

# Hysan Development Company Limited

Interim Report 2014



# VISION

To be the PREMIER property company that is superior to its peers in its market of choice.

# MISSION

Provide our stakeholders with sustainable and outstanding returns from a property portfolio which is strategically planned and managed by passionate, responsible and forward-looking professionals.

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## Highlights

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

## Results

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

### Notes:

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

# Chairman's Statement

## Overview

Hong Kong's economy grew moderately in the first quarter of 2014 by 2.5%. While local consumption was largely stable, tourist spending had weakened, following a normalisation of the very strong growth in the past few years. These factors resulted in a 1.3% retail sales decline for the first six months of 2014. Retail leasing activities in prime malls in core districts remained broadly stable. The Grade "A" office leasing market continued to benefit from limited supply.

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

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

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

## Results

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

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

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

## **Dividends**

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

## **Outlook**

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

**Irene Yun Lien LEE**

*Chairman*

Hong Kong, 8 August 2014

# Management's Discussion and Analysis

## **Review of Operations**

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

### **Retail Portfolio**

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

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

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

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

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

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

### **Office Portfolio**

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

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

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

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

### **Residential Portfolio**

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

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

## **Sunning Redevelopment**

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

## **Asset Enhancement Project**

An asset enhancement project will take place in The Lee Gardens/Lee Gardens One Ground floor lobby and part of the higher floors of the shopping centre, commencing in the fourth quarter of 2014. The accessibility and circulation of the office as well as the retail areas will be improved, also creating new shop space and retail offerings. The overall user experience will be further enhanced, reinforcing the property as a first-class office and retail destination. The project is anticipated to be completed by the second half of 2016.

## **Financial Review**

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

### **Operating Costs**

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

Property expenses decreased by 1.7% to HK\$178 million (2013: HK\$181 million), mainly due to a reduction in agency fees attributable to Hysan Place. Coupled with an increase in rental income, the property expenses to turnover ratio slightly improved to 11.2% (2013: 11.8%).

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

### **Finance Costs**

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

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



### **Revaluation of Investment Properties**

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

### **Investments in Associates**

The Group's share of results of associates decreased by 12.4% to HK\$127 million (2013: HK\$145 million), primarily due to a smaller year-on-year revaluation gain on the Shanghai Grand Gateway project, of which the Group owns 24.7%, as compared to the same period in 2013. The Shanghai Grand Gateway project continued to deliver a good performance in 2014. The Group's share of results, excluding revaluation gains on investment properties held by the associate, recorded a 7.1% increase year-on-year.

### **Other Investments**

In addition to placing surplus funds as time deposits in banks with strong credit ratings, the Group also invested in investment grade debt securities and principal-protected investments. This helped to preserve the Group's liquidity and to enhance interest yields.

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

### **Capital Expenditure**

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

### **Treasury Policy**

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

## **Objective**

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

## **Liquidity Management**

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

The Group's average debt maturity was maintained at 5.9 years as at 30 June 2014 (31 December 2013: 6.0 years), with HK\$900 million being repayable within one year, HK\$1,200 million being repayable in more than one year but not exceeding two years, HK\$450 million being repayable in more than two years but not exceeding five years, and HK\$4,498 million being repayable beyond five years. (31 December 2013: HK\$1,100 million being repayable within one year, HK\$1,250 million being repayable in more than one year but not exceeding two years, HK\$400 million being repayable in more than two years but not exceeding five years, and HK\$4,790 million being repayable beyond five years). As at 30 June 2014, bank loans accounted for approximately 21.3% of the Group's total gross debt, with the remaining 78.7% from capital market financing (31 December 2013: 26.5%: 73.5%).

To maintain sufficient liquidity for the Group's operations, the Group had undrawn committed facilities of HK\$900 million as at 30 June 2014 (31 December 2013: HK\$900 million). All of the Group's debts are unsecured and on a committed basis.

## **Interest Rate Management**

Interest expenses represent a key cost driver of the Group's business. Therefore, the Group monitors its interest rate exposure closely and adopts appropriate hedging strategy in light of market conditions. As at 30 June 2014, the fixed debt ratio was approximately 72.7% of the total gross debt (31 December 2013: 68.0%).

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<sup>1</sup> The gross debt represents the contractual principal payment obligations at 30 June 2014. However, in accordance with the Group's accounting policies, the debt is measured at amortised costs, using the effective interest method. Also, if the Group designates certain derivatives as hedging instruments (i.e. interest rate swaps) for fair value hedge, the net cumulative gains/losses attributable to the hedged interest rate risk of the hedged items (i.e. fixed rate notes and zero coupon notes) are adjusted to the hedged items. Therefore, as disclosed in the condensed consolidated statement of financial position as at 30 June 2014, the book value of the outstanding debt of the Group was HK\$7,015 million (31 December 2013: HK\$7,504 million).

### **Foreign Exchange Management**

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

On the investment side, the Group closely monitors its foreign currency exposure to ensure it falls within the internal limits. The Group only has exposures in USD and RMB mainly arising from cash, time deposits, and debt securities. Unhedged foreign currency positions were US\$27 million and RMB125 million. Other foreign exchange exposure mainly relates to the Shanghai Grand Gateway project amounting to HK\$4,270 million (31 December 2013: HK\$4,181 million) or 5.5% (31 December 2013: 5.5%) of the Group's total assets.

### **Financial Ratios**

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

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

### **Credit Ratings**

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

# Report on Review of Condensed Consolidated Financial Statements



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

## **Introduction**

We have reviewed the condensed consolidated financial statements of Hysan Development Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 11 to 41, which comprise the condensed consolidated statement of financial position as of 30 June 2014 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

8 August 2014

# Condensed Consolidated Income Statement

For the six months ended 30 June 2014 (unaudited)

	Notes	Six months ended 30 June	
		2014 HK\$ million	2013 HK\$ million
Turnover	3	1,596	1,531
Property expenses		(178)	(181)
Gross profit		1,418	1,350
Investment income		27	36
Other gains and losses		(2)	(1)
Administrative expenses		(110)	(103)
Finance costs	5	(115)	(121)
Change in fair value of investment properties		1,945	2,356
Share of results of associates		127	145
Profit before taxation		3,290	3,662
Taxation	6	(187)	(188)
<b>Profit for the period</b>	7	<b>3,103</b>	3,474
Profit for the period attributable to:			
Owners of the Company		2,888	3,243
Non-controlling interests		215	231
		<b>3,103</b>	3,474
<b>Earnings per share</b> (expressed in HK cents)			
Basic	8	271.51	304.98
Diluted	8	271.48	304.91

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014 (unaudited)

