



**Hysan Development Company Limited**

Interim Report 2017

 **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 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

	Notes	Six months ended 30 June		Change
		2017 HK\$ million	2016 HK\$ million	
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 HK\$ million	At 31 December 2016 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 profit or loss 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<sup>1</sup> 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:

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

<sup>1</sup> 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).

## **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.

## **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.



**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 14 to 45, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss, 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 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

4 August 2017

# 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	3	1,791	1,760
Property expenses		(188)	(205)
Gross profit		1,603	1,555
Investment income	5	38	25
Administrative expenses		(106)	(116)
Finance costs	6	(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	7	(243)	(229)
<b>Profit for the period</b>	8	<b>548</b>	981
Profit for the period attributable to:			
Owners of the Company		746	899
Non-controlling interests		(198)	82
		<b>548</b>	981
<b>Earnings per share</b> (expressed in HK cents)			
Basic	9	<b>71.36</b>	85.78
Diluted	9	<b>71.34</b>	85.78

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017 (unaudited)

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

# Condensed Consolidated Statement of Financial Position

At 30 June 2017 (unaudited)

	Notes	<b>At 30 June 2017 HK\$ million</b>	At 31 December 2016 HK\$ million (audited)
<b>Non-current assets</b>			
Investment properties	11	<b>69,628</b>	69,633
Property, plant and equipment		<b>742</b>	720
Investment in an associate		<b>3,711</b>	3,497
Investment in a joint venture		<b>147</b>	145
Loan to a joint venture		<b>930</b>	873
Term notes		<b>330</b>	733
Other financial assets		<b>3</b>	13
Other receivables	12	<b>158</b>	135
		<b>75,649</b>	75,749
<b>Current assets</b>			
Loan to a joint venture		–	1,018
Accounts and other receivables	12	<b>171</b>	196
Term notes		<b>579</b>	422
Other financial assets		<b>1</b>	6
Time deposits	13	<b>3,062</b>	2,551
Cash and bank balances	13	<b>321</b>	79
		<b>4,134</b>	4,272
<b>Current liabilities</b>			
Accounts payable and accruals	14	<b>974</b>	935
Rental deposits from tenants		<b>399</b>	339
Amounts due to non-controlling interests		<b>327</b>	327
Borrowings	15	<b>150</b>	1,180
Taxation payable		<b>233</b>	112
		<b>2,083</b>	2,893

# Condensed Consolidated Statement of Financial Position *continued*

At 30 June 2017 (unaudited)

	Notes	<b>At 30 June 2017 HK\$ million</b>	At 31 December 2016 HK\$ million (audited)
<b>Net current assets</b>		<b>2,051</b>	1,379
<b>Total assets less current liabilities</b>		<b>77,700</b>	77,128
<b>Non-current liabilities</b>			
Borrowings	15	<b>6,230</b>	5,113
Other financial liabilities		<b>46</b>	1
Rental deposits from tenants		<b>544</b>	578
Deferred taxation	16	<b>782</b>	751
		<b>7,602</b>	6,443
<b>Net assets</b>		<b>70,098</b>	70,685
<b>Capital and reserves</b>			
Share capital		<b>7,678</b>	7,673
Reserves		<b>59,485</b>	59,817
<b>Equity attributable to owners of the Company</b>		<b>67,163</b>	67,490
<b>Non-controlling interests</b>		<b>2,935</b>	3,195
<b>Total equity</b>		<b>70,098</b>	70,685

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017 (unaudited)

