Hysan 希慎

Hysan Development Company Limited
希慎興業有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code：00014)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

- **Turnover up 1.8% year-on-year; Recurring Underlying Profit up 4.2%**
- **Retail portfolio occupancy at 99%; Office portfolio occupancy at 94%**
- **Demand for quality Grade A office space in core commercial district supports the strong demand in forthcoming Lee Garden Three**

RESULTS

		Six months ended 30 June		
		2017	2016	
	Notes	**HK$ million**	HK$ million	Change
Turnover	*1*	**1,791**	1,760	+1.8%
Recurring Underlying Profit	*2*	**1,227**	1,178	+4.2%
Underlying Profit	*3*	**1,227**	1,178	+4.2%
Reported Profit	*4*	**746**	899	-17.0%
		HK cents	HK cents	
Earnings per share, based on:				
Recurring Underlying Profit	*2*	**117.37**	112.41	+4.4%
Underlying Profit	*3*	**117.37**	112.41	+4.4%
Reported Profit	*4*	**71.36**	85.78	-16.8%
First Interim Dividend per share		**26.00**	26.00	-
		At 30 June 2017	At 31 December 2016	
		HK$ million	HK$ million	
Shareholders' Funds	*5*	**67,163**	67,490	-0.5%
		HK$	HK$	
Net Asset Value per share	*6*	**64.24**	64.56	-0.5%

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

An overall improvement in trade and industrial output, as well as rising business and consumer confidence, led to a modest growth in the global economy during the first half of 2017.

Hong Kong's economy echoed this positive sentiment. Strong consumer spending and a readiness to invest in property were among the factors contributing to economic growth. These trends, together with an increase in trade flows, anchored a healthy employment situation. Tourism figures also saw some recovery after several quarters of weak performance.

Against this positive backdrop, local retail sales for the first half of 2017 remained reasonably stable. Even luxury goods' sales rallied after months of decline. Sales performance in mid-priced to affordable items was varied, with certain food products performing well, but electronics and photographic equipment sales still lagged the market.

In our last Report we set out the scale of the challenges we face. Retail is most affected by the structural adjustments generated by e-commerce and the corresponding changes in consumer behaviour. We continue to adapt and position our portfolio to address the changing market.

A Memorable Shopping Experience

We believe shopping experience must combine quality service with content that is constantly refreshed, relevant and personalised. Although online browsing and purchasing may have advantages in terms of efficiency, we aim to give our shoppers and visitors much more than simple convenience in ways that cannot be replicated online. The physical store definitely continues to play an important but changing role, as it provides the backdrop to supply content and entertainment. When it comes to content, we take an integrated approach on a number of elements: collaborating with tenants and other stakeholders to host activities and events; expanding our loyalty programmes; and making extensive use of technology in our promotions and customer interface.

This year we hosted a number of unique events for our customers through collaboration with a range of partners. We launched a successful Cathay Pacific/HSBC Rugby Sevens Fan Walk in the Lee Gardens area in April. The route from the MTR to the Hong Kong Stadium became a festive site with street performers, games and food stalls, a stage for rugby celebrities, as well as a giant TV screen showing live rugby matches. We developed several technology-based games during the event which were well received both in and out of the stadium. A range of e-coupons for dining and shopping were given out to those who made use of the event's mini website which brought in healthy business for our tenants. Our

"Leeisure" programme, which rewarded high-spending shoppers with vouchers, was another successful example of our effort to help enhance tenant sales. This summer, our popular lifestyle and bookstore tenant eslite is turning a number of our Hysan spaces into areas for reading and musical enjoyment. Many of the themed workshops for this event have been booked online well in advance. Our shoppers can enjoy free e-dining coupons to be used at Hysan's restaurants as part of the lifestyle store's summer programme.

We have also worked closely with a number of district stakeholders in our continual curation of the Lee Gardens community. Together with Lee Gardens Association, the neighbourhood group that promotes the area's businesses and events, we created the first ever Egglette Festival to celebrate the popular street food, with tens of thousands of people in attendance. Much of the pre-event attention was garnered through a strong online social media campaign. Hysan is also hosting a heritage exhibition this summer to bring back fond memories of the iconic Lee Gardens Hotel. All these initiatives are part of our effort to enhance our involvement in and commitment to our community.