	<b>Six months ended 30 June</b>	
	<b>2014</b> <b>HK\$ million</b>	2013 HK\$ million
<b>Profit for the period</b>	<b>3,103</b>	3,474
<b>Other comprehensive income</b>		
<b><i>Items that will not be reclassified subsequently to profit or loss:</i></b>		
Revaluation of properties held for own use:		
Gains on revaluation of properties held for own use	<b>8</b>	19
Deferred taxation arising on revaluation	<b>(1)</b>	(3)
	<b>7</b>	16
<b><i>Items that may be reclassified subsequently to profit or loss:</i></b>		
Derivatives designated as cash flow hedges:		
Net gains (losses) arising during the period	<b>51</b>	(74)
Reclassification adjustments for net (gains) losses included in profit or loss	<b>(12)</b>	39
	<b>39</b>	(35)
Share of translation reserve of an associate	<b>(38)</b>	67
	<b>1</b>	32
Other comprehensive income for the period (net of tax)	<b>8</b>	48
<b>Total comprehensive income for the period</b>	<b>3,111</b>	3,522
Total comprehensive income attributable to:		
Owners of the Company	<b>2,896</b>	3,291
Non-controlling interests	<b>215</b>	231
	<b>3,111</b>	3,522

# Condensed Consolidated Statement of Financial Position

At 30 June 2014 (unaudited)

	Notes	At 30 June 2014 HK\$ million	At 31 December 2013 HK\$ million
<b>Non-current assets</b>			
Investment properties	10	67,348	65,322
Property, plant and equipment		686	604
Investments in associates		4,270	4,181
Principal-protected investments		–	81
Term notes		752	622
Other financial assets		21	32
Other receivables	11	217	231
		<b>73,294</b>	71,073
<b>Current assets</b>			
Accounts receivable and other receivables	11	270	241
Principal-protected investments		80	77
Term notes		435	580
Other financial assets		12	–
Time deposits	12	3,634	4,042
Cash and bank balances	12	52	81
		<b>4,483</b>	5,021
<b>Current liabilities</b>			
Accounts payable and accruals	13	513	500
Rental deposits from tenants		253	190
Amounts due to non-controlling interests		327	327
Borrowings	14	868	1,055
Other financial liabilities		37	48
Taxation payable		192	101
		<b>2,190</b>	2,221
<b>Net current assets</b>		<b>2,293</b>	2,800
<b>Total assets less current liabilities</b>		<b>75,587</b>	73,873
<b>Non-current liabilities</b>			
Borrowings	14	6,147	6,449
Other financial liabilities		40	74
Rental deposits from tenants		573	610
Deferred taxation	15	593	559
		<b>7,353</b>	7,692
<b>Net assets</b>		<b>68,234</b>	66,181
<b>Capital and reserves</b>			
Share capital		7,635	5,318
Reserves		57,584	58,008
<b>Equity attributable to owners of the Company</b>		<b>65,219</b>	63,326
<b>Non-controlling interests</b>		<b>3,015</b>	2,855
<b>Total equity</b>		<b>68,234</b>	66,181

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014 (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 2014	5,318	2,038	20	276
Profit for the period	-	-	-	-
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 (note 15)	-	-	-	-
Share of translation reserve of an associate	-	-	-	-
Total comprehensive income (expenses) for the period	-	-	-	-
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note b)	2,314	(2,038)	-	(276)
Issue of shares under share option schemes	3	-	(1)	-
Recognition of equity-settled share-based payments	-	-	5	-
Dividends paid during the period (note 9)	-	-	-	-
<b>At 30 June 2014</b>	<b>7,635</b>	<b>-</b>	<b>24</b>	<b>-</b>
At 1 January 2013	5,315	2,022	14	276
Profit for the period	-	-	-	-
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 (note 15)	-	-	-	-
Share of translation reserve of an associate	-	-	-	-
Total comprehensive (expenses) income for the period	-	-	-	-
Issue of shares under share option schemes	3	15	(4)	-
Recognition of equity-settled share-based payments	-	-	5	-
Dividends paid during the period (note 9)	-	-	-	-
At 30 June 2013	5,318	2,037	15	276

Notes:

- (a) The Group's leasehold land and buildings classified as property, plant and equipment were revalued at 30 June 2014 and 2013 by Knight Frank Petty Limited, an independent qualified professional valuer, on market value basis. The valuation was derived from the basis of capitalisation of net income with due allowance for the reversionary income potential. The gain of HK\$8 million (2013: HK\$19 million) arising on revaluation have been recognised and accumulated in properties revaluation reserve.
- (b) The Company has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance (i.e. 3 March 2014).



**Attributable to owners of the Company**

<b>General reserve</b>	<b>Investments revaluation reserve</b>	<b>Hedging reserve</b>	<b>Properties revaluation reserve</b>	<b>Translation reserve</b>	<b>Retained profits</b>	<b>Total</b>	<b>Non-controlling interests</b>	<b>Total</b>
<b>HK\$ million</b>	<b>HK\$ million</b>	<b>HK\$ million</b>	<b>HK\$ million</b>	<b>HK\$ million</b>	<b>HK\$ million</b>	<b>HK\$ million</b>	<b>HK\$ million</b>	<b>HK\$ million</b>
100	(3)	(77)	328	530	54,796	63,326	2,855	66,181
-	-	-	-	-	2,888	2,888	215	3,103
-	-	51	-	-	-	51	-	51
-	-	(12)	-	-	-	(12)	-	(12)
-	-	-	8	-	-	8	-	8
-	-	-	(1)	-	-	(1)	-	(1)
-	-	-	-	(38)	-	(38)	-	(38)
-	-	39	7	(38)	2,888	2,896	215	3,111
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	2	-	2
-	-	-	-	-	-	5	-	5
-	-	-	-	-	(1,010)	(1,010)	(55)	(1,065)
<b>100</b>	<b>(3)</b>	<b>(38)</b>	<b>335</b>	<b>492</b>	<b>56,674</b>	<b>65,219</b>	<b>3,015</b>	<b>68,234</b>
100	(3)	(24)	308	413	49,702	58,123	2,324	60,447
-	-	-	-	-	3,243	3,243	231	3,474
-	-	(74)	-	-	-	(74)	-	(74)
-	-	39	-	-	-	39	-	39
-	-	-	19	-	-	19	-	19
-	-	-	(3)	-	-	(3)	-	(3)
-	-	-	-	67	-	67	-	67
-	-	(35)	16	67	3,243	3,291	231	3,522
-	-	-	-	-	-	14	-	14
-	-	-	-	-	-	5	-	5
-	-	-	-	-	(830)	(830)	(52)	(882)
100	(3)	(59)	324	480	52,115	60,603	2,503	63,106

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014 (unaudited)

	Note	Six months ended 30 June	
		2014 HK\$ million	2013 HK\$ million
<b>Net cash from operating activities</b>		<b>1,278</b>	1,244
<b>Investing activities</b>			
Interest received		48	8
Proceeds upon maturity of principal-protected investments		140	50
Proceeds upon maturity of terms notes		488	285
Proceeds upon maturity of time deposits with original maturity over three months		3,311	1,013
Repayment from an associate		–	5
Payments in respect of investment properties		(176)	(225)
Purchases of property, plant and equipment		(2)	(1)
Purchases of term notes		(493)	(641)
Additions to principal-protected investments		(64)	–
Additions to time deposits with original maturity over three months		(3,251)	(3,272)
<b>Net cash from (used in) investing activities</b>		<b>1</b>	(2,778)
<b>Financing activities</b>			
Interest paid		(91)	(52)
Payment of other finance costs		(1)	(17)
Medium Term Note Programme expenses		(1)	(1)
Dividends paid		(1,010)	(830)
Dividends paid to non-controlling interests of a subsidiary		(55)	(52)
Repayment of bank loans		(500)	–
Issue of fixed rate notes		–	2,326
Proceeds on exercise of share options		2	14
<b>Net cash (used in) from financing activities</b>		<b>(1,656)</b>	1,388
<b>Net decrease in cash and cash equivalents</b>		<b>(377)</b>	(146)
<b>Cash and cash equivalents at 1 January</b>	12	<b>621</b>	963
<b>Cash and cash equivalents at 30 June</b>	12	<b>244</b>	817