	Attributable to owners of the Company		
	Share capital HK\$ million	Share options reserve HK\$ million	General reserve HK\$ million
At 1 January 2017	7,673	24	100
Profit for the period	–	–	–
Net losses arising from hedging instruments	–	–	–
Reclassification adjustments for net losses 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 16)	–	–	–
Share of translation reserve of an associate	–	–	–
Total comprehensive income (expenses) for the period	–	–	–
Issue of shares under share option schemes	5	(1)	–
Recognition of equity-settled share-based payments	–	2	–
Forfeiture of share options	–	(3)	–
Dividends paid during the period (note 10)	–	–	–
<b>At 30 June 2017</b>	<b>7,678</b>	<b>22</b>	<b>100</b>
At 1 January 2016	7,642	30	100
Profit for the period	–	–	–
Net gains arising from hedging instruments	–	–	–
Reclassification adjustments for net losses 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 16)	–	–	–
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 10)	–	–	–
At 30 June 2016	7,643	34	100

Notes:

- (a) The Group's leasehold land and buildings classified as property, plant and equipment were revalued at 30 June 2017 and 2016 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\$26 million (2016: HK\$13 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**

<b>Investments revaluation reserve HK\$ million</b>	<b>Hedging reserve HK\$ million</b>	<b>Properties revaluation reserve HK\$ million</b>	<b>Translation reserve HK\$ million</b>	<b>Retained profits HK\$ million</b>	<b>Total HK\$ million</b>	<b>Non- controlling interests HK\$ million</b>	<b>Total HK\$ million</b>
1	12	371	38	59,271	67,490	3,195	70,685
-	-	-	-	746	746	(198)	548
-	(60)	-	-	-	(60)	-	(60)
-	(10)	-	-	-	(10)	-	(10)
-	-	26	-	-	26	-	26
-	-	(4)	-	-	(4)	-	(4)
-	-	-	108	-	108	-	108
-	(70)	22	108	746	806	(198)	608
-	-	-	-	-	4	-	4
-	-	-	-	-	2	-	2
-	-	-	-	3	-	-	-
-	-	-	-	(1,139)	(1,139)	(62)	(1,201)
<b>1</b>	<b>(58)</b>	<b>393</b>	<b>146</b>	<b>58,881</b>	<b>67,163</b>	<b>2,935</b>	<b>70,098</b>
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

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017 (unaudited)

	Note	Six months ended 30 June	
		2017 HK\$ million	2016 HK\$ million
<b>Net cash from operating activities</b>		<b>1,428</b>	1,401
<b>Investing activities</b>			
Interest received		21	32
Proceeds upon maturity of term notes		260	414
Proceeds upon maturity of time deposits with original maturity over three months		2,598	1,490
Payments in respect of investment properties		(687)	(331)
Purchases of property, plant and equipment		(8)	(2)
Purchases of term notes		–	(156)
Repayment from a joint venture		998	–
Advances to a joint venture		(26)	–
Additions to time deposits with original maturity over three months		(2,626)	(1,143)
<b>Net cash from investing activities</b>		<b>530</b>	304
<b>Financing activities</b>			
Interest paid		(86)	(76)
Medium Term Note Programme expenses		(1)	(1)
Payment for front-end fees		(19)	–
Dividends paid		(1,139)	(1,122)
Dividends paid to non-controlling interests of a subsidiary		(62)	(62)
New bank loans		1,410	500
Repayment of bank loans		(1,340)	(250)
Consideration paid for repurchase of shares		–	(365)
Proceeds on exercise of share options		4	1
<b>Net cash used in financing activities</b>		<b>(1,233)</b>	(1,375)
<b>Net increase in cash and cash equivalents</b>		<b>725</b>	330
<b>Cash and cash equivalents at 1 January</b>	13	<b>1,367</b>	584
<b>Cash and cash equivalents at 30 June</b>	13	<b>2,092</b>	914

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017 (unaudited)

## 1. 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 Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The financial information relating to the year ended 31 December 2016 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 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.

## 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 Hong Kong Financial Reporting Standards ("HKFRSs") 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 HKFRSs 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.

Except as described above, 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.

## 2. Principal Accounting Policies *continued*

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

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

<sup>2</sup> 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.

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

<sup>4</sup> 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.