Special marketing efforts are aimed at recruiting new members for our loyalty programmes, namely the Lee Gardens Plus for our commercial tenants' staff and residential tenants, as well as the VIP Club Avenue. To this end, we are forming partnerships with a number of commercial entities with high-net-worth members, with the intention of creating win-win opportunities both for us and for their members.

Our Club Avenue members enjoyed the "Luxury Voyage at Lee Gardens" programme, whereby top spenders were rewarded with generous travel vouchers. Apart from the more usual privileges, a number of our VIPs were treated to a special lunch and a master class with world-renowned violinist Rachel Barton Pine, who was in Hysan Place for one of her first public performances on Chinese soil.

We have also added resources to our visitors' marketing programme through a range of commercial partnerships which are expected to enhance our profile in markets beyond Hong Kong. Social media has played a critical role in bringing the news of our latest events and activities to potential Lee Gardens visitors from Mainland China and overseas.

We believe our integrated approach towards making our retail portfolio stand out from the others is bearing fruit. What we do should also be enhanced by the clustering effect of having our retail operation entirely in the prime district of Causeway Bay. We will continue to take advantage of our geographical concentration which magnifies the popularity of our shopping and dining offerings.

A Demand for Quality Office Space

Our office portfolio continues to benefit from the migration of both multinational and local companies from Central to other core districts of Hong Kong Island. This trend is being further encouraged by the natural advantages offered by Causeway Bay and Lee Gardens as convenient and accessible locations, as well as by the broad selection of lifestyle offerings for those who work in the area. As we noted in the last Report, the office sector also faces its own structural challenges, so Hysan is responding to the changes by partnering, for example, with up-and-coming co-work space providers to create work-based communities.

The need for quality Grade A office space in Hong Kong's core commercial district is reflected in the strong demand for office space in our forthcoming Lee Garden Three building. The office portion, which takes up about 80% of the tower's gross floor area, has received rental commitments for more than half of its floor space. The quality of the building, its green and wellness credentials, as well as its location close to the main transportation hubs ensure its popularity with international and local companies. In regard to the building's retail podium, we expect to see a good number of stylish informal food and beverage venues being established to further enhance the area's reputation as a dining destination. We see Lee Garden Three as the latest offering in our effort to curate relevant content for the Lee Gardens community. We look forward to the building's completion towards the end of the year.

Tai Po Project
Our Tai Po Lo Fai Road residential joint-venture project's master layout plan has been established, and its design and statutory submission are in good progress. The site investigation has also been completed. We will continue to seek similar opportunities to build our new engines of growth beyond our core Lee Gardens portfolio.

Results
The Group's turnover for the 2017 interim period was HK$1,791 million, up 1.8% from the same period in 2016 (2016: HK$1,760 million). As at 30 June 2017, our retail portfolio occupancy was 99%, while the office portfolio was 94%. The residential portfolio's occupancy was 84%.

Recurring Underlying Profit, our key leasing business performance indicator, and Underlying Profit, were both HK$1,227 million (both up 4.2% from HK$1,178 million in 2016). These performances primarily reflected the increase in gross profit generated from our retail and office leasing activities. Basic earnings per share based on Recurring Underlying Profit was HK117.37 cents (2016: HK112.41 cents), up 4.4%.

Our Reported Profit for 2017 was HK$746 million (2016: HK$899 million), down 17.0% due to fair value loss on investment properties of HK$775 million (2016: HK$280 million). As at 30 June 2017, the independent professional valuation of the Group's investment property portfolio was HK$69,628 million (31 December 2016: HK$69,633 million). This continued to reflect the net effect of several factors in play: an uncertain retail outlook; a sustained positive office rental outlook; a number of asset enhancement works completed, as well as the construction costs incurred for the Lee Garden Three project during this period. The capitalisation rates of each portfolio remained unchanged from those used as at 31 December 2016.

Shareholders' Funds decreased by 0.5% to HK$67,163 million (31 December 2016: HK$67,490 million), principally reflecting the valuation change of the investment properties.

Our financial position remains strong, with net interest coverage of 20.0 times (2016: 21.6 times) and net debt to equity ratio of 4.5% (31 December 2016: 5.4%).

Dividends
The Board of Directors has declared a first interim dividend of HK26 cents per share (2016: HK26 cents). The dividend will be payable in cash.

Outlook
The global economic growth trajectory looks set to continue in a modest way, despite a climate of geopolitical uncertainty. Hong Kong's overall fundamentals are also in a better shape than this time last year.