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014 (unaudited)

## 1. Basis of Preparation

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2014 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the 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 Amendments to Standards and Interpretation issued by the HKICPA that are relevant to its operations and effective for the Group's financial year beginning on 1 January 2014. The adoption of these Amendments to Standards and Interpretation had no material effect on the results and financial position of the Group and/or disclosures set out in these unaudited condensed consolidated financial statements for the current and/or prior accounting periods.

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

Except as described below, the accounting policies and methods of computations followed in the preparation of the unaudited condensed consolidated financial statements are the same as those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013.

### **HKFRS 9 "Financial instrument: Hedge Accounting"**

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

## **2. Principal Accounting Policies** *continued*

### **HKFRS 9 “Financial instrument: Hedge Accounting”** *continued*

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

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

#### Hedge accounting – Cash flow hedges

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

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

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

## 2. Principal Accounting Policies *continued*

### New and revised HKFRSs issued but not yet effective

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014 with certain exceptions.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017.

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

## 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 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

#### 4. Segment Information *continued*

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

#### 4. Segment Information *continued*

##### Segment turnover and results *continued*

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

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

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

#### 4. Segment Information *continued*

##### 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
<b>As at 30 June 2014</b> <b>(unaudited)</b>				
<b>Segment assets</b>	<b>33,492</b>	<b>22,339</b>	<b>7,710</b>	<b>63,541</b>
Investment properties under redevelopment (Note)				<b>3,820</b>
Investments in associates				<b>4,270</b>
Other assets				<b>6,146</b>
Consolidated assets				<b>77,777</b>

Note:

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

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

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



## 5. Finance Costs

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$ million</b>	HK\$ million
Finance costs comprise:		
Interest on bank loans wholly repayable within five years	<b>12</b>	18
Interest on floating rate notes wholly repayable within five years	<b>1</b>	1
Interest on fixed rate notes wholly repayable within five years	<b>19</b>	10
Interest on fixed rate notes not wholly repayable within five years	<b>78</b>	84
Imputed interest on zero coupon notes not wholly repayable within five years	<b>8</b>	8
	<b>118</b>	121
Total interest expenses		
Other finance costs	<b>4</b>	5
	<b>122</b>	126
Net interest receipts on interest rate swaps and cross currency swaps	<b>(12)</b>	(12)
Net exchange losses (gains) on borrowings	<b>13</b>	(33)
Reclassification of net (gains) losses from hedging reserve on financial instruments designated as cash flow hedges	<b>(9)</b>	39
Medium Term Note Programme expenses	<b>1</b>	1
	<b>115</b>	121

## 6. Taxation

	Six months ended 30 June	
	2014 HK\$ million	2013 HK\$ million
Current tax		
Hong Kong profits tax (for current period)	154	134
Deferred tax (note 15)	33	54
	<b>187</b>	188

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

## 7. Profit for the Period

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$ million</b>	HK\$ million
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	<b>8</b>	7
Gross rental income from investment properties including contingent rentals of HK\$60 million (2013: HK\$64 million)	<b>(1,452)</b>	(1,387)
Less:		
– Direct operating expenses arising from properties that generated rental income	<b>175</b>	179
– Direct operating expenses arising from properties that did not generate rental income	<b>3</b>	2
	<b>(1,274)</b>	(1,206)
Net interest income	<b>(27)</b>	(36)
Staff costs, comprising:		
– Directors' emoluments (Note)	<b>20</b>	19
– Other staff costs	<b>113</b>	110
	<b>133</b>	129
Share of income tax of an associate (included in share of results of associates)	<b>55</b>	57

## **7. Profit for the Period** *continued*

Notes:

The Remuneration Committee met in March 2014 to approve the 2014 annual fixed base salary and determined the 2013 performance-based bonus of the Company's Executive Directors. Details are as follows:

- (a) 2014 annual fixed base salary for all Executive Directors remained at the same level as 2013, namely HK\$4,931,096 for Irene Yun Lien LEE, HK\$5,340,400 for Siu Chuen LAU and HK\$3,042,000 for Wendy Wen Yee YUNG respectively.
- (b) 2013 performance-based bonus approved by the Committee were HK\$6,081,684 for Irene Yun Lien LEE, HK\$5,176,080 for Siu Chuen LAU and HK\$1,474,200 for Wendy Wen Yee YUNG respectively.

## 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:

	<b>Earnings</b>	
	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$ million</b>	HK\$ million
<hr/>		
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	<b>2,888</b>	3,243
	<hr/>	
	<b>Number of shares</b>	
	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
<hr/>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,063,669,813</b>	1,063,344,504
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	<b>130,501</b>	236,446
	<hr/>	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,063,800,314</b>	1,063,580,950
	<hr/>	

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.

## 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:

	<b>Six months ended 30 June</b>			
	<b>2014</b>		2013	
	<b>Profit</b>	<b>Basic earnings</b>	Profit	Basic earnings
	<b>HK\$ million</b>	<b>per share</b>	HK\$ million	per share
	<b>HK cents</b>	<b>HK cents</b>	HK\$ million	HK cents
Profit for the period attributable to owners of the Company	<b>2,888</b>	<b>271.51</b>	3,243	304.98
Change in fair value of investment properties	<b>(1,945)</b>		(2,356)	
Effect of non-controlling interests' shares	<b>146</b>		179	
Share of change in fair value of investment properties (net of deferred taxation) of an associate	<b>(7)</b>		(33)	
<b>Underlying Profit</b>	<b>1,082</b>	<b>101.72</b>	1,033	97.15
<b>Recurring Underlying Profit</b>	<b>1,082</b>	<b>101.72</b>	1,033	97.15

Notes:

- (i) Recurring Underlying Profit is arrived at by excluding from Underlying Profit items that are non-recurring in nature (such as gains or losses on disposal of long-term assets; impairment or its reversal; and tax provisions for prior years). As there were no such adjustments in both the six months ended 30 June 2014 and 2013, the Recurring Underlying Profit is the same as the Underlying Profit.
- (ii) 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:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$ million</b>	HK\$ million
2013 second interim dividend paid – HK95 cents per share	<b>1,010</b>	–
2012 second interim dividend paid – HK78 cents per share	–	830
	<b>1,010</b>	830

