



Hysan Development Company Limited Interim Report 2016

 **Hysan** 希慎

stock code 00014

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

- **Turnover up 2.7% year-on-year; Recurring Underlying Profit up 1.3%**
- **Strong occupancy across our commercial portfolio (Retail: 99%; Office: 96%) against challenging global and local economic conditions**
- **Steady performance expected for full year, despite uncertain economic climate: majority of 2016 expiring commercial leases already committed**
- **Reported profit decline reflecting fair value loss on investment properties valuation**

RESULTS

	Notes	Six months ended 30 June		Change
		2016 HK\$ million	2015 HK\$ million	
Turnover	1	1,760	1,714	+2.7%
Recurring Underlying Profit	2	1,178	1,163	+1.3%
Underlying Profit	3	1,178	1,163	+1.3%
Reported Profit	4	899	2,289	-60.7%
		HK cents	HK cents	
Earnings per share, based on:				
Recurring Underlying Profit	2	112.41	109.32	+2.8%
Underlying Profit	3	112.41	109.32	+2.8%
Reported Profit	4	85.78	215.15	-60.1%
First interim dividend per share		26.00	25.00	+4.0%
		At 30 June 2016 HK\$ million	At 31 December 2015 HK\$ million	
Shareholders' Funds	5	67,587	68,172	-0.9%
		HK\$	HK\$	
Net Asset Value per Share	6	64.65	64.48	+0.3%

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).
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

The first half of 2016 proved to be a challenging one globally, with socio-political volatility exerting further pressure on the already fragile economic and financial conditions in many parts of the world. The choice of the United Kingdom electorate to vote for "Brexit" from the European Union in June's referendum was only the latest addition to a range of factors that have continued to generate economic uncertainties.

Not surprisingly, Hong Kong has been adversely affected by the strong headwinds from abroad. Exports have continued to contract. External negative influences together with local market consolidations are among the probable reasons for the slowdown in the otherwise reliable consumer spending.

Weaker domestic demand, compounded by the well-documented decline in the number of in-bound tourists from Mainland China, significantly impacted Hong Kong's retail sales. A large single-digit percentage decrease in retail sales, as compared to similar periods in 2015, was regularly recorded throughout the first six months of 2016. Significantly, the falls were no longer limited to the luxury goods category. Most of the other retail segments, including day-to-day consumables, also registered declines. The most striking was the decline in demand for festival-related goods during the Chinese New Year period, when most families would normally spend freely on food and drink to celebrate.

At Hysan, we had long anticipated the normalisation of retail growth after a nearly decade-long rise fuelled by tourist spending. By not having to rely on any one type of customer or focus on one price point, our diversification strategy has served us well. However, a general retail downturn did not, and will not, spare any price category. What we can do, and have been putting into practice, is to extract the most value out of the three distinct retail hubs. We have been carefully curating and fine tuning our retail portfolio. Among the products which consumers are willing to buy in this weaker spending climate are sports and lifestyle items. We therefore continued to add them to our tenant mix, thus catering to the increasing desire of consumers to balance their stressful urban lives with health and wellness activities. We have also focused our strategy on quality food and beverage outlets. Over the next six months, we will open a number of reasonably priced but interesting restaurants within our properties to further enhance the Lee Gardens experience.

We continue to make changes to our retail tenant mix to satisfy our mall customers. Among the key demographic groups are the Millennials. Not only are the Millennials the main spenders in the decades to come, they also tend to influence their parents' buying patterns and formats, thus impacting both the present and the future patterns of consumption.

It is well known that Millennials prefer digital solutions in most things they do, and as such, they can be smart and frugal shoppers having extensively and conveniently researched their desired items online. They also like to share ideas through social media, and approval by peers often determines whether one keeps or returns a piece of merchandise. Significantly, many recent reports have pointed to the fact that Millennials are still big supporters of brick-and-mortar stores, as they can feel and touch the showcased products, especially in large flagship stores. However, even if physical stores and shopping malls are here to stay, mall operators like Hysan need to ensure that our venues are set to cater to the Millennials' evolving mindsets. Such retail destinations need to have significant "pull" and "retain" elements to attract these younger consumers.

While shopping will continue to be the nucleus attraction in a retail venue, we need to provide interesting happenings to support this core activity. In recent years we have been bringing events and activities to our malls, and these have been praised for their originality and popularity. However, as online purchasing grows and matures, such activities themselves in isolation are unlikely to create enough pull factors to encourage Millennials to come and shop. Cross-channel experience, in our opinion, will soon be just as important, if not more so, when it comes to shopping, and shopping malls can still play a big part in this. Online and offline shopping activities must merge seamlessly and they must benefit each other to provide a better and faster service. Hysan has been testing a number of online-plus-offline sales models, which have proven popular amongst our VIP members, and we will continue to invest in suitable technology to stay ahead of these inevitable retail developments.

In our other main business sector, the Hong Kong office leasing market remained strong with tight supply and robust demand, especially in the core commercial districts, leading to continued low vacancy rates. This market is still driven by the financial industry with many Mainland Chinese enterprises occupying prime office space in Central and nearby areas. Tenants from other industries, therefore, have been seeking quality offices in other core areas, with Causeway Bay remaining a top choice. This is due to its convenient location, well-connected transportation options, and its renowned lifestyle offerings of shops and entertainment venues.

Hysan has long maintained a diverse office portfolio with no industry category taking up more than 20 per cent of the total lettable space. Although insurance, banking and other financial entities have a strong presence within our buildings, technology companies and professional/consulting firms also see the advantages, including cost effectiveness, of having their operations based in Lee Gardens. We will continue to diversify our tenant base and ensure our office premises remain top-of-mind choices.

Our Lee Garden Three development project continues to progress well and remains on schedule to be completed in late 2017. We have been exploring leasing options with a number of multinational corporations and local businesses both for the office and the retail floors, and we are confident we can achieve a quality tenant mix for this building. Our recently completed Lee Garden One lobby renovations have added retail floor space while also improved the connections between the office and retail podiums.

Hysan has been a part of the Causeway Bay community for almost 100 years and we are dedicated to building a sustainable community here. Improving our Lee Gardens precinct's pedestrian safety and walkability experience, as well as the environmental quality are among our short to medium term targets. Hysan will further explore the provision of two tunnels to link our existing and soon-to-be-completed car parks, subject to further discussion with the government. These tunnels are designed to help reduce street-level vehicular traffic, which in turn will improve on-grade pedestrian safety and reduce pollution. Furthermore, we have submitted applications to build two footbridges linking our buildings, in our bid to improve all-weather connectivity in the area. The pedestrian-friendly measures should tally with the government's policy on walkability, which has been a core focus in Kowloon East's development plans. In addition to hardware improvements, we have also set up a Lee Gardens Association with neighbouring businesses as members. The aim is to have coordinated area-wide events and activities, and to provide a forum for members to give input to and support future developments.

Results

The Group's turnover for the 2016 interim period was HK\$1,760 million, up 2.7% from the same period in 2015 (2015: HK\$1,714 million). As at 30 June 2016, our retail portfolio occupancy was 99%, while the office portfolio was 96%, and residential portfolio was at 89%.

Recurring Underlying Profit, our key leasing business performance indicator, and Underlying Profit, were both HK\$1,178 million (both up 1.3% from HK\$1,163 million in 2015). These performances primarily reflected the continued improvement in gross profit generated from our retail and office leasing activities. Basic earnings per share based on Recurring Underlying Profit was HK112.41 cents (2015: HK109.32 cents), up 2.8%.

Our Reported Profit for 2016 was HK\$899 million (2015: HK\$2,289 million), down 60.7% after taking into consideration capital expenditures during the period. Fair value loss of HK\$280 million (2015: fair value gain of HK\$1,160 million) on the Group's investment properties valuation was recorded this interim period. As at 30 June 2016, the independent professional valuation of the Group's investment property portfolio increased by 0.3% to HK\$70,008 million (31 December 2015: HK\$69,810 million), reflecting the net effect of a positive office rental outlook, a challenging retail rental outlook, as well as enhancement works made during the period. The Shareholders' Funds movement during the interim period, from HK\$68,172 million as at 31 December 2015 to HK\$67,587 million as at 30 June 2016, principally reflected the valuation change of the investment properties.

Dividends

The Board of Directors has declared a first interim dividend of HK26 cents per share (2015: HK25 cents). The dividend will be payable in cash.

Outlook

Economic volatility abroad and weaker Hong Kong fundamentals have made the first half of 2016 a challenging period. We anticipate continued volatility affected by global political and economic instability which will adversely impact local consumer sentiment for the foreseeable future.

We believe Hysan's quality office and retail offerings, backed by our commitment to provide short, medium and long term solutions for our stakeholders, will stand us in good stead while the economic climate remains uncertain. As the majority of our commercial leases expiring in 2016 have been committed, we expect a steady performance for the rest of the year.

Irene Yun Lien LEE

Chairman

Hong Kong, 2 August 2016

Management's Discussion and Analysis

Review of Operations

The Group's turnover for the first half of 2016 was HK\$1,760 million, representing a growth of 2.7% year-on-year (2015: HK\$1,714 million).

