	**At 30 June 2013 HK$ million**	At 31 December 2012 HK$ million
Non-current assets			
Investment properties		**62,507**	60,022
Property, plant and equipment		**593**	580
Investments in associates		**3,967**	3,759
Principal-protected investments		**81**	160
Term notes		**646**	527
Equity investments		**1**	1
Other financial assets		**43**	57
Other receivables	10	**364**	243
		68,202	65,349
Current assets			
Accounts receivable and other receivables	10	**236**	158
Principal-protected investments		**246**	218
Term notes		**614**	383
Other financial assets		**2**	2
Tax recoverable		**1**	2
Time deposits		**4,353**	2,158
Cash and bank balances		**71**	153
		5,523	3,074
Current liabilities			
Accounts payable and accruals	11	**512**	469
Rental deposits from tenants		**188**	190
Amounts due to non-controlling interests		**327**	327
Borrowings		**1,199**	699
Other financial liabilities		**3**	5
Taxation payable		**161**	77
		2,390	1,767
Net current assets		**3,133**	1,307
Total assets less current liabilities		**71,335**	66,656
Non-current liabilities			
Borrowings		**7,016**	5,242
Other financial liabilities		**93**	25
Rental deposits from tenants		**629**	508
Deferred taxation		**491**	434
		8,229	6,209
Net assets		**63,106**	60,447
Capital and reserves			
Share capital		**5,318**	5,315
Reserves		**55,285**	52,808
Equity attributable to owners of the Company		**60,603**	58,123
Non-controlling interests		**2,503**	2,324
Total equity		**63,106**	60,447

Notes:

1. Independent Review

The interim results for the six months ended 30 June 2013 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), by Deloitte Touche Tohmatsu, whose report on review of condensed consolidated financial statements is included in the interim report to be sent to shareholders. The interim results have also been reviewed by the Group's Audit Committee.

2. Basis of Preparation

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2013 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA.

3. Principal Accounting Policies

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

In the current period, the Group has applied all of the new and revised Standards, Amendments to Standards and Interpretation issued by the HKICPA that are relevant to its operations and effective for the Group's financial year beginning on 1 January 2013. The adoption of these new and revised Standards, Amendments to Standards and Interpretation had no material effect on the results and financial position of the Group for the current and/ or prior accounting periods.

Except as described below, the same accounting policies followed in the preparation of the unaudited condensed consolidated financial statements are the same as those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012.

<u>Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"</u>

The amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 has had no impact on the results or financial position of the Group.

Amendments to HKFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities"

The amendments to Hong Kong Financial Reporting Standard ("HKFRS") 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The Group has outstanding derivative instruments presented as other financial assets and liabilities in the condensed consolidated statement of financial position which are under master netting agreements.

The amendments have been applied retrospectively. For the purpose of preparing the condensed consolidated financial statements, the additional disclosures are not presented but will be included in the Group's annual consolidated financial statements for the year ending 31 December 2013.

HKFRS 13 "Fair Value Measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial Instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope. Some of these disclosures are specifically required to condensed consolidated financial statements for financial instruments under the consequential amendments to HKAS 34. Accordingly, the Group has included additional disclosures in the interim report.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. The application of HKFRS 13 has had no impact on the results or financial position of the Group but will result in more disclosures in the Group's annual consolidated financial statements for the year ending 31 December 2013.

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

HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HK(IFRIC) – Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014.

The Directors of the Company anticipate that the application of these Amendments to Standards and Interpretation will have no material impact on the results and the financial position of the Group.

4. Turnover

Turnover represents gross rental income from investment properties and management fee income for the period.

The Group's principal activities are property investment, management and development, and its turnover and results are principally derived from investment properties located in Hong Kong.

5. Segment Information

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

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

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

Residential segment – leasing of luxury residential properties and related facilities

Segment turnover and results

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

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

	Retail HK$ million	Office HK$ million	Residential HK$ million	Consolidated HK$ million
For the six months ended 30 June 2012 (unaudited)				
Turnover				
Gross rental income from investment properties	469	372	149	990
Management fee income	41	62	16	119
Segment revenue	510	434	165	1,109
Property expenses	(64)	(64)	(24)	(152)
Segment profit	446	370	141	957
Investment income				26
Other gains and losses				13
Administrative expenses				(95)
Finance costs				(70)
Change in fair value of investment properties				5,142
Share of results of associates				159
Profit before taxation				6,132

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

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

Segment assets

The following is an analysis of the Group's assets by operating and reportable segment.

	Retail HK$ million	Office HK$ million	Residential HK$ million	Consolidated HK$ million
As at 30 June 2013 (unaudited)				
Segment assets	**30,365**	**23,688**	**8,475**	**62,528**
Investments in associates				**3,967**
Other assets				**7,230**
Consolidated assets				**73,725**
As at 31 December 2012 (audited)				
Segment assets	28,918	22,623	8,494	60,035
Investments in associates				3,759
Other assets				4,629
Consolidated assets				68,423

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

6. Taxation

	Six months ended 30 June	
	2013 **HK$ million**	2012 HK$ million
Current tax		
Hong Kong profits tax (for current period)	**134**	119
Deferred tax	**54**	17
	188	136

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	
	2013	2012
	HK$ million	HK$ million
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**7**	5
Dividends from listed equity investments	**-**	(3)
Gross rental income from investment properties including contingent rental of HK$64 million (2012: HK$58 million)		
Less:	**(1,387)**	(990)
- Direct operating expenses arising from properties that generated rental income	**179**	149
- Direct operating expenses arising from properties that did not generate rental income	**2**	3
	(1,206)	(838)
Interest income	**(36)**	(23)
Staff costs, comprising:		
- Directors' emoluments	**19**	12
- Other staff costs	**110**	96
	129	108
Share of income tax of an associate (included in share of results of associates)	**57**	66

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	
	2013	2012
	HK$ million	HK$ million
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	**3,243**	5,822

	Number of shares Six months ended 30 June	
	2013	2012
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,063,344,504**	1,059,952,885
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**236,446**	246,666
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,063,580,950**	1,060,199,551

In both periods, the computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices of those options were higher than the average market price for shares.