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

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

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

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

## 10. Investment Properties

	<b>Fair value HK\$ million</b>
At 1 January 2014	65,322
Additions	161
Transfer to property, plant and equipment	(80)
Change in fair value recognised in profit or loss – unrealised	1,945
<b>At 30 June 2014</b>	<b>67,348</b>

The fair value of the Group's investment properties at 30 June 2014, 31 December 2013 and at the date of transfer to property, plant and equipment has been arrived at on the basis of a valuation carried out on that date by Knight Frank Petty Limited, an independent qualified professional valuer not connected with the Group. The Group's completed investment properties have been valued individually, on market value basis, which conforms to Hong Kong Institute of Surveyors Valuation Standards. The valuation was derived from the basis of capitalisation of net income with due allowance for the reversionary income and redevelopment potential, where appropriate. For investment properties under redevelopment as at 30 June 2014, residual method of valuation was adopted. The valuation was mainly arrived at by reference to actual sales or rental information publicly available to determine the value of the proposed development as if it were completed as at the date of valuation and after deducting all the costs of redevelopment and an allowance of the profit required for redevelopment. In estimating the fair value of the completed investment properties, the management of the Group has considered the highest and best use of the investment properties.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.



## 11. Accounts Receivable and Other Receivables

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

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

## 12. Time Deposits/Cash and Bank Balances

	<b>At 30 June 2014 HK\$ million</b>	At 31 December 2013 HK\$ million
Time deposits	<b>3,634</b>	4,042
Cash and bank balances	<b>52</b>	81
Cash and deposits with banks shown in the condensed consolidated statement of financial position	<b>3,686</b>	4,123
Less: Time deposits with original maturity over three months	<b>(3,442)</b>	(3,502)
Cash and cash equivalents shown in the condensed consolidated statement of cash flows	<b>244</b>	621

## 13. Accounts Payable and Accruals

	<b>At 30 June 2014 HK\$ million</b>	At 31 December 2013 HK\$ million
Accounts payable	<b>129</b>	162
Interest payable	<b>98</b>	83
Other payables	<b>286</b>	255
	<b>513</b>	500

As at 30 June 2014, accounts payable of the Group with carrying amount of HK\$129 million (31 December 2013: HK\$162 million) were aged less than 90 days.

## 14. Borrowings

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

	Current		Non-Current	
	At 30 June 2014 HK\$ million	At 31 December 2013 HK\$ million	At 30 June 2014 HK\$ million	At 31 December 2013 HK\$ million
Unsecured bank loans	668	855	800	1,100
Floating rate notes	200	200	–	–
Fixed rate notes	–	–	5,017	5,022
Zero coupon notes	–	–	330	327
	<b>868</b>	1,055	<b>6,147</b>	6,449

## 15. Deferred Taxation

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

	Accelerated tax depreciation HK\$ million	Revaluation of properties HK\$ million	Tax losses HK\$ million	Total HK\$ million
At 1 January 2014	518	65	(24)	559
Charge to profit or loss (note 6)	9	–	24	33
Charge to other comprehensive income	–	1	–	1
<b>At 30 June 2014</b>	<b>527</b>	<b>66</b>	<b>–</b>	<b>593</b>

## 15. Deferred Taxation *continued*

As at 30 June 2014, the Group has unused estimated tax losses of HK\$655 million (31 December 2013: HK\$697 million), of which HK\$396 million (31 December 2013: HK\$290 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 the estimated tax losses of HK\$655 million (31 December 2013: HK\$550 million) as the utilisation of these estimated tax losses is uncertain. These estimated tax losses may be carried forward indefinitely.

## 16. Capital Commitments

As at 30 June 2014, the Group had the following capital commitments in respect of its investment properties and property, plant and equipment:

	<b>At 30 June 2014 HK\$ million</b>	At 31 December 2013 HK\$ million
Authorised but not contracted for	<b>790</b>	410
Contracted but not provided for	<b>192</b>	258

## 17. Related Party Transactions and Balances

### (a) Transactions and balances with related parties

The Group has the following transactions with related parties during the period and has the following balances with them at the end of the reporting period:

	Gross rental income received from		Amount due to non-controlling interests	
	Six months ended 30 June 2014	2013	At 30 June 2014	At 31 December 2013
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Related company controlled by a shareholder (Note a)	1	1	–	–
Related companies controlled by Directors (Note b (i) & (ii))	18	13	94	94
Non-controlling shareholder of a subsidiary (Note c (i) & (ii))	15	9	233	233

Notes:

- (a) The sum of transactions represents the aggregate gross rental income received from Atlas Corporate Management Limited, a wholly-owned subsidiary of Lee Hysan Estate Company, Limited (“LHE”). LHE holds 40.72% (30 June 2013: 40.72%) beneficial interest and has significant influence over the Company.
- (b) (i) The sum of transactions represents the aggregate gross rental income received from related companies where the directors have controlling interests over these related companies.
- (ii) The balance represents 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 a controlling 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*

### (a) Transactions and balances with related parties *continued*

- (c) (i) The transaction represents the gross rental income received from Hang Seng Bank Limited ("Hang Seng"), the intermediate holding company of Imenson Limited ("Imenson"). Imenson is a non-controlling shareholder with significant influence over Barrowgate.
- (ii) The balance represents outstanding loan advanced to Barrowgate by Imenson, as shareholders' loan in proportion to its shareholding in Barrowgate for general funding purpose. The amount is unsecured, interest-free and repayable on demand.

### (b) Compensation of key management personnel

The remuneration of key management personnel of the Group during the period (being Directors and an officer) are as follows.

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$ million</b>	HK\$ million
Directors' fees, salaries and other short-term employee benefits	<b>22</b>	20
Share-based payments	<b>4</b>	3
Retirement benefits scheme contributions	<b>–</b>	–
	<b>26</b>	23

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.

## 18. Financial Risk Management and Fair Value Measurements

### (a) Financial risk management

The Group's financial risk management objectives and policies are the same as those disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2013.

### (b) Fair value measurements

#### *(i) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)*

The fair values of financial assets and financial liabilities measured at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow methodology taking into account the market interest rate and credit risk of the counterparties and of the Group as appropriate.

The Directors consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the condensed consolidated financial statements approximate their fair values, except for the carrying amount of HK\$5,017 million (31 December 2013: HK\$5,022 million) fixed rate notes as stated in note 14 with fair value of HK\$5,035 million (31 December 2013: HK\$4,890 million).

The fair value of HK\$2,268 million (31 December 2013: HK\$2,155 million) of the fixed rate notes is categorised into Level 1 of the fair value hierarchy, in which the fair value was derived from quoted prices in an active market translated at the spot foreign exchange rate of the respective currency at period end.

The fair value of HK\$2,767 million (31 December 2013: HK\$2,735 million) of the fixed rate notes is categorised into Level 2 of the fair value hierarchy, in which the fair value was measured using discounted cash flow methodology based on observable yield curves of the respective currency taking into account the credit margin of the Group as appropriate.

## **18. Financial Risk Management and Fair Value Measurements** *continued*

### **(b) Fair value measurements** *continued*

#### **(ii) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis**

The following table provides an analysis of financial instruments that are measured at fair value on a recurring basis, grouped into Levels 1 to 3 based on the degree to which the inputs to the fair value measurements are observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets and liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).