Retail Portfolio

The Group's retail portfolio turnover grew 3.8% to HK\$986 million (2015: HK\$950 million), including turnover rent of HK\$28 million (2015: HK\$50 million). Positive rental reversions were recorded in rental renewals, reviews and new lettings across the portfolio, with an average rental increase of around 10%. Around 75% of retail leases expiring in 2016 have already been committed.

The portfolio was 99% occupied as at 30 June 2016 (31 December 2015: fully let). The vacancies were due mainly to the refinement of tenant mix in Hysan Place.

To meet the anticipated challenges in the retail market, Hysan has strived to provide a unique and satisfying experience to our stakeholders. Our well-balanced portfolio's diversity has been complemented by fresh, creative and technology-driven shopping experiences, as well as by the deep sense of community we have created at Lee Gardens. We believe our strategy to exceed expectations has served us well during this period of sales normalisation in Hong Kong.

As a result, the total foot traffic of Hysan's retail portfolio increased by around 5% in the first six months of 2016, as compared to the same period in 2015. This was achieved during a period of decline in overseas visitor arrivals. There was also a healthy year-on-year growth of around 15% during the May 1 holiday period, traditionally a popular time for mainland tourists to visit Hong Kong. With more than 20 flagships in addition to other stores covering a range of products and price points, including a number of health and leisure brand names, Hysan's retail portfolio remained a popular destination for locals and overseas visitors alike.

The estimated overall tenant sales within Hysan's retail portfolio, however, saw a double-digit percentage decrease. This was heavily impacted by the estimated sales decline of certain electronic goods within our portfolio. Otherwise, the decline was milder and was comparable to the decrease in Hong Kong's overall retail sales during the period.

Hysan Place, which continued to attract a trendy younger crowd, saw around 5% foot traffic growth in the first half of 2016, as compared to the same period in 2015. The shopping mall has gradually transformed into a more all-round retail venue, with the addition of more wellness and sports shops, including increased offerings for men. With 30 outlets, the mall is now becoming a popular food and beverage destination for shoppers and office workers in the neighbourhood. The opening of restaurants like Law Mark Kee and Ming Bistro in the past year has broadened the mall's appeal at reasonable prices, while the second half of 2016 will see the inclusion and expansion of eateries offering pan-Asian delicacies.

The general slowdown in tourist arrivals did not adversely impact our premium Lee Gardens hub in terms of foot traffic. Benefiting from a loyal local customer base that enjoys Hysan Avenue's more relaxed shopping experience, the number of visitors to Lee Garden One remained stable. Lee Garden Two saw an increase of around 10% in foot traffic as compared to the first half of 2015. This growth could be attributed to our strong offerings of children's products, for which Lee Garden Two is renowned. Our Kidz Connect activities have also been well supported, attracting young families to shop and play at the mall. Seasons, the Michelin-starred restaurant, continued to provide fresh dining ideas to appeal to food lovers, as well as being a good venue for business meetings and retail promotions.

Lee Theatre hub, which focuses on urban lifestyle products, saw around 15% growth in foot traffic during the first half of the year, as compared to the first half of 2015. The popularity of the lower floor flagship stores in the Lee Theatre Plaza, as well as the sports-themed street front shops of Leighton Centre offering good quality low-to-mid-price products, underpinned this performance. With the introduction of novel and trendy dining concepts, the restaurants on the higher floors of Lee Theatre Plaza also remained top-of-mind choices for those seeking appetizing and new experiences.

Our street-level pop-up stores, strategically located between Lee Gardens hub and Hysan Place at 25 Lan Fong Road, were part of a new trial and continued to perform well. Since the beginning of 2016, we have seen brands such as Nike, Columbia and Gentle Monster showcasing their creativity and diversity through new or limited edition items not found in their existing shops. These pop-up stores also offer freshness and surprises, luring shoppers to return time and again. Many of the imaginative ideas generated here are complementary to our own creative promotional thinking.

Based on our earlier success in building an online-to-offline project, we further developed a number of variations in regard to the products to be sold, as well as the delivery/pick up methods. In early 2016, we partnered with a few tenants to make available online certain special services and products for our VIP Club Avenue members. We also worked with another tenant to invite VIPs to order limited-edition beverages online, to be collected at physical venues.

We believe there is much more to our retail hubs than simply shopping. The most recent event in the summer of 2016, which features basketball star figurines exhibition as well as a 3-point shooting competition and other sports workshops, perfectly captures the essence of our malls as gathering places for the community.

In the first half of 2016, we also helped form the Lee Gardens Association. This neighbourhood organisation aims to further cultivate a sense of community through events and activities that involve the area's businesses as well as the general public. The first of a series of Association-sponsored history tours took place in June and was well received.

Office Portfolio

Hysan's office portfolio turnover grew by 2.8% in the first six months of 2016 to HK\$635 million (2015: HK\$618 million). There were positive rental reversions on renewals, reviews and new lettings, with an average rental increase of around 25%. Close to 75% of office leases expiring in 2016 have already been committed.

The office portfolio occupancy was 96% as at 30 June 2016 (31 December 2015: 99%). Among the available spaces were a number of smaller units in non-Grade A buildings, while much of the space vacated by Manulife in Lee Garden One at the beginning of the year was filled by mid-year.

The banking and financial sectors continued to ramp up demand in Central and Admiralty. As the preferred alternative to these more traditional core office areas, Hysan's Causeway Bay portfolio offers up-to-date facilities, convenient transportation links, and is situated in a vibrant work/life environment with exceptional retail and entertainment offerings. Located in the geographical centre of Hong Kong Island's commercial north shore, the portfolio has long been considered an ideal place for financial, insurance and technology companies to attract and retain quality employees. Cost effectiveness is another factor that works in favour of the Hysan portfolio. In the first half of 2016, Vistra, SCOR and GAM were among the international financial and professional services companies taking up space in Lee Garden One.

Our tenant mix remained well balanced, with the top four industries being banking and finance; high-end retailers; insurance; and professional and consulting services. These sectors took up 53.1% of our office lettable floor area. No category occupied more than 20% of the total lettable area.

Residential Portfolio

Hysan's residential portfolio, comprising mainly the 345 units in Bamboo Grove on Kennedy Road, recorded a 4.8% turnover decrease to HK\$139 million (2015: HK\$146 million). A number of flats in Bamboo Grove remained vacant in the first half of 2016 as renovation work was carried out in one of the blocks. The portfolio's occupancy was 89% at 30 June 2016 (31 December 2015: 89%).

The rental reversion on renewals, review and new lettings remained positive, with an average rental increase of around 5%. The demand for quality executive rental units remained healthy.

Lee Garden Three Project

The basement structure for this forthcoming commercial building was completed in June 2016, and the above-ground construction is making good progress. The entire project is expected to be completed in the fourth quarter of 2017. Hysan is exploring with the government the provision of two tunnels linking Lee Garden Three's car park with two existing car parks, in its bid to reduce street-level car traffic. The Group has also submitted a footbridge construction application linking Lee Garden Three with a neighbouring building. This will be a part of Hysan's plan to help improve walkability in the area.

Lee Garden One Asset Enhancement Project

The final phase of the Lee Garden One ground floor lobby and higher floors retail space enhancement project was successfully completed in the middle of 2016 as scheduled. The new shop space will be handed over to the incoming tenants from August 2016 onwards. Valentino will have an expanded presence in Lee Garden One, while two new food and beverage outlets will add further affordable international fare and flair to the building.

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 increased by 9.6% to HK\$205 million (2015: HK\$187 million), mainly due to higher fees to external leasing agents. The property expenses to turnover ratio slightly increased from 10.9% to 11.6% as compared to the same period in 2015.

Administrative expenses were broadly the same, at HK\$116 million (2015: HK\$117 million).

Finance Costs

Finance costs, after capitalisation of HK\$2 million (2015: nil) interest expenses and related borrowing costs referable to construction costs of Lee Garden Three, recorded a decrease of 12.4% to HK\$92 million (2015: HK\$105 million). If the capitalised interest expenses and related borrowing costs were included, the Group's finance costs in 2016 would have been HK\$94 million, a decrease of 10.5% from HK\$105 million in the first half of 2015.

The decrease was attributable to the lower average debt level in 2016 as compared to the same period in 2015 after debt repayments of HK\$1,832 million during the year of 2015 and the first half of 2016. A HK\$500 million bank loan was drawn down in the first half of 2016 but the related finance costs were capitalised as part of the construction costs of Lee Garden Three.

HK\$1,732 million of the above mentioned debt repayments were on a floating rate basis, which generally carried lower finance costs compared with fixed rate debts. As a result, the Group's average cost of finance for the interim period was 3.8%, higher than 3.4% and 3.5% reported for the first half of 2015 and full-year 2015 respectively.

Revaluation of Investment Properties

As at 30 June 2016, the investment properties of the Group were revalued at HK\$70,008 million (31 December 2015: HK\$69,810 million) by an independent professional valuer. During the first half of 2016, a fair value loss on investment properties (excluding capital expenditure spent on the Group's investment properties) of HK\$280 million (2015: fair value gain of HK\$1,160 million) was recognised in the condensed consolidated income statement. This reflected the net effect of a positive office rental outlook, a challenging retail rental outlook, as well as enhancement works made during the interim period.