(b) Adjusted basic earnings per share

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

	Six months ended 30 June			
	2013		2012	
	Profit	**Basic earnings per share**	Profit	Basic earnings per share
	HK$ million	**HK cents**	HK$ million	HK cents
Profit for the period attributable to owners of the Company	**3,243**	**304.98**	5,822	549.27
Change in fair value of investment properties	**(2,356)**		(5,142)	
Effect of non-controlling interests' shares	**179**		126	
Share of change in fair value of investment properties (net of deferred taxation) of an associate	**(33)**		(58)	
Underlying Profit	**1,033**	**97.15**	748	70.57
Recurring Underlying Profit	**1,033**	**97.15**	748	70.57

Notes:

(1) Recurring Underlying Profit is arrived at by excluding from Underlying Profit items that are non-recurring in nature (such as gains or losses on disposal of long-term assets; impairment or its reversal; and tax provisions for prior years). As there were no such adjustments in both the six months ended 30 June 2013 and 2012, the Recurring Underlying Profit is the same as the Underlying Profit.

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

9. Dividends

(a) Dividends recognised as distribution during the period:

	Six months ended 30 June	
	2013	2012
	HK$ million	HK$ million
2012 second interim dividend paid – HK78 cents per share	**830**	-
2011 final dividend paid – HK64 cents per share	**-**	679
	830	679

Scrip dividend alternatives were offered to the shareholders in respect of the 2011 final dividend. These alternatives were accepted by the shareholders. The 2011 final dividend was settled in cash by HK$634 million and in share alternative by HK$45 million.

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

	Six months ended 30 June	
	2013	2012
	HK$ million	HK$ million
First interim dividend declared – HK22 cents per share (2012: HK17 cents per share)	**234**	180

The first interim dividend is not recognised as a liability as at 30 June 2013 and 2012 because it has been declared after the end of the reporting period.

The declared 2013 first interim dividend will be payable in cash.

10. Accounts Receivable and Other Receivables

	At 30 June 2013 HK$ million	At 31 December 2012 HK$ million
Accounts receivable	**21**	13
Interest receivable	**72**	27
Prepayments in respect of investment properties	**173**	59
Other receivables	**334**	302
	600	401
Analysis for reporting purposes as:		
Current assets	**236**	158
Non-current assets	**364**	243
	600	401

Rents from leasing of investment properties are normally received in advance. At 30 June 2013, accounts receivable of the Group with carrying amount of HK$21 million (31 December 2012: HK$13 million) mainly represented rents receipts in arrears, which were aged less than 90 days.

11. Accounts Payable and Accruals

	At 30 June 2013 HK$ million	At 31 December 2012 HK$ million
Accounts payable	**221**	261
Interest payable	**100**	32
Other payables	**191**	176
	512	469

As at 30 June 2013, accounts payable of the Group with carrying amount of HK$221 million (31 December 2012: HK$261 million) were aged less than 90 days.

ADDITIONAL INFORMATION

Corporate Governance

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

The Company meets the Code Provisions contained in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, with the exception that its Remuneration Committee (established since 1987) has the responsibility of determining compensation at Executive Director-level only. The Board is of the view that, in light of the current organisational structure and the nature of Hysan's business activities, this arrangement is appropriate. The Board will continue to review this arrangement going forward in light of the evolving needs of the Group. Further information on the Company's corporate governance practices is available on our website www.hysan.com.hk.

Compliance of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the review period.

Purchase, Sale or Redemption of the Company's Listed Securities

During the review period, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Human Resources Practices

The Group aims to attract, retain and develop high calibre individuals committed to attaining our objectives. The total number of employees as at 30 June 2013 was 640 (31 December 2012: 630). 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 2012 Corporate Responsibility Report.

Closure of Register of Members

The register of members will be closed on Tuesday, 20 August 2013, during which period no transfer of shares will be registered. The ex-dividend date will be Friday, 16 August 2013. In order to qualify for the first interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrars, Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Monday, 19 August 2013. The first interim dividend will be paid to shareholders whose names appear on the register of members on Tuesday, 20 August 2013 and the payment date will be on or about Monday, 2 September 2013.

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

Hong Kong, 5 August 2013

*As at the date of this announcement, the Board comprises: Irene Yun Lien LEE (Chairman), Siu Chuen LAU (Deputy Chairman and Chief Executive Officer), Nicholas Charles ALLEN**, Frederick Peter CHURCHOUSE**, Philip Yan Hok FAN**, Joseph Chung Yin POON**, Hans Michael JEBSEN* (Kam Wing LI as his alternate), Anthony Hsien Pin LEE* (Irene Yun Lien LEE as his alternate), Chien LEE*, Michael Tze Hau LEE* and Wendy Wen Yee YUNG (Executive Director and Company Secretary).*

* *Non-executive Directors*
** *Independent non-executive Directors*

This interim results announcement is published on the website of the Company (www.hysan.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk). The Interim Report 2013 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites around 30 August 2013.