## 18. Financial Risk Management and Fair Value Measurements *continued*

### (b) Fair value measurements *continued*

#### (ii) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis *continued*

	At 30 June 2014			Total HK\$ million
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	
<b>Financial assets</b>				
<b><i>Derivatives under hedge accounting</i></b>				
Forward foreign exchange contracts	-	12	-	12
Interest rate swaps	-	19	-	19
<b><i>Financial assets at fair value through profit or loss</i></b>				
Principal-protected investments	-	80	-	80
Unlisted club debentures	-	2	-	2
<b>Total</b>	-	113	-	113
<b>Financial liabilities</b>				
<b><i>Derivatives under hedge accounting</i></b>				
Forward foreign exchange contracts	-	2	-	2
Cross currency swaps	-	71	-	71
Interest rate swaps	-	4	-	4
<b>Total</b>	-	77	-	77

## 18. Financial Risk Management and Fair Value Measurements *continued*

### (b) Fair value measurements *continued*

#### (ii) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis *continued*

	At 31 December 2013			
	Level 1	Level 2	Level 3	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
<b>Financial assets</b>				
<b><i>Derivatives under hedge accounting</i></b>				
Interest rate swaps	–	30	–	30
<b><i>Financial assets at fair value through profit or loss</i></b>				
Principal-protected investments	–	158	–	158
Unlisted club debentures	–	2	–	2
<b>Total</b>	–	190	–	190
<b>Financial liabilities</b>				
<b><i>Derivatives under hedge accounting</i></b>				
Cross currency swaps	–	113	–	113
Interest rate swaps	–	9	–	9
<b>Total</b>	–	122	–	122

There were no transfers between Levels 1 and 2.

## **18. Financial Risk Management and Fair Value Measurements** *continued*

### **(b) Fair value measurements** *continued*

#### ***(iii) Valuation techniques and inputs used in fair value measurements categorised within Level 2:***

- Interest rate swaps are measured using discounted cash flow methodology based on observable yield curves of the respective currencies taking into account the credit risk of the counterparties and of the Group as appropriate.
- Forward foreign exchange contracts and cross currency swaps are measured using discounted cash flow methodology based on observable spot and forward exchange rates as well as the yield curves of the respective currencies taking into account the credit risk of the counterparties and of the Group as appropriate.
- Principal-protected investments are measured using discounted cash flow methodology based on the observable yield curves of the respective currencies, as well as variable returns linked to certain forward exchange rates, forward prices of certain commodities and relevant indices with foreign exchange rates and commodities prices as underlying and taking into account the credit risk of the counterparties.

## 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. Our Corporate Governance Guidelines, first adopted by the Board in 2003, reflects this broad concept of diversity.

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 diversity of skills and attributes required to oversee and govern in the ever-changing operating environment. Since October 2009, five Non-executive Directors (including four Independent non-executive Directors) with backgrounds in the areas of finance, general management, professional practices, and property industry 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, 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. However, 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](http://www.hysan.com.hk).

### **Board Effectiveness**

#### **Board Responsibilities and Board/Management Relationship**

At the core of our governance structure is our Board, which is accountable to shareholders for the long-term performance of the Company.

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

The Board relies on management for the day-to-day operation of the business. It monitors what management is doing, and holds them accountable for the performance of the Company as measured against established targets. In terms of strategy formulation, the Board works closely with management in thinking through our direction and long-term plans, as well as the various opportunities and risks associated therewith and facing the Company generally.

## **Board Effectiveness** *continued*

### **Board Responsibilities and Board/Management Relationship** *continued*

The Non-executive Directors provide independent challenge and review, bringing a wide range of experiences, specific expertise, and fresh objective perspectives. As members of the various Board committees, they also undertake detailed governance work with a particular focus as noted under the respective terms of reference of the various Board committees.

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

### **Board Composition**

The Board currently comprises 3 Executive Directors, 4 Independent non-executive Directors and 4 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.

### **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, which covers all major policies and directions of the Company. Such list is reviewed periodically, at least once a year. These matters include: long-term objectives and strategies; the extension of Group activities into new business areas; capital management framework and policy; treasury policies; annual budgets, annual funding plan and annual treasury investment plan; material acquisitions/disposals of fixed assets; connected transactions; preliminary announcements of interim and final results; and the declaration of dividends; internal controls; Board membership; Corporate Governance matters; major prosecution, defence or settlement of litigation.

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 reports from members of 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 to Non-executive Directors are issued, covering financial and operating highlights. From time to time, the Board also receives presentations, including from non-Board management members, on significant issues or new opportunities for the Group. This facilitates the build-up of constructive relations and dialogue between the Board and the management team.

## **Board Effectiveness** *continued*

### **Board Process** *continued*

Directors are also kept updated of any material developments from time to time through notifications and circulars detailing the relevant background and explanatory information. Directors also have access to non-Director members of management and staff where appropriate. These processes ensure that the Board receives the answers and information 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 upon procedure to enable Directors to obtain such advice, as stated in our Corporate Governance Guidelines.

The Board also moved to electronic Board papers via iPad – a contribution, albeit small, towards supporting our objective of reducing the use of printed paper across our business in light of sustainability. It also clearly demonstrates the Board's willingness to embrace new technology and further enhance the effectiveness of communications.

### **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 2013 Annual Report, the Board considered the internal controls system effective and adequate. No significant areas of concern that might affect the financial, operational, compliance controls, and risk management functions of the Group were identified. The scope of this review covers the adequacy of resources, qualification/experience of staff of the Group's accounting and financial reporting function, and their training and budget.

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 direct access to Audit Committee Chairman.

## **Board Effectiveness** *continued*

### **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.

Strategic planning is an important function of the Board. An additional scheduled Board meeting will be held from 2014 onwards for discussions on strategy matters. The Board also has a Strategy Committee to support it in this regard. It is currently chaired by Irene Yun Lien LEE, Board Chairman, and its other members are Siu Chuen LAU (Deputy Chairman and Chief Executive Officer), Nicholas Charles ALLEN (Independent non-executive Director), Philip Yan Hok FAN (Independent non-executive Director) and Chien LEE (Non-executive Director).

- ***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 (Independent non-executive Director) and Anthony Hsien Pin LEE (Non-executive Director). 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 three times a year. At the invitation of the Audit Committee, meetings are also attended by the Chairman and members of management (including the Chief Executive Officer and the Chief Financial Officer). 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](http://www.hysan.com.hk).

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 of Hysan 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 2014 included in this Report.

## **Board Effectiveness** *continued*

### **Board Committees** *continued*

- ***Remuneration Committee***

The Remuneration Committee is currently chaired by Philip Yan Hok FAN (Independent non-executive Director), and its other members are Joseph Chung Yin POON (Independent non-executive Director), and Michael Tze Hau LEE (Non-executive Director). It has a majority of Independent non-executive Directors. The Remuneration Committee generally meets at least once every year. Full terms of reference are available on the Company's website: [www.hysan.com.hk](http://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, Executive Director remuneration. The Committee then reviews these, and makes recommendations to the Board. The Remuneration Committee also reviews the fee payable to Non-executive Directors prior to its being submitted for approval at the Annual General Meeting ("AGM"). In addition, the Committee also reviews new share option plans, changes to key terms of pension plans, and key terms of new compensation and benefits plans with material financial, reputational, and strategic impact. No Director is involved in deciding his or her own remuneration.