Investments in Associates

The Group's share of results of associates decreased by 11.9% to HK\$118 million (2015: HK\$134 million). This decline was mainly due to a smaller revaluation gain of the Shanghai Grand Gateway Project, of which the Group owns 24.7% and Renminbi devaluation during the first half of 2016.

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. This helped to preserve the Group's liquidity and to enhance interest yields.

Investment income, comprising mainly interest income, amounted to HK\$25 million (2015: HK\$34 million) in the first half of 2016. This principally reflected a lower average investment amount after repayment of matured debts and use of cash for share repurchase.

Capital Expenditure

The Group is committed to enhancing the asset value of its investment property portfolio through selective enhancement and redevelopment. Total cash outlay of such capital expenditure amounted to HK\$333 million during the interim period (2015: HK\$164 million).

Share Repurchase

As part of Hysan's capital management strategy, the Group repurchased 11.73 million of its own shares during the first half of 2016, which should further enhance shareholder value, at an aggregate consideration of HK\$365 million (2015: nil). The average purchase price per share was HK\$31.01.

Treasury Policy

Capital Structure Management

The Group's total gross debt¹ level as at 30 June 2016 increased to HK\$5,125 million (31 December 2015: HK\$4,875 million), after loan repayment of HK\$250 million and new drawdown of HK\$500 million during the interim period. The Group's average debt maturity was at 5.8 years as at 30 June 2016 (31 December 2015: 6.3 years). The following shows the debt maturity profile of the Group at 2016 interim period-end and 2015 year-end.

	At 30 June 2016 HK\$ million	At 31 December 2015 HK\$ million
Maturing in not exceeding one year	–	250
Maturing in more than one year but not exceeding two years	150	–
Maturing in more than two years but not exceeding five years	1,365	1,015
Maturing in more than five years	3,610	3,610
	5,125	4,875

As at 30 June 2016, bank loans accounted for approximately 9.8% of the Group's total gross debt, with the remaining 90.2% from capital market financing (31 December 2015: 5.1%: 94.9%). All of the Group's debts are unsecured and on a committed basis.

¹ The gross debt represents the contractual principal payment obligations as at 30 June 2016. However, in accordance with the Group's accounting policies, the debt is measured at amortised cost, using the effective interest method. As disclosed in the condensed consolidated statement of financial position as at 30 June 2016, the book value of the outstanding debt of the Group was HK\$5,113 million (31 December 2015: HK\$4,859 million).

Interest Rate Management

Interest expenses represent a key cost driver of the Group's business. Therefore, the Group monitors its interest rate exposure closely and adopts an appropriate hedging strategy in light of market conditions. As at 30 June 2016, the fixed rate debt ratio was approximately 90.2% of the total gross debt (31 December 2015: 94.9%).

Foreign Exchange Management

The Group aims to have minimal mismatches in currency and does not speculate in currency movements for debt management. On the funding side, with the exception of the US\$300 million fixed rate notes, which have been hedged by appropriate hedging instruments, all of the Group's 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 unhedged foreign currency exposures in USD arising from cash, time deposits, and debt securities, which amounted to US\$29 million.

Other foreign exchange exposure mainly relates to investments in the Shanghai associates. These unhedged foreign exchange exposures amounted to the equivalent of HK\$3,727 million (31 December 2015: HK\$3,683 million) or 4.7% (31 December 2015: 4.7%) 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) increased to 21.6 times for the first half of 2016 (2015: 20.3 times), mainly due to continuous increase in revenue across our portfolio and a lower debt level.

Net debt to equity (defined as borrowings less time deposits, cash and bank balances divided by shareholders' funds) increased to 3.4% as at 30 June 2016 (31 December 2015: 3.0%) as Shareholders' Funds were reduced by the investment properties valuation change during the interim period.

Credit Ratings

As at 30 June 2016, 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 13 to 42, which comprise the condensed consolidated statement of financial position as of 30 June 2016 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
2 August 2016

Condensed Consolidated Income Statement

For the six months ended 30 June 2016 (unaudited)

	Notes	Six months ended 30 June	
		2016 HK\$ million	2015 HK\$ million
Turnover	3	1,760	1,714
Property expenses		(205)	(187)
Gross profit		1,555	1,527
Investment income		25	34
Administrative expenses		(116)	(117)
Finance costs	5	(92)	(105)
Change in fair value of investment properties		(280)	1,160
Share of results of associates		118	134
Profit before taxation		1,210	2,633
Taxation	6	(229)	(223)
Profit for the period	7	981	2,410
Profit for the period attributable to:			
Owners of the Company		899	2,289
Non-controlling interests		82	121
		981	2,410
Earnings per share (expressed in HK cents)			
Basic	8	85.78	215.15
Diluted	8	85.78	215.12

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016 (unaudited)

	Six months ended 30 June	
	2016 HK\$ million	2015 HK\$ million
Profit for the period	981	2,410
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Revaluation of properties held for own use:		
Gains on revaluation of properties held for own use	13	6
Deferred taxation arising on revaluation	(2)	(1)
	11	5
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Derivatives designated as cash flow hedges:		
Net gains (losses) arising during the period	64	(40)
Reclassification adjustments for net (gains) losses included in profit or loss	(3)	5
	61	(35)
Amortisation of forward element excluded from hedge designation	-	(6)
	61	(41)
Share of translation reserve of an associate	(74)	(4)
	(13)	(45)
Other comprehensive expenses for the period (net of tax)	(2)	(40)
Total comprehensive income for the period	979	2,370
Total comprehensive income attributable to:		
Owners of the Company	897	2,249
Non-controlling interests	82	121
	979	2,370

Condensed Consolidated Statement of Financial Position

At 30 June 2016 (unaudited)

	Notes	At 30 June 2016 HK\$ million	At 31 December 2015 HK\$ million (audited)
Non-current assets			
Investment properties	10	70,008	69,810
Property, plant and equipment		711	705
Investments in associates		3,727	3,683
Term notes		836	935
Other financial assets		3	7
Other receivables	11	97	227
		75,382	75,367
Current assets			
Accounts and other receivables	11	224	201
Term notes		254	415
Other financial assets		4	1
Time deposits	12	2,746	2,743
Cash and bank balances	12	41	61
		3,269	3,421
Current liabilities			
Accounts payable and accruals	13	525	470
Rental deposits from tenants		290	296
Amounts due to non-controlling interests		327	327
Borrowings	14	–	250
Taxation payable		233	120
		1,375	1,463
Net current assets		1,894	1,958
Total assets less current liabilities		77,276	77,325
Non-current liabilities			
Borrowings	14	5,113	4,609
Other financial liabilities		6	71
Rental deposits from tenants		640	594
Deferred taxation	15	714	683
		6,473	5,957
Net assets		70,803	71,368
Capital and reserves			
Share capital		7,643	7,642
Reserves		59,944	60,530
Equity attributable to owners of the Company		67,587	68,172
Non-controlling interests		3,216	3,196
Total equity		70,803	71,368

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016 (unaudited)

	Attributable to owners of the Company		
	Share capital HK\$ million	Share options reserve HK\$ million	General reserve HK\$ million
At 1 January 2016	7,642	30	100
Profit for the period	–	–	–
Net gains arising from hedging instruments	–	–	–
Reclassification adjustments for net gains included in profit or loss	–	–	–
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	–	–	–
Issue of shares under share option schemes	1	–	–
Recognition of equity-settled share-based payments	–	4	–
Cancellation upon repurchase of own shares (Note b)	–	–	–
Dividends paid during the period (note 9)	–	–	–
At 30 June 2016	7,643	34	100
At 1 January 2015	7,640	27	100
Profit for the period	–	–	–
Net losses arising from hedging instruments	–	–	–
Reclassification adjustments for net losses included in profit or loss	–	–	–
Amortisation of forward element excluded from hedge designation	–	–	–
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	1	–	–
Recognition of equity-settled share-based payments	–	4	–
Dividends paid during the period (note 9)	–	–	–
At 30 June 2015	7,641	31	100

Notes:

- (a) The Group's leasehold land and buildings classified as property, plant and equipment were revalued at 30 June 2016 and 2015 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\$13 million (2015: HK\$6 million) arising on revaluation have been recognised and accumulated in properties revaluation reserve.
- (b) During the period ended 30 June 2016, the Company repurchased 11,733,000 of its own ordinary shares on The Stock Exchange of Hong Kong Limited at aggregate consideration of HK\$365 million. The ordinary shares were cancelled upon repurchase during the period.