Hysan continues to implement a number of measures to meet the structural changes faced by our core business units, and we look forward to welcoming our new Lee Garden Three tenants upon the building's completion later this year.

Lee Irene Yun-Lien
Chairman

Hong Kong, 4 August 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Review of Operations

The Group's turnover for the first half of 2017 was HK$1,791 million, representing an increase of 1.8% year-on-year (2016: HK$1,760 million).

Retail Portfolio

The Group's retail portfolio turnover was down slightly by 0.1% to HK$985 million (2016: HK$986 million), including turnover rent of HK$25 million (2016: HK$28 million). As the portfolio is going through a process of tenant mix adjustment, it recorded overall negative rental reversion in rental renewals, reviews and new lettings.

The portfolio's occupancy was 99% as at 30 June 2017 (31 December 2016: 99%).

The total foot traffic of Hysan's retail portfolio decreased by around 5% in the first six months of 2017 due to some major renovation and fit out work for new tenants. These works have been largely completed and are well received by our shoppers.

The estimated overall tenant sales within the portfolio in the first six months of 2017 saw a low single-digit percentage increase when compared to the same period last year, if we exclude the estimated sales decline of certain electronic goods within the portfolio. If electronic goods sales were included, a low single-digit percentage decrease would be recorded. This compared well to Hong Kong's overall retail sales during the first six months of the year.

In the first half of 2017, newly joined fashion tenants included Brunello Cucinelli, Mila Owen and eGG, while more sports stores, like Go Wild and 2XU, were added. There were a number of expansions and relocations of existing tenants, included Valentino, REDValentino, Tory Sport, Kyo Hayashiya and Miele. i.t. launched a new 15,000 sf concept store in July 2017, while eslite will see a major revamp with the addition of a new florist cum cafe, as well as an enhanced stationery section and more consignment counters.

Our popular in mall events included a number of compelling activities which involve collaboration with our tenants and other business entities. Outside of the shopping malls, Hysan hosted the Cathay Pacific/HSBC Rugby Sevens Fan Walk in April, which attracted tens of thousands of sports fans from all over the world to celebrate Hong Kong's premier sporting event within Hysan's portfolio. Its dining promotions successfully linked the two major sponsors and the Rugby Union with Lee Gardens' food and beverage tenants to help the restaurants gain customers and sales. Looking ahead, over the summer, Hysan is partnering eslite to host a series of events and pop-up stores to promote a comprehensive lifestyle experience.

We continue to focus on our loyalty programmes (Club Avenue for our VIPs and Lee Gardens Plus mainly for our commercial tenants' staff, as well as our residential tenants). We will use technology to promote our retail and marketing operations and enhance users' experience.

Office Portfolio

The Group's office portfolio turnover increased by 5.8% to HK$672 million (2016: HK$635 million). This performance reflected overall positive rental reversion on renewals, reviews and new lettings.

The office portfolio occupancy was 94% as at 30 June 2017 (31 December 2016: 96%). The available spaces were small units in non-Grade A buildings, as well as in some lower floors of Grade A buildings.

Multinational corporations continue to look for quality and more cost-effective alternatives to the Central and Admiralty areas. This has created a series of pre-leasing activities at Lee Garden Three. As of 30 June 2017, over 50% of Lee Garden Three's office space had been committed for rental. Among the incoming tenants are those in the financial industry, the technology fields and providers of co-work space. The financial institutions joining the new building are from the Central and Admiralty areas.

With regard to the office tenant mix, Professional and Consulting remained the sector occupying the most area, followed by Banking and Finance, Insurance and Semi-Retail. These sectors took up around 50% of our lettable floor area, and no category took up more than 20% of the total lettable area.

Residential Portfolio

Hysan's residential portfolio (comprising mainly of the units in Kennedy Road's Bamboo Grove), saw a 3.6% turnover decrease to HK$134 million (2016: HK$139 million). The portfolio's occupancy was 84% as at 30 June 2017 (31 December 2016: 82%). A number of renovations, as well as changes in demand by expatriates, contributed to the comparatively low occupancy rate.

The rental reversion was overall positive on renewals, reviews and new lettings.

The Construction of Lee Garden Three

This Project saw its topping out during the first half of 2017. The building is making good progress towards its expected completion date in the fourth quarter of 2017. This commercial building will promote work-life balance with a retail podium, a Sky Garden and a wide assortment of exciting dining, wellness and sports facilities in the building, further adding to the lifestyle offerings in other parts of our portfolio. The 32 storey building will have more than 200 parking spaces available.