### **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. 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

#### 4. Segment Information *continued*

##### Segment turnover and results

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

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Consolidated HK\$ million
<b><i>For the six months ended 30 June 2017 (unaudited)</i></b>				
<b>Turnover</b>				
Gross rental income from investment properties	912	598	120	1,630
Management fee income	73	74	14	161
<b>Segment revenue</b>	<b>985</b>	<b>672</b>	<b>134</b>	<b>1,791</b>
Property expenses	(103)	(62)	(23)	(188)
<b>Segment profit</b>	<b>882</b>	<b>610</b>	<b>111</b>	<b>1,603</b>
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				<b>791</b>

#### 4. Segment Information *continued*

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

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Consolidated HK\$ million
<b>For the six months ended</b>				
<b>30 June 2016 (unaudited)</b>				
<b>Turnover</b>				
Gross rental income from investment properties	916	560	124	1,600
Management fee income	70	75	15	160
<b>Segment revenue</b>	986	635	139	1,760
Property expenses	(102)	(78)	(25)	(205)
<b>Segment profit</b>	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.

#### 4. Segment Information *continued*

##### Segment assets

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

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Consolidated HK\$ million
<b><i>As at 30 June 2017 (unaudited)</i></b>				
<b>Segment assets</b>	<b>31,836</b>	<b>24,821</b>	<b>7,865</b>	<b>64,522</b>
Investment properties under redevelopment				5,119
Investment in an associate				3,711
Investment in and loan to a joint venture				1,077
Other assets				<u>5,354</u>
Consolidated assets				<u><b>79,783</b></u>

##### ***As at 31 December 2016 (audited)***

<b>Segment assets</b>	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				<u>4,847</u>
Consolidated assets				<u>80,021</u>

#### 4. Segment Information *continued*

##### Segment assets *continued*

Segment assets represented the investment properties and accounts receivable of each segment without allocation of investment properties under redevelopment, property, plant and equipment, investment in an associate, investment in and loan to a joint venture, term notes, other financial assets, other receivables, time deposits, cash and bank balances. This is the measure reported to the chief operating decision maker of the Group for the purpose of monitoring segment performances and allocating resources between segments. The investment properties are included in segment assets at their fair values whilst the change in fair value of investment properties is not included in segment profit. No segment liabilities analysis is presented as the Group's liabilities are monitored on a group basis.

#### 5. Investment Income

The following is an analysis of investment income:

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$ million</b>	HK\$ million
Financial assets measured at amortised cost	<b>30</b>	23
Reclassification of net (losses) gains from hedging reserve on financial instruments designated as cash flow hedges	<b>(5)</b>	2
Imputed interest income on the non-current interest-free loan to a joint venture	<b>13</b>	–
	<b>38</b>	25

## 6. Finance Costs

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$ million</b>	HK\$ million
Finance costs comprise:		
Interest on bank loans	<b>11</b>	2
Interest on fixed rate notes	<b>87</b>	87
Total interest expenses	<b>98</b>	89
Other finance costs	<b>3</b>	2
Less: amounts capitalised (Note)	<b>(28)</b>	(2)
	<b>73</b>	89
Net exchange losses on borrowings	<b>16</b>	3
Reclassification of net gains from hedging reserve on financial instruments designated as cash flow hedges	<b>(15)</b>	(1)
Medium Term Note Programme expenses	<b>1</b>	1
	<b>75</b>	92

Note:

Interest expenses have been capitalised to investment properties under redevelopment at an average interest rate of 3.42% (2016: 2.44%) per annum.