Attributable to owners of the Company

Investments revaluation reserve HK\$ million	Hedging reserve HK\$ million	Properties revaluation reserve HK\$ million	Translation reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million	Non- controlling interests HK\$ million	Total HK\$ million
1	(66)	353	274	59,838	68,172	3,196	71,368
–	–	–	–	899	899	82	981
–	64	–	–	–	64	–	64
–	(3)	–	–	–	(3)	–	(3)
–	–	13	–	–	13	–	13
–	–	(2)	–	–	(2)	–	(2)
–	–	–	(74)	–	(74)	–	(74)
–	61	11	(74)	899	897	82	979
–	–	–	–	–	1	–	1
–	–	–	–	–	4	–	4
–	–	–	–	(365)	(365)	–	(365)
–	–	–	–	(1,122)	(1,122)	(62)	(1,184)
1	(5)	364	200	59,250	67,587	3,216	70,803
(3)	(26)	344	514	58,444	67,040	3,089	70,129
–	–	–	–	2,289	2,289	121	2,410
–	(40)	–	–	–	(40)	–	(40)
–	5	–	–	–	5	–	5
–	(6)	–	–	–	(6)	–	(6)
–	–	6	–	–	6	–	6
–	–	(1)	–	–	(1)	–	(1)
–	–	–	(4)	–	(4)	–	(4)
–	(41)	5	(4)	2,289	2,249	121	2,370
–	–	–	–	–	1	–	1
–	–	–	–	–	4	–	4
–	–	–	–	(1,064)	(1,064)	(62)	(1,126)
(3)	(67)	349	510	59,669	68,230	3,148	71,378

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016 (unaudited)

	Note	Six months ended 30 June	
		2016 HK\$ million	2015 HK\$ million
Net cash from operating activities		1,401	1,410
Investing activities			
Interest received		32	64
Proceeds upon maturity of principal-protected investments		–	80
Proceeds upon maturity of term notes		414	355
Proceeds upon maturity of time deposits with original maturity over three months		1,490	2,625
Dividends received from an associate		–	309
Payments in respect of investment properties		(331)	(164)
Purchases of property, plant and equipment		(2)	–
Purchases of term notes		(156)	(250)
Additions to time deposits with original maturity over three months		(1,143)	(2,382)
Net cash from investing activities		304	637
Financing activities			
Interest paid		(76)	(81)
Payment of other finance costs		–	(3)
Medium Term Note Programme expenses		(1)	(1)
Dividends paid		(1,122)	(1,064)
Dividends paid to non-controlling interests of a subsidiary		(62)	(62)
New bank loans		500	–
Repayment of bank loans		(250)	(300)
Redemption of zero coupon notes		–	(332)
Consideration paid for repurchase of shares		(365)	–
Proceeds on exercise of share options		1	1
Net cash used in financing activities		(1,375)	(1,842)
Net increase in cash and cash equivalents		330	205
Cash and cash equivalents at 1 January	12	584	576
Cash and cash equivalents at 30 June	12	914	781

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016 (unaudited)

1. Basis of Preparation

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2016 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").

The financial information relating to the year ended 31 December 2015 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.
- The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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 issued by the HKICPA that are relevant to its operations and effective for the Group's financial year beginning on 1 January 2016. The adoption of these Amendments to Standards 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.

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 2015.

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.

HKFRS 9	Financial Instruments ³
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ²
Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹

¹ Effective for annual periods beginning on or after 1 January 2017.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after 1 January 2018, except for the 2010 version of HKFRS 9 and the new requirements for hedge accounting issued in 2013, which the Group has early adopted.

⁴ Effective for annual periods beginning on or after 1 January 2019.

⁵ Effective for annual periods beginning on or after a date to be determined.

Hong Kong Financial Reporting Standard (“HKFRS”) 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors. As the Group acts as lessor under its operating leases, the directors of the Company do not anticipate that the application of HKFRS 16 will have a material impact on the Group’s consolidated financial statements.

The Directors of the Company anticipate that the application of these new Standards and Amendments to Standards will have no material impact on the results and 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
<i>For the six months ended 30 June 2016 (unaudited)</i>				
Turnover				
Gross rental income from investment properties	916	560	124	1,600
Management fee income	70	75	15	160
Segment revenue	986	635	139	1,760
Property expenses	(102)	(78)	(25)	(205)
Segment profit	884	557	114	1,555
Investment income				25
Administrative expenses				(116)
Finance costs				(92)
Change in fair value of investment properties				(280)
Share of results of associates				118
Profit before taxation				1,210

4. Segment Information *continued*

Segment turnover and results *continued*

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Consolidated HK\$ million
For the six months ended				
30 June 2015 (unaudited)				
Turnover				
Gross rental income from investment properties	882	545	130	1,557
Management fee income	68	73	16	157
Segment revenue	950	618	146	1,714
Property expenses	(111)	(53)	(23)	(187)
Segment profit	839	565	123	1,527
Investment income				34
Administrative expenses				(117)
Finance costs				(105)
Change in fair value of investment properties				1,160
Share of results of associates				134
Profit before taxation				2,633

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, 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
As at 30 June 2016				
(unaudited)				
Segment assets	34,007	23,562	7,793	65,362
Investment properties under redevelopment				4,654
Investments in associates				3,727
Other assets				4,908
Consolidated assets				78,651
As at 31 December 2015				
(audited)				
Segment assets	34,236	23,111	7,834	65,181
Investment properties under redevelopment				4,637
Investments in associates				3,683
Other assets				5,287
Consolidated assets				78,788

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

5. Finance Costs

	Six months ended 30 June	
	2016	2015
	HK\$ million	HK\$ million
Finance costs comprise:		
Interest on bank loans	2	5
Interest on fixed rate notes	87	97
Imputed interest on zero coupon notes	–	2
	89	104
Total interest expenses		
Other finance costs	2	5
Less: amounts capitalised (Note)	(2)	–
	89	109
Net interest receipts on interest rate swaps	–	(4)
Net exchange losses (gains) on borrowings	3	(1)
Reclassification of net gains from hedging reserve on financial instruments designated as cash flow hedges	(1)	–
Medium Term Note Programme expenses	1	1
	92	105

Note:

Interest expenses have been capitalised to investment properties under re-development at an average interest rate of 2.44% (2015: nil) per annum.

6. Taxation

	Six months ended 30 June	
	2016 HK\$ million	2015 HK\$ million
Current tax		
Hong Kong profits tax (for current period)	200	197
Deferred tax (note 15)	29	26
	229	223

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

7. Profit for the Period

	Six months ended 30 June	
	2016	2015
	HK\$ million	HK\$ million
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	9	9
Gross rental income from investment properties including contingent rentals of HK\$28 million (2015: HK\$50 million)	(1,600)	(1,557)
Less:		
– Direct operating expenses arising from properties that generated rental income	198	183
– Direct operating expenses arising from properties that did not generate rental income	7	4
	(1,395)	(1,370)
Net interest income	(25)	(34)
Staff costs, comprising:		
– Directors' emoluments (Note)	16	21
– Other staff costs	129	130
	145	151
Share of income tax of an associate (included in share of results of associates)	52	57

7. Profit for the Period *continued*

Notes:

The Remuneration Committee met in March 2016 to (1) approve the 2016 annual fixed base salary and determine the 2015 performance-based bonus of the Company's Executive Directors; and (2) review and recommend for Board and shareholders' approval, the revision of fee scale for Non-Executive Directors and Board Committee members. Details are as follows:

- (a) 2016 annual fixed base salaries approved by the Committee for all Executive Directors were HK\$5,128,500 for Irene Yun Lien LEE and HK\$5,553,990 for Siu Chuen LAU respectively.
- (b) 2015 performance-based bonuses approved by the Committee were HK\$6,443,298 for Irene Yun Lien LEE and HK\$7,000,000 for Siu Chuen LAU respectively.
- (c) The revised fee scale for Non-Executive Directors and Board Committee members, effective from 1 June 2016, was approved by shareholders at 2016 annual general meeting held on 13 May 2016 as follows. Executive Directors do not receive any director fee.

	Revised fee per annum HK\$
Board of Directors	
Non-Executive Director	225,000
Audit Committee	
Chairman	135,000
Member	70,000
Remuneration Committee	
Chairman	*60,000
Member	*40,000
Strategy Committee	
Chairman	*30,000
Member	30,000
Other Committees	
Chairman	*30,000
Member	*20,000

* These fees remain unchanged.

7. Profit for the Period *continued*

Siu Chuen LAU stepped down as Deputy Chairman and Chief Executive Officer of the Company and was re-designated as Non-Executive Director of the Company with effect from the conclusion of the Board meeting of the Company held on 2 August 2016. He will receive from the Company a fee of HK\$225,000 per annum for being a Non-Executive Director of the Company calculated on pro-rata basis.

8. Earnings Per Share

(a) Basic and diluted earnings per share

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

	Earnings	
	Six months ended 30 June	
	2016	2015
	HK\$ million	HK\$ million
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	899	2,289
	Number of shares	
	Six months ended 30 June	
	2016	2015
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,047,978,938	1,063,884,548
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	66,139	156,570
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,048,045,077	1,064,041,118

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:

	Six months ended 30 June			
	2016		2015	
	Profit	Basic earnings	Profit	Basic earnings
	HK\$ million	per share	HK\$ million	per share
		HK cents		HK cents
Profit for the period attributable to owners of the Company	899	85.78	2,289	215.15
Change in fair value of investment properties	280		(1,160)	
Effect of non-controlling interests' shares	1		44	
Share of change in fair value of investment properties (net of deferred taxation) of an associate	(2)		(10)	
Underlying Profit	1,178	112.41	1,163	109.32
Recurring Underlying Profit	1,178	112.41	1,163	109.32

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). As there were no such adjustments in both the six months ended 30 June 2016 and 30 June 2015, the Recurring Underlying Profit is the same as the Underlying Profit.
- (ii) The denominators used in calculating the adjusted earnings per share are the same as those detailed above for basic earnings per share.