Tai Po Lo Fai Road Project

The low density residential project's planning stage is in good progress. We will continue to seek good property development opportunities both in Hong Kong and abroad as future engines of growth for Hysan.

Financial Review

Operating Costs

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

Property expenses decreased by 8.3% to HK$188 million (2016: HK$205 million), mainly due to lower utility costs as a result of tariff reduction and a reduction in fee to external leasing agents. The property expenses to turnover ratio improved from 11.6% to 10.5% as compared to the same period in 2016.

Administrative expenses dropped by 8.6% to HK$106 million (2016: HK$116 million) in the first half of 2017. This mainly reflected the reduced payroll related costs.

Finance Costs

Finance costs, after capitalisation of HK$28 million (2016: HK$2 million) interest expenses and related borrowing costs referable to construction costs of Lee Garden Three, recorded a decrease of 18.5% to HK$75 million (2016: HK$92 million). If the capitalised interest expenses and related borrowing costs were included, the Group's finance costs in 2017 would have been HK$103 million, an increase of 9.6% from HK$94 million in the first half of 2016. The increase was attributable to the higher average debt level in 2017 as compared to the same period in 2016 after drawdown of new bank loans amounting to HK$1,680 million during the full-year 2016.

The Group's average cost of finance for the interim period was 3.4%, lower than 3.8% reported for the first half of 2016 and full-year 2016 due to the change in mix of floating and fixed rate debts.

Revaluation of Investment Properties
As at 30 June 2017, the investment properties of the Group were revalued at HK$69,628 million (31 December 2016: HK$69,633 million) by an independent professional valuer. During the first half of 2017, a fair value loss on investment properties (after taking into consideration the capital expenditure on the Group's investment properties) of HK$775 million (2016: HK$280 million) was recognised in the condensed consolidated statement of profit or loss. This continued to reflect the net effect of several factors in play: an uncertain retail rental outlook; a sustained positive office rental outlook; a number of asset enhancement works completed, as well as the construction costs incurred for the Lee Garden Three project.

Investment in an Associate
The Group's share of results of an associate decreased by 10.2% to HK$106 million (2016: HK$118 million). This decline mainly reflected the impact from renovation of the Shanghai Grand Gateway project, of which the Group owns 24.7%. As at 30 June 2017, properties at Shanghai Grand Gateway had been revalued at fair value by an independent professional valuer. The Group's share of the revaluation gain, net of the corresponding deferred tax thereon, amounted to HK$1 million (2016: HK$2 million).

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$38 million (2016: HK$25 million) in the first half of 2017. The increase reflected recognition of imputed interest income on the non-current interest-free loan to a joint venture company for residential sites' development in Tai Po.

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$687 million during the interim period (2016: HK$331 million), including the payment of the construction costs of Lee Garden Three.

Treasury Policy
Market Highlights
The global economy is seeing signs of improvement in 2017, with stronger business and consumer confidence, growth in manufacturing and trade, as well as stabilising commodity prices all contributing to a brighter outlook.

Both the United States and the Euro area are projected to see moderate growth, while China's growth rate is expected to remain steady. In fact, growth among the world's seven largest emerging market economies is expected to increase and exceed its long-term average by 2018.

However, substantial risks remain. Potential trade restrictions, as well as policy uncertainties could lead to hesitation in investments and weakened confidence. Any abrupt rise in interest rates or tougher borrowing conditions could also be damaging to emerging market and developing economies.

Hong Kong's trade growth is expected to benefit from the moderate improvement in the external environment. The city's strong labour market and positive financial market conditions are supporting household spending, and such private consumption should help drive the local economy.

Capital Structure Management
The Group's total gross debt[1] level as at 30 June 2017 increased to HK$6,392 million (31 December 2016: HK$6,305 million). The Group's average debt maturity was at 4.8 years as at 30 June 2017 (31 December 2016: 4.3 years). The following shows the debt maturity profile of the Group at 2017 interim period-end and 2016 year-end:

	At 30 June 2017 HK$ million	At 31 December 2016 HK$ million
Maturing in not exceeding one year	**150**	1,180
Maturing in more than one year but not exceeding two years	**300**	150
Maturing in more than two years but not exceeding five years	**2,646**	1,365
Maturing in more than five years	**3,296**	3,610
	6,392	6,305

As at 30 June 2017, bank loans accounted for approximately 27.4% of the Group's total gross debt, with the remaining 72.6% from capital market financing (31 December 2016: 26.6%:73.4%). All of the Group's debts are unsecured and on a committed basis.