A separate "Directors' Remuneration and Interests Report" in the 2013 Annual Report sets out details of the level of the Directors' remuneration including remuneration breakdown of each individual Executive Directors on a "named" basis.

- ***Nomination Committee***

The Nomination Committee is currently chaired by Irene Yun Lien LEE, Chairman of the Board and has a majority of Independent non-executive Directors. The other members are Philip Yan Hok FAN (Independent non-executive Director), Chien LEE (Non-executive Director), Nicholas Charles ALLEN (Independent non-executive Director) and Joseph Chung Yin POON (Independent non-executive Director). The Nomination Committee generally meets at least once every year. Full terms of reference are available on the Company's website: [www.hysan.com.hk](http://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. The terms of reference of the Committee clearly set out that the Chairman of the Board shall not chair the Committee when it is dealing with the matter of succession of the chairmanship.



## **Board Effectiveness** *continued*

### **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 Chief Executive Officer, Chief Financial Officer, and institutional investors, fund managers, as well as analysts.

The Board is equally interested in the concerns of private shareholders and recognises the significance of the constructive use of AGMs as a 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 AGM. The Chairmen of the various Board Committees, as provided under their respective terms of references, attend AGMs to respond to any shareholder questions on the activities of those Committees. Since 2004, to enable shareholders to gain a better understanding of our business activities, we have included a "business review" session to our AGMs, in addition to the statutory part of the meeting. In the 2014 May AGM, topics addressed include overview of the 2013 business environment, financial position, annual results and subsequent updates, and 2014 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. It has been updated in light of the new "inside information" disclosure regime under the Securities and Futures Ordinance, effective January 2013. (Details of the Corporate Disclosure Policy are available at the Company's website: [www.hysan.com.hk](http://www.hysan.com.hk))

## **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.

#### ***Chairman***

##### **Irene Yun Lien LEE**

Ms. Lee is an independent non-executive director of Cathay Pacific Airways Limited, CLP Holdings Limited, Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited and Noble Group Limited (listed on Singapore Exchange Limited). She has held senior positions in investment banking and fund management in a number of renowned international financial institutions. Previously, Ms. Lee was 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. She was also the non-executive chairman of Keybridge Capital Limited (listed on Australian Stock Exchange), a non-executive director of ING Bank (Australia) Limited, QBE Insurance Group Limited, and The Myer Family Company Pty Limited; and a member of the Advisory Council of JP Morgan Australia. Ms. Lee was formerly a member of the Australian Government Takeovers Panel. She is a member of the founding Lee family, sister of Mr. Anthony Hsien Pin LEE (Non-executive Director) 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, Non-executive Chairman in May 2011, and Executive Chairman in March 2012.

#### ***Deputy Chairman and Chief Executive Officer***

##### **Siu Chuen LAU**

Mr. Lau was the acting Head of Finance of Hysan Group in 1999. He has also worked as a management consultant at McKinsey & Company, a consumer analyst at Morgan Stanley Asia, and a brand manager of French luxury products. He subsequently co-founded and became a Responsible Officer of a SFC licensed investment advisory firm. Mr. Lau 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 Deputy Chairman in March 2012, Deputy Chairman and Chief Executive Officer in May 2012.

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

### **Directors' Updated Biographical Details** *continued*

#### ***Independent non-executive Director***

##### **Nicholas Charles ALLEN**

Mr. Allen is an independent non-executive director of CLP Holdings Limited, Lenovo Group Limited, VinaLand Limited and Texon International Group 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.

#### ***Independent non-executive Director***

##### **Frederick Peter CHURCHOUSE**

Mr. Churchouse has been involved in Asian securities and property investment markets for more than 30 years. Currently, he is a private investor including having his own private family office company, Portwood Co. Ltd. He is also an independent non-executive director of Longfor Properties Limited and a board member of Macquarie Retail Asset Management Limited. He is also the publisher and author of "Asia Hard Assets Report". In 2004, Mr. Churchouse set up an Asian investment fund under LIM Advisors. He acted as a director of LIM Advisors and as Responsible Officer until the end of 2009. Prior to this, Mr. Churchouse worked at Morgan Stanley as a managing director and advisory director from early 1988. He acted in a variety of roles including head of regional research, regional strategist and head of regional property research. Mr. Churchouse gained a Bachelor of Arts degree and a Master of Social Sciences degree from the University of Waikato in New Zealand. He was appointed an Independent non-executive Director in December 2012.

#### ***Independent non-executive Director***

##### **Philip Yan Hok FAN**

Mr. Fan is an independent non-executive director of China Everbright International Limited, First Pacific Company Limited, HKC (Holdings) Limited, and China Aircraft Leasing Group Holdings Limited, and an independent director of Goodman Group. He is a member of the Asia Advisory Committee of AustralianSuper Pty Ltd (a pension fund in Australia). He was previously an independent director of Suntech Power Holdings Co., Ltd. (under provisional liquidation) 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.

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

### **Directors' Updated Biographical Details** *continued*

#### ***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 Environment and Conservation Fund Investment Committee and 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, and a former member of the Board of Inland Revenue of Hong Kong Special Administrative Region. 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***

##### **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 a non-executive director of Television Broadcasts 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 is the brother of Ms. Irene Yun Lien LEE, Chairman. Mr. Lee received a Bachelor of Arts Degree from Princeton University and a Master of Business Administration Degree from The Chinese University of Hong Kong. He was appointed a Non-executive Director in 1994.

#### ***Non-executive Director***

##### **Chien LEE**

Mr. Lee is a private investor and a non-executive director of Swire Pacific Limited and a number of private companies. He was previously an independent non-executive director of Television Broadcasts Limited. 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.

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

### **Directors' Updated Biographical Details** *continued*

#### ***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; an independent non-executive director and chairman of OTC Clearing Hong Kong Limited; and a Steward of The Hong Kong Jockey Club. Mr. Lee was 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. As a member of the management team, she participates in the Group's strategic planning 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 a member of the Hong Kong Institute of Certified Public Accountants, a Fellow of the Hong Kong Institute of Chartered Secretaries; and sits on a number of panels of the two institutes respectively. Her public services include serving as a member of the Main Board and Growth Enterprise Market Listing Committee of The Stock Exchange of Hong Kong Limited, Standing Committee on Company Law Reform, a co-opted member of the Audit and Risk Committee of the Hospital Authority.