9. Dividends

(a) Dividends recognised as distribution during the period:

	Six months ended 30 June	
	2016	2015
	HK\$ million	HK\$ million
2015 second interim dividend paid – HK107 cents per share	1,122	–
2014 second interim dividend paid – HK100 cents per share	–	1,064
	1,122	1,064

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

	Six months ended 30 June	
	2016	2015
	HK\$ million	HK\$ million
First interim dividend declared – HK26 cents per share (2015: HK25 cents per share)	272	266

The first interim dividend is not recognised as a liability as at 30 June 2016 and 30 June 2015 because it has been declared after the end of the reporting period.

The declared 2016 first interim dividend will be payable in cash.

10. Investment Properties

	Fair value HK\$ million
At 1 January 2016	69,810
Additions	478
Change in fair value recognised in profit or loss – unrealised	(280)
At 30 June 2016	70,008

The fair value of the Group's investment properties at 30 June 2016 and 31 December 2015 has been arrived at on the basis of a valuation carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuer not connected with the Group. The Group's investment properties have been valued individually, on market value basis, which conforms to The Hong Kong Institute of Surveyors Valuation Standards. In estimating the fair value of the investment properties, the management of the Group has considered the highest and best use of the investment properties.

The value of the completed investment properties is 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, residual method of valuation was adopted. The value is based on the redevelopment potential of the properties as if they were completed in accordance with the existing development proposal at the date of valuation. The value has also taken into consideration all costs of redevelopment and allowance of profit required for the redevelopment, which duly reflected the risks associated with the redevelopment.

There has been no change to the valuation technique during the period for completed investment properties and investment properties under redevelopment.

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 and Other Receivables

	At 30 June 2016 HK\$ million	At 31 December 2015 HK\$ million
Accounts receivable	8	8
Interest receivable	52	59
Prepayments in respect of investment properties	42	121
Other receivables and prepayments	219	240
Total	321	428
Analysed for reporting purposes as:		
Current assets	224	201
Non-current assets	97	227
	321	428

Rents from leasing of investment properties are normally received in advance. At 30 June 2016, accounts receivable of the Group with carrying amount of HK\$8 million (31 December 2015: HK\$8 million) mainly represented rents receipts in arrears, which were aged less than 90 days.

12. Time Deposits/Cash and Bank Balances

	At 30 June 2016 HK\$ million	At 31 December 2015 HK\$ million
Time deposits	2,746	2,743
Cash and bank balances	41	61
Cash and deposits with banks shown in the condensed consolidated statement of financial position	2,787	2,804
Less: Time deposits with original maturity over three months	(1,873)	(2,220)
Cash and cash equivalents shown in the condensed consolidated statement of cash flows	914	584

13. Accounts Payable and Accruals

	At 30 June 2016 HK\$ million	At 31 December 2015 HK\$ million
Accounts payable	145	146
Interest payable	86	73
Other payables	294	251
	525	470

As at 30 June 2016, accounts payable of the Group with carrying amount of HK\$84 million (31 December 2015: HK\$99 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 2016 HK\$ million	At 31 December 2015 HK\$ million	At 30 June 2016 HK\$ million	At 31 December 2015 HK\$ million
Unsecured bank loans	–	250	500	–
Fixed rate notes	–	–	4,613	4,609
	–	250	5,113	4,609

15. Deferred Taxation

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

	Accelerated tax depreciation HK\$ million	Revaluation of properties HK\$ million	Total HK\$ million
At 1 January 2016	614	69	683
Charge to profit or loss (note 6)	29	–	29
Charge to other comprehensive income	–	2	2
At 30 June 2016	643	71	714

15. Deferred Taxation *continued*

As at 30 June 2016, the Group has unused estimated tax losses of HK\$724 million (31 December 2015: HK\$718 million), of which HK\$375 million (31 December 2015: HK\$368 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 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 2016 and 31 December 2015, the Group had the following capital commitments in respect of its investment properties and property, plant and equipment:

	At 30 June 2016 HK\$ million	At 31 December 2015 HK\$ million
Contracted but not provided for	1,490	396

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 2016	2015	At 30 June 2016	At 31 December 2015
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Related company controlled by a shareholder (Note a)	2	2	–	–
Related companies controlled by Directors (Note b (i) & (ii))	17	17	94	94
Non-controlling shareholder of a subsidiary (Note c (i) & (ii))	14	16	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 41.43% (30 June 2015: 40.71%) 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, 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, 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) are disclosed in note 7.

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 2015.

(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\$4,613 million (31 December 2015: HK\$4,609 million) fixed rate notes as stated in note 14 with fair value of HK\$4,932 million (31 December 2015: HK\$4,785 million).

The fair value of HK\$2,454 million (31 December 2015: HK\$2,367 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\$2,478 million (31 December 2015: HK\$2,418 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 2016			
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
Financial assets				
<i>Derivatives under hedge accounting</i>				
Forward foreign exchange contracts	-	6	-	6
<i>Financial assets at fair value through profit or loss</i>				
Unlisted club debenture	-	1	-	1
Total	-	7	-	7
Financial liabilities				
<i>Derivatives under hedge accounting</i>				
Cross currency swaps	-	6	-	6

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 2015			Total HK\$ million
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	
Financial assets				
<i>Derivatives under hedge accounting</i>				
Forward foreign exchange contracts	–	7	–	7
<i>Financial assets at fair value through profit or loss</i>				
Unlisted club debenture	–	1	–	1
Total	–	8	–	8
Financial liabilities				
<i>Derivatives under hedge accounting</i>				
Cross currency swaps	–	71	–	71

There were no transfers between Levels 1 and 2.

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

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.

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 of Directors (the "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 2004, reflects this broad concept of diversity. It was further refined in 2014 to more clearly bring out the Board's endorsement of this approach.

We are committed to continuing Board renewal to ensure that the Board is both compliant and appropriately refreshed and that it always has the necessary diversity of skills and attributes required to oversee and govern in the ever-changing operating environment. Our Non-Executive Directors (including 4 Independent Non-Executive Directors) are of diverse backgrounds in the areas of economics, finance, general management, professional practices, and the property industry. The Board last reviewed its size and composition in December 2015.

We are also committed to overseeing our risk management and internal control systems on an ongoing basis and to ensuring that a review of the effectiveness of the risk management and internal control systems will be conducted at least annually and that we will report to shareholders that we have done so in our annual report.

Hysan has continued to comply with the requirements of the Code Provisions contained in the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the review period. The Board reviews its corporate governance practices continuously to cope with the evolving needs of the Group. Further information on the Company's corporate governance practices is available at the Company's website: 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.

Board Effectiveness *continued*

Board Responsibilities and Board/Management Relationship *continued*

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

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 under the respective terms of reference of the various Board committees.

The role of the Board is governed by a formal Board of Directors Mandate (details are available at the Company's website: 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 the Executive Chairman, 4 Independent Non-Executive Directors and 5 Non-Executive Directors. We have complied with the Listing Rules' requirement of having at least 3 Independent Non-Executive Directors on the Board. The Non-Executive Directors on the Board are endowed with a wide range of experience and calibre, which enables them to bring valuable judgment to bear on issues of strategy, performance and resources.

During the review period, Nicholas Charles ALLEN retired as an Independent Non-Executive Director with effect from the conclusion of the Annual General Meeting of the Company held on 13 May 2016 (the "May 2016 AGM").

Siu Chuen LAU stepped down as Deputy Chairman and Chief Executive Officer and was re-designated as Non-Executive Director with effect from the conclusion of the Board meeting of the Company held on 2 August 2016 (the "August 2016 Board Meeting").

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 continuously, 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; the declaration of dividends; internal controls; Board membership; Corporate Governance matters; and major prosecution, defense or settlement of litigation.

Board Effectiveness *continued*

Board Process *continued*

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 the 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 the full Board are issued, covering financial and operational 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.

Directors are also kept updated of any material developments from time to time through legal and regulatory updates and circulars detailing relevant background and explanatory information. As described above, Directors also have access to non-Director members of management and staff where appropriate. Collectively, these processes ensure that the Board receives the answers and information it needs to fulfil its obligations.

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

Since 2012, the Board 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 support of sustainability. This measure also clearly demonstrates the Board's willingness to embrace new technology and to further enhance the effectiveness of communications.

Board Effectiveness *continued*

Internal Controls and Risk Management

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 control and risk management systems are maintained, while management is responsible for designing and implementing the internal control and risk management systems to manage risks. As stated in our 2015 Annual Report, the Board considered the internal control and risk management systems effective and adequate. No significant areas of concern that may affect the financial, operational, compliance controls, and risk management functions of the Group have been 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.