Liquidity Management
Further liquidity, if needed, is available from the undrawn committed facilities offered by the Group's relationship banks. These facilities, amounting to HK$750 million at 2017 interim period-end (31 December 2016: HK$500 million), essentially allows the Group to obtain additional liquidity as the need arises, and will expire in 2021 and 2022.

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 2017, the fixed rate debt ratio was approximately 72.6% of the total gross debt (31 December 2016: 73.4%).

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 back to Hong Kong dollars, 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$150 million (31 December 2016: US$180 million).

Other foreign exchange exposure mainly relates to investments in the Shanghai associates. These unhedged foreign exchange exposures amounted to the equivalent of HK$3,711 million (31 December 2016: HK$3,497 million) or 4.7% (31 December 2016: 4.4%) of the Group's total assets.

[1] The gross debt represents the contractual principal payment obligations as at 30 June 2017. 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 2017, the book value of the outstanding debt of the Group was HK$6,380 million (31 December 2016: HK$6,293 million).

Financial Ratios
Net interest coverage (defined as gross profit less administrative expenses before depreciation divided by net interest expenses) decreased to 20.0 times for the first half of 2017 (2016: 21.6 times), mainly due to drawdown of new bank loans during the full-year 2016.

Net debt to equity (defined as borrowings less time deposits, cash and bank balances divided by shareholders' funds) reduced to 4.5% as at 30 June 2017 (31 December 2016: 5.4%) reflecting the stable recurring cash flows from our business.

Credit Ratings
As at 30 June 2017, the Group's ratings were maintained at A3 from Moody's and BBB+ from Standard and Poor's.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2017 (unaudited)

	Notes	**Six months ended 30 June** **2017** **HK$ million**	2016 HK$ million
Turnover	4	**1,791**	1,760
Property expenses		**(188)**	(205)
Gross profit		**1,603**	1,555
Investment income		**38**	25
Administrative expenses		**(106)**	(116)
Finance costs		**(75)**	(92)
Change in fair value of investment properties		**(775)**	(280)
Share of results of an associate		**106**	118
Profit before taxation		**791**	1,210
Taxation	6	**(243)**	(229)
Profit for the period	7	**548**	981
Profit for the period attributable to:			
Owners of the Company		**746**	899
Non-controlling interests		**(198)**	82
		548	981
Earnings per share (expressed in HK cents)			
Basic	8	**71.36**	85.78
Diluted	8	**71.34**	85.78

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017 (unaudited)

	Six months ended 30 June	
	2017	2016
	HK$ million	HK$ million
Profit for the period	**548**	981
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Revaluation of properties held for own use:		
Gains on revaluation of properties held for own use	**26**	13
Deferred taxation arising on revaluation	**(4)**	(2)
	22	11
Items that may be reclassified subsequently to profit or loss:		
Derivatives designated as cash flow hedges:		
Net (losses) gains arising during the period	**(60)**	64
Reclassification adjustments for net losses included in profit or loss	**(10)**	(3)
	(70)	61
Share of translation reserve of an associate	**108**	(74)
	38	(13)
Other comprehensive income (expenses) for the period (net of tax)	**60**	(2)
Total comprehensive income for the period	**608**	979
Total comprehensive income attributable to:		
Owners of the Company	**806**	897
Non-controlling interests	**(198)**	82
	608	979

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017 (unaudited)

	Notes	**At 30 June 2017 HK$ million**	At 31 December 2016 HK$ million (audited)
Non-current assets			
Investment properties		**69,628**	69,633
Property, plant and equipment		**742**	720
Investments in an associate		**3,711**	3,497
Investment in a joint venture		**147**	145
Loan to a joint venture		**930**	873
Term notes		**330**	733
Other financial assets		**3**	13
Other receivables	10	**158**	135
		75,649	75,749
Current assets			
Loan to a joint venture		**-**	1,018
Accounts and other receivables	10	**171**	196
Term notes		**579**	422
Other financial assets		**1**	6
Time deposits		**3,062**	2,551
Cash and bank balances		**321**	79
		4,134	4,272
Current liabilities			
Accounts payable and accruals	11	**974**	935
Rental deposits from tenants		**399**	339
Amounts due to non-controlling interests		**327**	327
Borrowings		**150**	1,180
Taxation payable		**233**	112
		2,083	2,893
Net current assets		**2,051**	1,379
Total assets less current liabilities		**77,700**	77,128
Non-current liabilities			
Borrowings		**6,230**	5,113
Other financial liabilities		**46**	1
Rental deposits from tenants		**544**	578
Deferred taxation		**782**	751
		7,602	6,443
Net assets		**70,098**	70,685
Capital and reserves			
Share capital		**7,678**	7,673
Reserves		**59,485**	59,817
Equity attributable to owners of the Company		**67,163**	67,490
Non-controlling interests		**2,935**	3,195
Total equity		**70,098**	70,685