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

### **Directors' Emoluments**

The Remuneration Committee met in March 2014 to review (i) 2014 Executive Director compensation packages and 2013 performance-based bonus; and (ii) the fee for Non-executive Directors and Board Committee members. Revision to fees of Chairmen of the Audit Committee and Remuneration Committee were proposed, and approved, at the AGM held in May 2014 as follows:

	<b>HK\$ per annum</b>
<b>Audit Committee Chairman</b>	120,000
<b>Remuneration Committee Chairman</b>	60,000

Further details on Executive Director compensation are set out in note 7 to the condensed consolidated financial statements on pages 25 and 26.

Share options were also granted to Executive Directors on 10 March 2014 pursuant to the Company's share option scheme, details are set out in the section "Long-term Incentives: Share Option Scheme" below.

## Directors' Interests in Shares

As at 30 June 2014, 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

Name	Number of ordinary shares held				Total	% of the issued share capital (Note a)
	Personal interests	Family interests	Corporate interests	Other interests		
Nicholas Charles ALLEN	—	—	—	20,000 (Note b)	20,000	0.002
Hans Michael JEBSEN	60,984	—	2,473,316 (Note c)	—	2,534,300	0.238
Siu Chuen LAU	80,666	—	100,115 (Note d)	—	180,781	0.017
Irene Yun Lien LEE	30,000	—	—	—	30,000	0.003
Chien LEE	800,000	—	—	—	800,000	0.075
Wendy Wen Yee YUNG	758,000	—	—	—	758,000	0.071

Notes:

- (a) This percentage has been compiled based on the total number of shares of the Company in issue (i.e. 1,063,731,702 ordinary shares) as at 30 June 2014.
- (b) Such shares were held jointly by Nicholas Charles ALLEN and his wife.
- (c) 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.
- (d) 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 scheme (details are set out in the section headed "Long-term incentives: Share Option Scheme" 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:

Name	Number of ordinary shares held		Total	% of the issued share capital
	Corporate interests	Other interests		
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 2014 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 Scheme

The Company has outstanding options under an executive share option scheme. The purpose of the scheme 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.



## Directors' Interests in Shares *continued*

### Long-term incentives: Share Option Scheme *continued*

#### *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.

During the review period, a total of 1,187,000 shares options were granted under the 2005 Scheme.

As at 30 June 2014, an aggregate of 3,713,044 shares are issuable for options granted (including 1,552,890 fully-vested shares options) under the 2005 Scheme, representing approximately 0.35% of the issued share capital of the Company.

Details of options granted, exercised, cancelled/lapsed and outstanding under the 2005 Scheme during the review period are as follows:

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2014	Changes during the period			Balance as at 30.6.2014
					Granted	Exercised	Cancelled/ lapsed (Note b)	
<b>Executive Directors</b>								
Irene Yun Lien LEE	14.5.2012	33.50	14.5.2013 – 13.5.2022	261,000	–	–	–	261,000
	7.3.2013	39.92	7.3.2014 – 6.3.2023	265,000	–	–	–	265,000
	10.3.2014	32.84 (Note c)	10.3.2015 – 9.3.2024	–	325,000	–	–	325,000
Siu Chuen LAU	14.5.2012	33.50	14.5.2013 – 13.5.2022	161,334	–	–	–	161,334
	7.3.2013	39.92	7.3.2014 – 6.3.2023	246,000	–	–	–	246,000
	10.3.2014	32.84 (Note c)	10.3.2015 – 9.3.2024	–	302,000	–	–	302,000

## Directors' Interests in Shares *continued*

### Long-term incentives: Share Option Scheme *continued*

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2014	Changes during the period			Balance as at 30.6.2014
					Granted	Exercised	Cancelled/ lapsed (Note b)	
<b>Executive Directors</b> <i>continued</i>								
Wendy Wen Yee YUNG	10.3.2011	35.71	10.3.2012 – 9.3.2021	103,000	–	–	–	103,000
	9.3.2012	33.79	9.3.2013 – 8.3.2022	113,000	–	–	–	113,000
	7.3.2013	39.92	7.3.2014 – 6.3.2023	106,700	–	–	–	106,700
	10.3.2014	32.84 (Note c)	10.3.2015 – 9.3.2024	–	95,000	–	–	95,000
<b>Eligible employees</b> (Note d)								
	31.3.2008	21.96	31.3.2009 – 30.3.2018	17,000	–	–	–	17,000
	31.3.2009	13.30	31.3.2010 – 30.3.2019	164,000	–	(30,000) (Note e)	–	134,000
	31.3.2010	22.45	31.3.2011 – 30.3.2020	251,334	–	(64,660) (Note e)	–	186,674
	31.3.2011	32.00	31.3.2012 – 30.3.2021	246,001	–	(2,666) (Note f)	(1,334)	242,001
	30.3.2012	31.61	30.3.2013 – 29.3.2022	336,335	–	(1,333) (Note f)	(2,667)	332,335
	28.3.2013	39.20	28.3.2014 – 27.3.2023	362,000	–	–	(4,000)	358,000
	31.3.2014	33.75 (Note g)	31.3.2015 – 30.3.2024	–	465,000	–	–	465,000
				2,632,704	1,187,000	(98,659)	(8,001)	3,713,044

## **Directors' Interests in Shares** *continued*

### **Long-term incentives: Share Option Scheme** *continued*

Notes:

- (a) All options granted have a vesting period of 3 years in equal proportions starting from the 1st anniversary and become fully vested on the 3rd anniversary of the grant. In this table, "exercise period" begins with the 1st anniversary of the grant date.
- (b) The options lapsed during the year upon resignation of an eligible employee.
- (c) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 7 March 2014) was HK\$32.95.
- (d) Eligible employees are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.
- (e) 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.
- (f) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$33.45.
- (g) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 28 March 2014) was HK\$33.30.

Apart from the above, the Company had not granted any share option under the 2005 Scheme 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 Scheme *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:

<b>Date of grant</b>	<b>31.3.2014</b>	<b>10.3.2014</b>
Closing share price at the date of grant	HK\$33.750	HK\$32.200
Exercise price	HK\$33.750	HK\$32.840
Risk free rate (Note a)	1.529%	1.328%
Expected life of option (Note b)	5 years	5 years
Expected volatility (Note c)	33.517%	33.509%
Expected dividend per annum (Note d)	HK\$0.866	HK\$0.866
Estimated fair values per share option	HK\$8.422	HK\$7.712

Notes:

- (a) Risk free rate: being the approximate yields of 5-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 5 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: being the approximate historical volatility of closing prices of the shares of the Company in the past 5 years immediately before the date of grant.
- (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 2014, 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)	40.72
Lee Hysan Company Limited	Interests of controlled corporations	433,130,735 (Note b)	40.72
Silchester International Investors LLP	Investment manager	74,457,000	7.00
EII Capital Holding, Inc.	Interests of controlled corporations	53,445,602 (Note c)	5.02
Christian LANGE	Interests of controlled corporations	53,445,602 (Note c)	5.02

Notes:

- (a) The percentage has been compiled based on the total number of shares of the Company in issue as at 30 June 2014 (i.e. 1,063,731,702 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.
- (c) These interests represent the same block of shares of the Company. Such shares were held through EII Capital Holding, Inc. in which Christian LANGE holds 43.16% interest.

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 2014.