We have an Internal Audit Department in place, which assists management in its monitoring function by providing independent assessment and assurance. The principle of independence was firmly established, as is evident by the Internal Audit Department's direct access to the Audit Committee Chairman.

Board Committees

In order to provide effective overseeing and leadership and pursuant to its Corporate Governance Guidelines, the Board has established 3 governance-related Board Committees as detailed below. These Committees report to the Board.

Strategic planning is an important function of the Board. An additional Board meeting has been scheduled since 2014 for discussion of strategic 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 Philip Yan Hok FAN (Independent Non-Executive Director), Hans Michael JEBSEN (Non-Executive Director, appointed as a member of Strategy Committee with effect from the conclusion of the May 2016 AGM) and Chien LEE (Non-Executive Director).

Nicholas Charles ALLEN and Siu Chuen LAU (Non-Executive Director) ceased to be a member of the Strategy Committee with effect from the conclusion of the May 2016 AGM and August 2016 Board Meeting respectively.

Board Effectiveness *continued*

Board Committees *continued*

- ***Audit Committee***

The Audit Committee is currently chaired by Joseph Chung Yin POON (Independent Non-Executive Director, appointed as the Chairman of Audit Committee with effect from the conclusion of the May 2016 AGM), and its other members are Frederick Peter CHURCHOUSE (Independent Non-Executive Director), Philip Yan Hok FAN (Independent Non-Executive Director) and Anthony Hsien Pin LEE (Non-Executive Director). There is a majority of Independent Non-Executive Directors. Joseph Chung Yin POON (Committee Chairman) is a member of Chartered Accountants Australia and New Zealand, and the Hong Kong Institute of Certified Public Accountants. Nicholas Charles ALLEN ceased to be the Chairman of Audit Committee with effect from the conclusion of the May 2016 AGM.

The Audit Committee meets 3 times a year. At the invitation of the Audit Committee, such meetings are also attended by the Board 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's presence.

During the review period, the terms of reference of the Audit Committee were refined in March 2016 to more clearly specify its responsibility for overseeing the internal control and risk management systems and for reviewing the internal audit's resources, among other issues. Full terms of reference are available at the Company's website: www.hysan.com.hk. The Audit Committee assists the Board in monitoring the internal control and risk management systems on an ongoing basis.

Hysan believes a clear appreciation of the separate roles of management, the external auditors 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 auditors are responsible for auditing and attesting to the Group's financial statements and evaluating the Group's system of internal controls, to the extent they consider necessary to support their audit report. The Audit Committee is responsible for overseeing the entire process.

Board Effectiveness *continued*

Board Committees *continued*

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

Hysan is committed to maintaining a high standard of integrity, openness, probity and accountability. To further enhance the corporate governance of the Group, the Board adopted a separate Whistleblowing Policy in May 2016 (details are available at the Company's website: www.hysan.com.hk). The Whistleblowing Policy allows employees (full time and part time) of the Group and related third parties who deal with the Group (e.g. consultants, contractors and suppliers) to raise concerns about misconduct, malpractice or irregularities in any matters related to the Group. The Audit Committee is responsible for monitoring and regular reviewing this policy and ensuring independent investigation of possible breaches and related matters together with appropriate follow up action. Hysan endeavors to respond to all concerns fairly and properly.

The Audit Committee has reviewed and discussed with management and external auditors the unaudited condensed consolidated financial statements for the first 6 months of 2016 included in this Report.

- ***Remuneration Committee***

The Group established the Remuneration Committee in 1987 to review the compensation of Executive Directors. The current Remuneration Committee is chaired by Philip Yan Hok FAN (Independent Non-Executive Director). The other members of the Remuneration Committee are Michael Tze Hau LEE (Non-Executive Director) and Joseph Chung Yin POON (Independent Non-Executive Director). It currently has a majority of Independent Non-Executive Directors. The Remuneration Committee generally meets at least once every year.

During the review period, the terms of reference of the Remuneration Committee were refined in March 2016 to extend the Remuneration Committee's responsibility to the determination of compensation at Executive Director-level and senior management, among other matters. Full terms of reference are available at the Company's website: www.hysan.com.hk.

Board Effectiveness *continued*

Board Committees *continued*

- **Remuneration Committee** *continued*

Management makes recommendations to the Remuneration Committee on Hysan's framework or broad policy for Executive Director and senior management remuneration. The Committee then reviews these, and makes recommendations to the Board. The Remuneration Committee also reviews the fees payable to Non-Executive Directors prior to it being submitted for approval at the AGM. In addition, it 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 2015 Annual Report sets out details of the level of the Directors' remuneration including remuneration breakdown of each individual Executive Director.

- **Nomination Committee**

The Board established a Nomination Committee in 2005. The Nomination Committee is currently chaired by Irene Yun Lien LEE, Board Chairman and has a majority of Independent Non-Executive Directors. The other members of the Nomination Committee are Philip Yan Hok FAN (Independent Non-Executive Director), Lawrence Juen-Yee LAU (Independent Non-Executive Director, appointed as a member of Nomination Committee with effect from the conclusion of the May 2016 AGM), Chien LEE (Non-Executive Director), and Joseph Chung Yin POON (Independent Non-Executive Director). Nicholas Charles ALLEN ceased to be a member of Nomination Committee with effect from the conclusion of the May 2016 AGM.

The Nomination Committee generally meets at least once every year. During the review period, the terms of reference of the Nomination Committee were refined in March 2016 to better align with the Listing Rules requirements. Full terms of reference are available at the Company's website: www.hysan.com.hk.

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

Board Effectiveness *continued*

Communication with Shareholders

We are committed to maintaining a policy of open and timely disclosure of relevant information 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, media as well as analysts.

The Board is equally interested in the concerns of private shareholders. The Company Secretary, on behalf of the Board, oversees communication with these investors. The Board recognises the significance of the constructive use of AGMs as a means to enter into a dialogue with private shareholders based on the 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 in our AGMs, in addition to the statutory part of the meeting. Topics covered at the last AGM included the business environment in 2015, a review of business activities, and the Company's outlook for 2016.

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. This policy also identifies who may speak on Hysan's behalf, and outlines the responsibilities for communications with various stakeholder groups (Details of the Corporate Disclosure Policy are available at the Company's website: 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.

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

Directors' Updated Biographical Details *continued*

Chairman

Irene Yun Lien LEE

Ms. Lee is an independent non-executive director of Cathay Pacific Airways Limited, CLP Holdings Limited, HSBC Holdings plc, The Hongkong and Shanghai Banking Corporation Limited, Hang Seng Bank 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.

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 Company Ltd. He is an independent non-executive director of Longfor Properties Co. Ltd. He is also the publisher and author of "The Churchouse Letter". 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. He was also a board member of Macquarie Retail Management (Asia) Limited. 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.

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

Directors' Updated Biographical Details *continued*

Independent Non-Executive Director

Philip Yan Hok FAN

Mr. Fan is an independent non-executive director of China Everbright International Limited, First Pacific Company 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 non-executive director of HKC (Holdings) Limited and Guolian Securities Co., Ltd., and an independent director of Suntech Power Holdings Co., Ltd. (under official 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 an Independent Non-Executive Director in January 2010.

Independent Non-Executive Director

Lawrence Juen-Yee LAU

Professor Lau is currently Ralph and Claire Landau Professor of Economics at The Chinese University of Hong Kong. He is also an independent non-executive director of AIA Group Limited, CNOOC Limited, and Far EasTone Telecommunications Co., Ltd. (listed on the Taiwan Stock Exchange).

Professor Lau received his B.S. degree (with Great Distinction) in Physics from Stanford University and his M.A. and Ph.D. degrees in Economics from the University of California at Berkeley. He joined the faculty of the Department of Economics at Stanford University in 1966, and had a long and distinguished career there. Upon his retirement in 2006, he became Kwoh-Ting Li Professor in Economic Development, Emeritus, at Stanford University. From 2004 to 2010, Professor Lau served as Vice-Chancellor (President) of The Chinese University of Hong Kong. From September 2010 to September 2014, he served as Chairman of CIC International (Hong Kong) Co., Limited, a subsidiary of China Investment Corporation. Professor Lau was also a non-executive director of Semiconductor Manufacturing International Corporation.

Professor Lau is a member of the 12th National Committee of the Chinese People's Political Consultative Conference and a Vice-Chairman of its Economics Sub-committee. He also serves as a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, Chairman of its Governance Sub-committee and member of its Currency Board Sub-committee and Investment Sub-committee, Vice-Chairman of Our Hong Kong Foundation and a member and Chairman of the Prize Recommendation Committee, LUI Che Woo Prize Company. He was appointed a Justice of the Peace in July 2007 and awarded the Gold Bauhinia Star in 2011 by the Government of the Hong Kong Special Administrative Region. He was appointed an Independent Non-Executive Director in December 2014.

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 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 and the Environment and Conservation Fund Investment Committee. Mr. Poon holds a Bachelor of Commerce degree from the University of Western Australia, is a member of Chartered Accountants Australia and New Zealand, and the Hong Kong Institute of Certified Public Accountants. Mr. Poon is also a Fellow of the Hong Kong Institute of Directors. He was appointed an Independent Non-Executive Director in January 2010.