Notes:

1. **Independent Review**

The interim results for the six months ended 30 June 2017 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), by Deloitte Touche Tohmatsu, whose report on review of condensed consolidated financial statements is included in the interim report to be sent to shareholders. The interim results have also been reviewed by the Group's Audit Committee.

2. **Basis of Preparation**

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA.

The financial information relating to the year ended 31 December 2016 that is included in this result announcement 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 2016 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.

3. **Principal Accounting Policies**

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

In the current period, the Group has applied all of the Amendments to Standards issued by the HKICPA that are relevant to its operations and effective for the Group's financial year beginning on 1 January 2017. 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 2016.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new standards, amendments and interpretation that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[3]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 40	Transfers of Investment Properties[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle except for amendments to HKFRS12[1]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 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 early adopted.

3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

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

The directors of the Company anticipate that the application of these new standards, amendments and interpretation to HKFRSs will have no material impact on the results and financial position of the Group.

4. Turnover

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

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

5. Segment Information

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

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

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

Residential segment – leasing of luxury residential properties and related facilities

Segment turnover and results

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

	Retail HK$ million	Office HK$ million	Residential HK$ million	Consolidated HK$ million
For the six months ended 30 June 2017 (unaudited)				
Turnover				
Gross rental income from investment properties	**912**	**598**	**120**	**1,630**
Management fee income	**73**	**74**	**14**	**161**
Segment revenue	**985**	**672**	**134**	**1,791**
Property expenses	**(103)**	**(62)**	**(23)**	**(188)**
Segment profit	**882**	**610**	**111**	**1,603**
Investment income				**38**
Administrative expenses				**(106)**
Finance costs				**(75)**
Change in fair value of investment properties				**(775)**
Share of results of an associate				**106**
Profit before taxation				**791**

	Retail HK$ million	Office HK$ million	Residential HK$ million	Consolidated HK$ million
For the six months ended 30 June 2016 (unaudited)				
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 an associate				118
Profit before taxation				1,210

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 an associate. This is the measure reported to the executive Chairman of the Company for the purposes of resource allocation and performance assessment.

Segment assets

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

	Retail HK$ million	Office HK$ million	Residential HK$ million	Consolidated HK$ million
As at 30 June 2017 (unaudited)				
Segment assets	**31,836**	**24,821**	**7,865**	**64,522**
Investment properties under redevelopment				**5,119**
Investment in an associate				**3,711**
Investment in and loan to a joint venture				**1,077**
Other assets				**5,354**
Consolidated assets				**79,783**
As at 31 December 2016 (audited)				
Segment assets	33,089	23,833	7,859	64,781
Investment properties under redevelopment				4,860
Investment in an associate				3,497
Investment in and loan to a joint venture				2,036
Other assets				4,847
Consolidated assets				80,021

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

6. Taxation

	Six months ended 30 June	
	2017 **HK$ million**	2016 HK$ million
Current tax		
Hong Kong profits tax (for current period)	**216**	200
Deferred tax	**27**	29
	243	229

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	
	2017	2016
	HK$ million	HK$ million
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**12**	9
Gross rental income from investment properties including contingent rental of HK$25 million (2016: HK$28 million)	**(1,630)**	(1,600)
Less:		
- Direct operating expenses arising from properties that generated rental income	**183**	198
- Direct operating expenses arising from properties that did not generate rental income	**5**	7
	(1,442)	(1,395)
Net interest income	**(38)**	(25)
Staff costs, comprising:		
- Directors' emoluments	**8**	16
- Other staff costs	**112**	129
	120	145
Share of income tax of an associate (included in share of results of an associate)	**46**	52

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	
	2017	2016
	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	**746**	899

	Number of shares Six months ended 30 June	
	2017	2016
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,045,374,861**	1,047,978,938
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**282,061**	66,139
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,045,656,922**	1,048,045,077