## 7. 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 (note 16)	27	29
	<b>243</b>	<b>229</b>

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

## 8. Profit for the Period

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$ million</b>	HK\$ million
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	<b>12</b>	9
Gross rental income from investment properties including contingent rentals of HK\$25 million (2016: HK\$28 million)	<b>(1,630)</b>	(1,600)
Less:		
– Direct operating expenses arising from properties that generated rental income	<b>183</b>	198
– Direct operating expenses arising from properties that did not generate rental income	<b>5</b>	7
	<b>(1,442)</b>	(1,395)
Staff costs, comprising:		
– Directors' emoluments (Note)	<b>8</b>	16
– Other staff costs	<b>112</b>	129
	<b>120</b>	145
Share of income tax of an associate (included in share of results of an associate)	<b>46</b>	52

## 8. Profit for the Period *continued*

Notes:

The Remuneration Committee met in February 2017 to approve the 2017 annual fixed base salary and the annual special fee and determine the 2016 performance-based bonus of the Company's executive Director. Details are as follows:

- (a) 2017 annual fixed base salary remained at the same level as 2016, namely HK\$5,128,500.
- (b) 2017 annual special fee in recognition of extra responsibilities she assumed was HK\$2,564,250.
- (c) 2016 performance-based bonus was HK\$10,257,000.

## 9. Earnings Per Share

### (a) Basic and diluted earnings per share

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

	<b>Earnings</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$ million</b>	HK\$ million
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	<b>746</b>	899

## 9. Earnings Per Share *continued*

### (a) Basic and diluted earnings per share *continued*

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

## 9. Earnings Per Share *continued*

### (b) Adjusted basic earnings per share

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

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

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 2017 and 30 June 2016, 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.

## 10. Dividends

### (a) Dividends recognised as distribution during the period:

	Six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
2016 second interim dividend paid – HK109 cents per share	1,139	–
2015 second interim dividend paid – HK107 cents per share	–	1,122
	<b>1,139</b>	<b>1,122</b>

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

	Six months ended 30 June	
	2017 HK\$ million	2016 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.

## 11. Investment Properties

	<b>Fair value HK\$ million</b>
At 1 January 2017	69,633
Additions	770
Change in fair value recognised in profit or loss – unrealised	(775)
<b>At 30 June 2017</b>	<b>69,628</b>

The fair value of the Group's investment properties at 30 June 2017 and 31 December 2016 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.

## 12. Accounts and Other Receivables

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

### 13. Time Deposits/Cash and Bank Balances

	<b>At 30 June 2017 HK\$ million</b>	At 31 December 2016 HK\$ million
Time deposits	<b>3,062</b>	2,551
Cash and bank balances	<b>321</b>	79
Cash and deposits with banks shown in the condensed consolidated statement of financial position	<b>3,383</b>	2,630
Less: Time deposits with original maturity over three months	<b>(1,291)</b>	(1,263)
Cash and cash equivalents shown in the condensed consolidated statement of cash flows	<b>2,092</b>	1,367

### 14. Accounts Payable and Accruals

	<b>At 30 June 2017 HK\$ million</b>	At 31 December 2016 HK\$ million
Accounts payable	<b>133</b>	149
Interest payable	<b>87</b>	75
Other payables	<b>493</b>	450
Compensation received in advance (Note)	<b>261</b>	261
	<b>974</b>	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.

## 15. Borrowings

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

	Current		Non-Current	
	At 30 June 2017 HK\$ million	At 31 December 2016 HK\$ million	At 30 June 2017 HK\$ million	At 31 December 2016 HK\$ million
Unsecured bank loans	–	1,180	1,750	500
Fixed rate notes	150	–	4,480	4,613
	<b>150</b>	1,180	<b>6,230</b>	5,113

## 16. 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 2017	678	73	751
Charge to profit or loss (note 7)	27	–	27
Charge to other comprehensive income	–	4	4
<b>At 30 June 2017</b>	<b>705</b>	<b>77</b>	<b>782</b>

As at 30 June 2017, the Group has unused estimated tax losses of HK\$759 million (31 December 2016: HK\$767 million), of which HK\$415 million (31 December 2016: HK\$422 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.