Non-Executive Director

Hans Michael JEBSEN B.B.S.

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

Non-Executive Director

Siu Chuen LAU

Mr. Lau 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 and Deputy Chairman and Chief Executive Officer in May 2012. Mr. Lau has stepped down as Deputy Chairman and Chief Executive officer and was re-designated as Non-Executive Director with effect from the conclusion of the August 2016 Board Meeting.

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

Directors' Updated Biographical Details *continued*

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.

Non-Executive Director

Michael Tze Hau LEE

Mr. Lee is currently a director of Oxer Limited, a private investment company. He is also an independent non-executive director of Chen Hsong Holdings Limited, Trinity Limited; and a Steward of The Hong Kong Jockey Club. He was previously an independent non-executive director of Hong Kong Exchanges and Clearing Limited and an independent non-executive director and chairman of OTC Clearing Hong Kong Limited. Mr. Lee was also 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.

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

Directors' Emoluments

The Remuneration Committee met in March 2016 to (i) approve 2016 Executive Director compensation packages and 2015 performance-based bonus; and (ii) review the fees for Non-Executive Directors and Board Committee members. Revision to fees of Non-Executive Directors, Chairman and member of Audit Committee, and member of Strategy Committee were proposed, and approved, at the May 2016 AGM as follows (such revision took effect from 1 June 2016 and fees for Directors and Board Committee members for the financial year ending 31 December 2016 were adjusted accordingly on a pro-rata basis):

	HK\$ per annum
Board of Directors	
Non-Executive Director	225,000
Audit Committee	
Chairman	135,000
Member	70,000
Strategy Committee	
Member	30,000

Further details on Executive Director compensation are set out in note 7 to the condensed consolidated financial statements on pages 27 to 29.

Share options were also granted to Executive Directors on 9 March 2016 pursuant to the Company's 2015 share option scheme (the "New Scheme"), details of which are set out in the section "Long-term Incentives: Share Option Schemes" below.

Directors' Interests in Shares

As at 30 June 2016, 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 total no. of issued shares (Note a)
	Personal interests	Family interests	Corporate interests	Other interests		
Hans Michael JEBSEN	60,984	–	2,473,316 (Note b)	–	2,534,300	0.242
Siu Chuen LAU	–	–	330,115 (Note c)	80,666 (Note d)	410,781	0.039
Irene Yun Lien LEE	130,000	–	–	–	130,000	0.012
Chien LEE	800,000	–	–	–	800,000	0.077

Notes:

- (a) This percentage was compiled based on the total number of shares of the Company in issue (i.e. 1,045,463,692 ordinary shares) as at 30 June 2016.
- (b) Such shares were held through a corporation in which Hans Michael JEBSEN was a member entitled to exercise no less than one-third of the voting power at general meeting.
- (c) Such shares were held through a corporation in which Siu Chuen LAU and his wife were members and each entitled to exercise no less than one-third of the voting power at general meeting.
- (d) Such shares were held jointly by Siu Chuen LAU and his wife.

Certain Executive Directors of the Company have been granted share options under the Company's 2005 share option scheme (the "2005 Scheme") and the New Scheme (details are set out in the section headed "Long-term incentives: Share Option Schemes" below). These constitute interests in underlying shares of equity derivatives of the Company under the SFO.

Directors' Interests in Shares *continued*

Aggregate long positions in shares of associated corporations

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

Name	Number of ordinary shares held			% of the total no. of issued shares
	Corporate interests	Other interests	Total	
Hans Michael JEBSEN	1,000	—	1,000	10 (Note)

Note:

Jebsen and Company Limited ("Jebsen and Company") held a 10% interest in the total number of issued shares 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 of its associated corporations as at 30 June 2016 were recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Long-term incentives: Share Option Schemes

The Company has outstanding options under the 2005 Scheme. The 2005 Scheme expired on 9 May 2015 and the New Scheme was adopted by the Company on 15 May 2015. The purpose of both schemes was to strengthen the link between individual staff and shareholder interests. The power of grant to Executive Directors is vested in the Remuneration Committee and endorsed by all Independent Non-Executive Directors as required under the Listing Rules. The Chairman or the Chief Executive Officer may make grants to management staff below Executive Director level.

The 2005 Scheme

The Company adopted the 2005 Scheme at its AGM held on 10 May 2005, which has a term of 10 years and expired on 9 May 2015. All outstanding options granted under the 2005 Scheme will continue to be valid and exercisable in accordance with the provisions of the 2005 Scheme.

The New Scheme

The Company adopted the New Scheme at its AGM held on 15 May 2015, which has a term of 10 years and will be expiring on 14 May 2025. Terms of the New Scheme are substantially the same as those under the 2005 Scheme.

Directors' Interests in Shares *continued*

Long-term incentives: Share Option Schemes *continued*

Movements of share options during the period

During the review period, a total of 1,397,000 share options were granted under the New Scheme. The 2005 Scheme expired on 9 May 2015 and no further option will be granted under the 2005 Scheme.

As at 30 June 2016:

- (i) 3,901,670 share options granted (including 2,900,321 fully-vested shares options) under the 2005 Scheme remained outstanding, representing approximately 0.37% of the total number of issued shares of the Company; and
- (ii) 1,397,000 share options granted (none of which were vested) under the New Scheme remained outstanding, representing approximately 0.13% of the total number of issued shares of the Company.

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

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2016	Changes during the period			Balance as at 30.6.2016
					Granted	Exercised	Cancelled/ lapsed (Note b)	
2005 Scheme								
Executive Directors								
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	10.3.2015 – 9.3.2024	325,000	–	–	–	325,000
	12.3.2015	36.27	12.3.2016 – 11.3.2025	300,000	–	–	–	300,000

Directors' Interests in Shares *continued*

Long-term incentives: Share Option Schemes *continued*

Movements of share options during the period *continued*

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2016	Changes during the period			Balance as at 30.6.2016
					Granted	Exercised	Cancelled/ lapsed (Note b)	
2005 Scheme <i>continued</i>								
Executive Directors <i>continued</i>								
Siu Chuen LAU (Note c)	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	10.3.2015 – 9.3.2024	302,000	–	–	–	302,000
	12.3.2015	36.27	12.3.2016 – 11.3.2025	300,000	–	–	–	300,000
Eligible employees (Note d)	31.3.2008	21.96	31.3.2009 – 30.3.2018	17,000	–	(6,000) (Note e)	–	11,000
	31.3.2009	13.30	31.3.2010 – 30.3.2019	134,000	–	(6,000) (Note e)	–	128,000
	31.3.2010	22.45	31.3.2011 – 30.3.2020	152,334	–	(4,000) (Note e)	–	148,334
	31.3.2011	32.00	31.3.2012 – 30.3.2021	172,001	–	–	(6,334)	165,667
	30.3.2012	31.61	30.3.2013 – 29.3.2022	250,335	–	(3,000) (Note f)	(14,000)	233,335
	28.3.2013	39.20	28.3.2014 – 27.3.2023	288,000	–	–	(12,000)	276,000
	31.3.2014	33.75	31.3.2015 – 30.3.2024	396,000	–	–	(15,000)	381,000
	31.3.2015	34.00	31.3.2016 – 30.3.2025	404,000	–	–	(6,000)	398,000
				3,974,004	–	(19,000)	(53,334)	3,901,670

Directors' Interests in Shares *continued*

Long-term incentives: Share Option Schemes *continued*

Movements of share options during the period *continued*

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2016	Changes during the period			Balance as at 30.6.2016
					Granted	Exercised	Cancelled/ lapsed (Note b)	
<u>New Scheme</u>								
Executive Directors								
Irene Yun Lien LEE	9.3.2016	33.15 (Note g)	9.3.2017 – 8.3.2026	–	375,000	–	–	375,000
Siu Chuen LAU (Note c)	9.3.2016	33.15 (Note g)	9.3.2017 – 8.3.2026	–	375,000	–	–	375,000
Eligible employees (Note d)	31.3.2016	33.05 (Note h)	31.3.2017 – 30.3.2026	–	647,000	–	–	647,000
				–	1,397,000	–	–	1,397,000

Directors' Interests in Shares *continued*

Long-term incentives: Share Option Schemes *continued*

Movements of share options during the period *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 period under review upon resignation of certain eligible employees.
- (c) Siu Chuen LAU stepped down as Deputy Chairman and Chief Executive Officer and was re-designated as Non-Executive Director with effect from the conclusion of the August 2016 Board Meeting.
- (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\$33.25.
- (f) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$33.90.
- (g) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 8 March 2016) was HK\$33.70.
- (h) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2016) was HK\$32.85.

Apart from the above, the Company did not grant any share option under the 2005 Scheme and the New Scheme to any other persons during the review period that is required to be disclosed under Rule 17.07 of the Listing Rules.

Directors' Interests in Shares *continued*

Long-term incentives: Share Option Schemes *continued*

Value of share options

The value of the share options granted during the review period is to be expensed through the Group's income statement over the three-year vesting period of the options.