## 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 60 to 62.

## Continuing Connected Transactions

Certain transactions entered into by the Group constituted continuing connected transactions (the “Transactions”) under Rule 14A.76(2) 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) 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 b)	28 March 2013 (Lease and Carpark Licence Agreement)	5 years commencing from 1 September 2013 (Note c)	Office units on the 28th, 30th and 31st Floors and 3 carparking spaces	2014: HK\$28,884,708 2015: HK\$28,884,708 2016: HK\$28,884,708 2017: HK\$28,884,708 2018: HK\$19,256,472 (on pro-rata basis) (Notes d & i)
(ii) Hang Seng Bank Limited (Note b)	16 August 2013 (Lease and Licence Agreement)	2 years, 4 months and 15 days commencing from 15 October 2013	Shop G13A on the Ground Floor and Shops 2-10 and 11-12 on the Lower Ground Floor and certain areas on the Lower Ground Floor and Ground Floor	2014: HK\$27,618,660 2015: HK\$27,618,660 2016: HK\$4,603,110 (on pro-rata basis) (Note i)
(iii) Pearl Investments (HK) Limited (Note e)	24 May 2011 (Lease and Carpark Licence Agreement)	3 years commencing from 15 May 2011 (Note f)	Room 1401C on the 14th Floor and 1 carparking space	2014: HK\$770,130 (on pro-rata basis) (Note i)
(iv) Treasure Matrix Limited (Note g)	28 March 2014 (Lease and Licence Agreements)	5 years commencing from 28 March 2014 (Note c)	Shop Nos. 308 & 311 on the 3rd Floor (interconnected with an outdoor garden)	2014: HK\$4,341,000 (on pro-rata basis) 2015: HK\$7,759,200 2016: HK\$7,759,200 2017: HK\$7,759,200 2018: HK\$7,759,200 2019: HK\$1,856,368 (on pro-rata basis) (Note h)

## Continuing Connected Transactions *continued*

### I. Leases granted by the Group *continued*

#### (b) *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 40.72% interest). Details of the lease are set out below:

Connected person	Date of agreement	Terms	Premises	Annual consideration (Note a)
Atlas Corporate Management Limited	4 November 2011	3 years commencing from 1 November 2011	Whole of 21st Floor	2014: HK\$2,343,100 (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 received during the period
Barrowgate Limited	28 March 2013	3 years commencing from 1 April 2013	Whole premises of Lee Gardens Two	HK\$14,121,792 (Note j)

(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 received during the period
Barrowgate Limited	28 March 2013	3 years commencing from 1 April 2013	Whole premises of Lee Gardens Two	HK\$1,233,857 (Note j)

## **Continuing Connected Transactions** *continued*

Notes:

- (a) The annual considerations are based on current rates of rental (including estimated turnover rent, where applicable), operating charges, (for retail premises) promotional levies and (for carparking spaces) licence fees for each of the relevant financial years as provided in the relevant agreements. The rental, operating charges, promotional levies and licence fees (as the case may be) are payable monthly in advance.
- (b) Jebesen and Company and Hang Seng are beneficial substantial shareholders of Barrowgate and having equity interest of 10% and 24.64% respectively in Barrowgate.
- (c) The term of the agreements mentioned under I(a)(i) and I(a)(iv) above exceeds 3 years. According to Listing Rules requirement, an independent financial adviser to the Board was engaged in each case. It formed the view, in each case, that the term with duration longer than 3 years was required and it was normal business practice for leases of this type to be of such duration.
- (d) The rent for the period from 1 September 2016 to 31 August 2018 will be reviewed at the then prevailing market rent and to be agreed by Barrowgate and Jebesen and Company.
- (e) 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.
- (f) The lease and carpark licence agreement had been renewed for a further term of 3 years commencing from 15 May 2014 to 14 May 2017. The renewed lease and carpark licence agreement constitute an exempted continuing connected transaction of the Company under the Listing Rules.
- (g) Treasure Matrix Limited ("Treasure Matrix") is a non-wholly owned subsidiary of the Company. Under this transaction, Barrowgate was considered a connected person of the Company under the Listing Rules by virtue of its being a non-wholly owned subsidiary of the Company and also having a substantial shareholder which is an associate of a Director of the Company.
- (h) The rent for the period from 28 March 2017 to 27 March 2019 will be reviewed at the then prevailing market rent and to be agreed by Barrowgate and Treasure Matrix.
- (i) The office monthly operating charges and carpark licence fee for Lee Gardens Two were revised with effect from 1 January 2014. The retail monthly operating charges for Lee Gardens Two were also revised with effect with 1 January 2014.
- (j) These represent the actual consideration received for the period from 1 January 2014 to 30 June 2014, 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 2014 was 638 (31 December 2013: 653). The Group's human resources practices are aligned with our corporate objectives so as to maximise shareholder value and achieve growth.

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

# Corporate Information

## **Board of Directors**

### **Chairman**

Irene Yun Lien LEE

### **Deputy Chairman and Chief Executive Officer**

Siu Chuen LAU

### **Independent non-executive Directors**

Nicholas Charles ALLEN

Frederick Peter CHURCHOUSE

Philip Yan Hok FAN

Joseph Chung Yin POON

### **Non-executive Directors**

Hans Michael JEBSEN  
B.B.S.

Anthony Hsien Pin LEE

Chien LEE

Michael Tze Hau LEE

### **Executive Director and Company Secretary**

Wendy Wen Yee YUNG

## **Auditor**

Deloitte Touche Tohmatsu

## **Share Registrar and Transfer Office**

Tricor Standard Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## **Registered Office**

49/F. (Reception: 50/F.)  
The Lee Gardens  
33 Hysan Avenue  
Hong Kong

# SHAREHOLDER INFORMATION

## FINANCIAL CALENDAR

Announcement of interim results	8 August 2014
Ex-dividend date for first interim dividend	21 August 2014
Closure of register of members and record date for first interim dividend	25 August 2014
Dispatch of first interim dividend warrants	(on or about) 4 September 2014

## FIRST INTERIM DIVIDEND

The Board declares the payment of a first interim dividend of HK23 cents per share. The first interim dividend will be payable in cash to shareholders on the register of members as at Monday, 25 August 2014.

The register of members will be closed on Monday, 25 August 2014, for the purpose of determining shareholders' entitlement to the first interim dividend, during which period no transfer of shares will be registered. In order to qualify for the first interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar not later than 4:00 p.m. on Friday, 22 August 2014.

Dividend warrants will be dispatched to shareholders on or about Thursday, 4 September 2014.

## 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 Registrar, Tricor Standard Limited.

Tricor Standard Limited  
Level 22, Hopewell Centre  
183 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 Registrar promptly of any change of their address.

The Interim Report is printed in English and Chinese language and is available on our website at [www.hysan.com.hk](http://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 Registrar at the address above. The Change Request Form may be downloaded from the Company's website at [www.hysan.com.hk](http://www.hysan.com.hk).

## INVESTOR RELATIONS

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

Investor Relations  
Hysan Development Company Limited  
49/F. (Reception: 50/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](http://www.hysan.com.hk).

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