## 17. Commitments

As at 30 June 2017 and 31 December 2016, the Group had the following commitments in respect of its investment properties, property, plant and equipment and subscription to a newly set up fund investment as limited partner:

	<b>At 30 June 2017 HK\$ million</b>	At 31 December 2016 HK\$ million
(a) Capital commitment:		
Contracted but not provided for:		
Investment properties & property, plant and equipment	<b>852</b>	1,276
(b) Other commitment:		
Subscription to a newly set up fund investment as limited partner	<b>390</b>	–

## 18. 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:

	Imputed interest income		Gross rental income received from		Amount due to non-controlling interests		Loan to a joint venture	
	Six months ended 30 June		Six months ended 30 June		At 30 June	At 31 December	At 30 June	At 31 December
	2017 HK\$ million	2016 HK\$ million	2017 HK\$ million	2016 HK\$ million	2017 HK\$ million	2016 HK\$ million	2017 HK\$ million	2016 HK\$ million
Related company controlled by a shareholder (Note a)	-	-	2	2	-	-	-	-
Related companies controlled by the directors of the Company (Note b (i) & (ii))	-	-	20	17	94	94	-	-
Non-controlling shareholder of a subsidiary (Note c (i) & (ii))	-	-	14	14	233	233	-	-
Joint venture (Note d)	13	-	-	-	-	-	930	1,891

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 2016: 41.43%) 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 of the Company 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 Jebsen Hans Michael 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.

## 18. 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.
- (d) The transaction represents the imputed interest income on the non-current interest-free loan to a joint venture, Gainwick Limited.
- (e) During the period, the Group acquired investment property through acquisition of a subsidiary from a wholly-owned subsidiary of LHE at a consideration of HK\$75 million.

### (b) Compensation of key management personnel

The remuneration of Directors and other members of senior management of the Group are as follows:

	Six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
Directors' fees, salaries and other short-term employee benefits	17	17
Share-based payments	2	3
Retirement benefits scheme contributions	–	–
	<b>19</b>	<b>20</b>

The remuneration of the Directors and senior management is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

## 19. 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 2016.

### (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 of the Company 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\$4,630 million (31 December 2016: HK\$4,613 million) fixed rate notes as stated in note 15 with fair value of HK\$4,951 million (31 December 2016: HK\$4,672 million).

The fair value of HK\$2,412 million (31 December 2016: HK\$2,340 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\$2,539 million (31 December 2016: HK\$2,332 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.

## 19. 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).

## 19. 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 2017			Total HK\$ million
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	
<b>Financial assets</b>				
<b><i>Derivatives under hedge accounting</i></b>				
Forward foreign exchange contracts	-	3	-	3
<b><i>Financial assets at fair value through profit or loss</i></b>				
Unlisted club debenture	-	1	-	1
<b>Total</b>	-	4	-	4
<b>Financial liabilities</b>				
<b><i>Derivatives under hedge accounting</i></b>				
Cross currency swaps	-	46	-	46

## 19. 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 2016			
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
<b>Financial assets</b>				
<b><i>Derivatives under hedge accounting</i></b>				
Forward foreign exchange contracts	–	7	–	7
Cross currency swaps	–	11	–	11
	–	18	–	18
<b><i>Financial assets at fair value through profit or loss</i></b>				
Unlisted club debenture	–	1	–	1
<b>Total</b>	–	19	–	19
<b>Financial liabilities</b>				
<b><i>Derivatives under hedge accounting</i></b>				
Forward foreign exchange contracts	–	1	–	1

There were no transfers between Levels 1 and 2 during both periods.

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

Forward foreign exchange contracts and a cross currency swap 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.

# Corporate Governance and Additional Information

## **Compliance with the Corporate Governance Code**

Hysan is committed to maintaining high standards of corporate governance and transparency. During the six months ended 30 June 2017, Hysan has complied with the requirements of the Code Provisions contained in the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## **Compliance with the Model Code**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. In response to a specific enquiry by the Company, all Directors have confirmed, that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2017.

## **Leadership**

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

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 our operations in the ever-changing environment. Our 8 Non-Executive Directors (including 4 Independent Non-Executive Directors) are from diverse backgrounds in the areas of business management, property investment, financial services and investment, customer and retail, finance and accounting, governance and risk management, as well as human resources and compensation.