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

The inputs into the Model were as follows:

Date of grant	31.3.2016	9.3.2016
Closing share price at the date of grant	HK\$33.050	HK\$33.150
Exercise price	HK\$33.050	HK\$33.150
Risk free rate (Note a)	0.931%	1.019%
Expected life of option (Note b)	5 years	5 years
Expected volatility (Note c)	27.323%	27.339%
Expected dividend per annum (Note d)	HK\$1.092	HK\$1.092
Estimated fair values per share option	HK\$6.127	HK\$6.190

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 2016, 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 total no. of issued shares (Note a)
Lee Hysan Estate Company, Limited	Beneficial owner and interests of a controlled corporation	433,130,735 (Note b)	41.43
Lee Hysan Company Limited	Interests of controlled corporations	433,130,735 (Note b)	41.43
Silchester International Investors LLP	Investment manager	95,187,000	9.10

Notes:

- (a) The percentage was compiled based on the total number of shares of the Company in issue as at 30 June 2016 (i.e. 1,045,463,692 ordinary shares).
- (b) These interests represented the same block of shares of the Company. 393,321,734 shares were held by Lee Hysan Estate Company, Limited ("LHE") and 39,809,001 shares were held by a subsidiary of LHE. LHE is a wholly-owned subsidiary of Lee Hysan Company Limited.

Apart from the above, no other interest or short position in the shares or underlying shares of the Company were recorded in the register that is required to be kept under section 336 of the SFO as at 30 June 2016.

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 constituted "Continuing Connected Transactions" under the Listing Rules, as identified on pages 64 to 66.

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. Certain details of the Transactions are set out as follows:

I. Leases granted by the Group

(a) Lee Garden Two, 28 Yun Ping Road, Hong Kong (“Lee Garden Two”)

The following lease arrangements were entered into by Barrowgate, a 65.36% subsidiary of the Company and property owner of Lee Garden 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	2016: HK\$29,342,964 2017: HK\$29,342,964 2018: HK\$19,561,976 (on pro-rata basis) (Notes d & j)
(ii) Hang Seng Bank Limited (Note b)	16 August 2013 (Lease and Licence Agreement) (as amended – Note e)	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	2016: HK\$24,023,216 (Note j)
(iii) Treasure Matrix Limited (Notes f & 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 (connected to an outdoor garden)	2016: HK\$7,207,023 2017: HK\$7,866,000 2018: HK\$7,866,000 2019: HK\$1,881,919 (on pro-rata basis) (Notes h to j)

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 41.43% interest). Details of the lease are set out below:

Connected person	Date of agreement	Terms	Premises	Annual consideration (Note a)
Atlas Corporate Management Limited	21 August 2014	3 years commencing from 1 November 2014	Whole of 21st Floor	2016: HK\$3,025,344 2017: HK\$2,521,120 (on pro-rata basis) (Note j)

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

(a) The following management agreements were 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 Garden Two:

Connected person	Date of agreement	Terms	Premises	Consideration received during the period
Barrowgate Limited	(1) 28 March 2013	3 years commencing from 1 April 2013	Whole premises of Lee Garden Two	HK\$7,659,068 (Note k)
	(2) 22 March 2016	3 years commencing from 1 April 2016	Whole premises of Lee Garden Two	HK\$4,802,627 (Note l)

(b) The following management agreements were 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 Garden Two:

Connected person	Date of agreement	Terms	Premises	Consideration received during the period
Barrowgate Limited	(1) 28 March 2013	3 years commencing from 1 April 2013	Whole premises of Lee Garden Two	HK\$926,927 (Note k)
	(2) 22 March 2016	3 years commencing from 1 April 2016	Whole premises of Lee Garden Two	HK\$915,585 (Note l)

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) promotion levies and (for carparking spaces) licence fees for each of the relevant financial years as provided in the relevant agreements. The rental, operating charges, promotion levies and licence fees (as the case may be) are payable monthly in advance.
- (b) Jebsen and Company and Hang Seng Bank Limited are beneficial substantial shareholders of Barrowgate and having equity interest of 10% and 24.64% respectively in Barrowgate. Hans Michael JEBSEN, Non-Executive Director of the Company, is a controlling shareholder of Jebsen and Company.
- (c) The term of the agreements mentioned under I(a)(i) and I(a)(iii) 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 Jebsen and Company.
- (e) On 1 December 2014, a partial surrender agreement had been entered into and pursuant to which the lease for Shop G13A on the Ground Floor at Lee Garden Two had been early surrendered effective 31 October 2015. On 15 December 2014, a new lease and licence agreement had been entered into and pursuant to which the remaining spaces had been renewed for a further term of 3 years commencing from 1 March 2016 to 28 February 2019. As the annual consideration under the renewed lease and licence agreement falls below the applicable de minimis threshold under the Listing Rules, it constitutes an exempted continuing connected transaction of the Company.
- (f) Treasure Matrix Limited ("Treasure Matrix") is a non wholly-owned subsidiary of the Company.
- (g) 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 Hans Michael JEBSEN, Non-Executive Director of the Company.
- (h) Annual consideration for 2016 included actual turnover rent received for the period under review, and estimated turnover rent for the remaining part of the year.
- (i) 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.
- (j) Office and retail monthly operating charges and carpark licence fee for Lee Garden Two were revised with effect from 1 January 2016. Office monthly operating charges for One Hysan Avenue were revised with effect from 1 January 2016.
- (k) These represent the actual consideration received for the period from 1 January 2016 to 31 March 2016, calculated on the basis of the fee schedules as prescribed in the respective management agreements.
- (l) These represent the actual consideration received for the period from 1 April 2016 to 30 June 2016, 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. Following specific enquiry by the Company, all Directors have confirmed, that they have complied with the required standards as set out in the Model Code throughout the review period.

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

The Company was authorised at its AGMs to repurchase its own ordinary shares not exceeding 10% of the total number of its issued shares as at the dates of the resolutions being passed. During the review period, the Company repurchased its ordinary shares on the Stock Exchange when they were trading at a significant discount to the Company's net asset value in order to enhance shareholder value.

During the review period, the Company repurchased an aggregate of 11.73 million ordinary shares for a total consideration of HK\$363.8 million (excluding relevant trading costs directly attributable to share repurchase) on the Stock Exchange. The repurchased shares were cancelled during the review period.

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the review period.

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 2016 was 659 (31 December 2015: 688). The Group's human resources practices are aligned with our corporate objectives in order 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 the Responsible Business section of the Annual Report 2015.

Shareholder Information

FINANCIAL CALENDAR

Announcement of interim results	2 August 2016
Ex-dividend date for first interim dividend	15 August 2016
Closure of register of members and record date for first interim dividend	17 August 2016
Dispatch of first interim dividend warrants	(on or about) 26 August 2016

FIRST INTERIM DIVIDEND

The Board declares the payment of a first interim dividend of HK26 cents per share. The first interim dividend will be payable in cash to shareholders on the register of members as at Wednesday, 17 August 2016.

The register of members will be closed on Wednesday, 17 August 2016, for the purpose of determining shareholders' entitlement to the first interim dividend, on which date 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 Tuesday, 16 August 2016.

Dividend warrants will be dispatched to shareholders on or about Friday, 26 August 2016.

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

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

INVESTOR RELATIONS

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

Investor Relations
Hysan Development Company Limited
49/F. (Reception: 50/F.)
Lee Garden One
33 Hysan Avenue
Hong Kong
Telephone : (852) 2895 5777
Facsimile : (852) 2577 5153

Corporate Information

BOARD OF DIRECTORS

Irene Yun Lien LEE (*Chairman*)
Frederick Peter CHURCHOUSE**
Philip Yan Hok FAN**
Lawrence Juen-Yee LAU**
Joseph Chung Yin POON**
Hans Michael JEBSEN B.B.S.*
(*Trevor Chi-Hsin YANG as his alternate*)
Siu Chuen LAU*
Anthony Hsien Pin LEE*
(*Irene Yun Lien LEE as his alternate*)
Chien LEE*
Michael Tze Hau LEE*

AUDIT COMMITTEE

Joseph Chung Yin POON** (*Chairman*)
Frederick Peter CHURCHOUSE**
Philip Yan Hok FAN**
Anthony Hsien Pin LEE*

REMUNERATION COMMITTEE

Philip Yan Hok FAN** (*Chairman*)
Joseph Chung Yin POON**
Michael Tze Hau LEE*

NOMINATION COMMITTEE

Irene Yun Lien LEE (*Chairman*)
Philip Yan Hok FAN**
Lawrence Juen-Yee LAU**
Joseph Chung Yin POON**
Chien LEE*

* Non-Executive Director

** Independent Non-Executive Director

STRATEGY COMMITTEE

Irene Yun Lien LEE (*Chairman*)
Philip Yan Hok FAN**
Hans Michael JEBSEN B.B.S.*
Chien LEE*

COMPANY SECRETARY

Maggie Ka Ki CHEUNG

REGISTERED OFFICE

49/F. (Reception: 50/F)
Lee Garden One
33 Hysan Avenue
Hong Kong

OUR WEBSITE

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

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

Hysan Development Company Limited
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