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

(b) Adjusted basic earnings per share

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

	Six months ended 30 June			
	2017		2016	
	Profit HK$ million	**Basic earnings per share** HK cents	Profit HK$ million	Basic earnings per share HK cents
Profit for the period attributable to owners of the Company	**746**	**71.36**	899	85.78
Change in fair value of investment properties	**775**		280	
Effect of non-controlling interests' shares	**(280)**		1	
Share of change in fair value of investment properties (net of deferred taxation) of an associate	**(1)**		(2)	
Imputed interest income on the non-current interest-free loan to a joint venture	**(13)**		-	
Underlying Profit	**1,227**	**117.37**	1,178	112.41
Recurring Underlying Profit	**1,227**	**117.37**	1,178	112.41

Notes:

(1) Recurring Underlying Profit is arrived at by excluding from Underlying Profit items that are non-recurring in nature (such as gains or losses on disposal of long-term assets). As there were no such adjustments in both the six months ended 30 June 2017 and 30 June 2016, the Recurring Underlying Profit is the same as the Underlying Profit.

(2) 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	
	2017	2016
	HK$ million	HK$ million
2016 second interim dividend paid – HK109 cents per share	**1,139**	-
2015 second interim dividend paid – HK107 cents per share	-	1,122
	1,139	1,122

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

	Six months ended 30 June	
	2017	2016
	HK$ million	HK$ million
First interim dividend declared – HK26 cents per share (2016: HK26 cents per share)	**272**	272

The first interim dividend is not recognised as a liability as at 30 June 2017 and 30 June 2016 because it has been declared after the end of the reporting period.

The declared 2017 first interim dividend will be payable in cash.

10. Accounts and Other Receivables

	At 30 June	At 31 December
	2017	2016
	HK$ million	HK$ million
Accounts receivable	**13**	8
Interest receivable	**45**	50
Prepayments in respect of investment properties	**76**	76
Other receivables and prepayments	**195**	197
	329	331
Analysis for reporting purposes as:		
Current assets	**171**	196
Non-current assets	**158**	135
	329	331

Rents from leasing of investment properties are normally received in advance. At 30 June 2017, accounts receivable of the Group with carrying amount of HK$13 million (31 December 2016: HK$8 million) mainly represented rents receipts in arrears, which were aged less than 90 days.

11. Accounts Payable and Accruals

	At 30 June 2017 HK$ million	At 31 December 2016 HK$ million
Accounts payable	**133**	149
Interest payable	**87**	75
Other payables	**493**	450
Compensation received in advance *(Note)*	**261**	261
	974	935

Note:
The amount represents a one-off early surrender compensation received from a tenant which will be recognised as compensation income upon the date of fulfilment of all conditions set out in the surrender agreement.

As at 30 June 2017, accounts payable of the Group with carrying amount of HK$67 million (31 December 2016: HK$103 million) were aged less than 90 days.

ADDITIONAL INFORMATION

Corporate Governance

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

The Company meets the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. 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 on our website at www.hysan.com.hk.

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

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

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

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

Human Resources Practices

The Group aims to attract, retain and develop high calibre individuals committed to attaining our objectives. The total number of employees as at 30 June 2017 was 537.

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 2016.

Closure of Register of Members

The first interim dividend will be paid to shareholders whose names appear on the register of members on Monday, 21 August 2017 and the payment date will be on or about Wednesday, 30 August 2017. The register of members will be closed on Monday, 21 August 2017, on which date no transfer of shares will be registered. The ex-dividend date will be Thursday, 17 August 2017. In order to qualify for the first interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Friday, 18 August 2017.

By Order of the Board
Lee Irene Yun-Lien
Chairman

Hong Kong, 4 August 2017

*As at the date of this announcement, the Board comprises: Lee Irene Yun-Lien (Chairman), Churchouse Frederick Peter**, Fan Yan Hok Philip**, Lau Lawrence Juen-Yee**, Poon Chung Yin Joseph**, Jebsen Hans Michael* (Yang Chi Hsin Trevor as his alternate), Lee Anthony Hsien Pin* (Lee Irene Yun-Lien as his alternate), Lee Chien* and Lee Tze Hau Michael*.*

* *Non-Executive Directors*
** *Independent Non-Executive Directors*

This interim results announcement is published on the website of the Company (www.hysan.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk). The Interim Report 2017 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites around end of August 2017.