## **Effectiveness**

Hysan operates under a clear and effective governance structure. The Board is collectively responsible for the long-term success of the Group, and for its leadership, strategy planning, risk management and internal control, culture, values, corporate governance and financial performance.

The Non-Executive Directors provide a wide range of experiences, specific expertise and fresh objective perspectives and act as checks and balances for the Board. As members of the various Board Committees, they also undertake detailed governance work focusing on the objectives set out in the respective terms of reference of the various Board Committees.

## **Effectiveness** *continued*

The role of the Board is governed by a formal Board of Directors Mandate (details of which are available at the Company's website: [www.hysan.com.hk](http://www.hysan.com.hk)), which sets out the key responsibilities of the Board in fulfilling its stewardship roles.

### **Board Size, Composition and Appointments**

The Board currently comprises the executive Chairman, 4 Independent Non-Executive Directors and 4 Non-Executive Directors. We have exceeded the Listing Rules' requirement of having Independent Non-Executive Directors representing one-third of the Board. The Non-Executive Directors on the Board are endowed with a wide range of experience and calibre, which enables them to consider issues of strategy, performance and resources from insightful perspectives. We have last reviewed the Board's size and composition in November 2016.

During the review period, Lau Siu Chuen retired as a Non-Executive Director with effect from the conclusion of the Annual General Meeting (the "AGM") of the Company on 15 May 2017.

### **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. 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; declaration of dividends; risk management and internal control; Board membership; corporate governance matters; and major prosecution, defence or settlement of litigation. The list of Matters Reserved for Board Decisions is reviewed annually.

## **How Management Supports the Effectiveness of the Board**

### **Supply of Information**

An important element of the Company's corporate governance programme is the continuous improvement of the quality and timeliness of dissemination of information to Directors. The Board receives detailed quarterly reports from members of the management in respect of their areas of responsibilities. 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 receives legal and regulatory updates to keep them informed of any material developments and various presentations, including from non-Board management members, on significant issues or new opportunities for the Group. Collectively, these facilitate the Board to make informed decisions and facilitate the development of constructive relationship and dialogue between the Board and management.

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

### **Risk Management and Internal Control**

The Group is committed to implementing effective risk management policies and internal control 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 risk management and internal control systems are maintained, while various departments are responsible for implementing and monitoring the risk management and internal control systems. The Audit Committee has the delegated responsibility from the Board to ensure that adequate internal controls are in place. The Audit Committee oversees the following processes: regular reviews of the business process and operations reported by Internal Audit and regular reports by the external auditor of any control issues identified in the course of their work.

During the six-month period ended 30 June 2017, the Audit Committee has continued to review the Company's internal control approach, and the internal audit reports submitted by the Internal Audit Department.

# Accountability

## Board Committees

In order to provide effective oversight and leadership in accordance with the Corporate Governance Guidelines, the Board has established 3 governance-related Board Committees as detailed below. These Committees report to the Board. Similar to the Board, each Committee has access to independent professional advice and counsel as required, and each is supported by the Company Secretary. Their terms of reference are available on the Company’s website.

- **Audit Committee**

AUDIT COMMITTEE	
Composition	There is a majority of Independent Non-Executive Directors.
Chairman	Poon Chung Yin Joseph (Independent Non-Executive Director)
Other members	Churchouse Frederick Peter (Independent Non-Executive Director)  Fan Yan Hok Philip (Independent Non-Executive Director)  Lee Anthony Hsien Pin (Non-Executive Director)

The Audit Committee meets 3 times a year. At the invitation of the Audit Committee, such meetings are also attended by the Chairman of the Board and members of management (including the Chief Operating Officer and the Chief Financial Officer). Pre-meeting sessions with external and internal auditors are held without management’s presence.

The Audit Committee assists the Board in reviewing the effectiveness of the Group’s risk management and internal control systems on an ongoing basis. Hysan has further enhanced its risk management and internal control systems which is based on the principles set down by the Committee of Sponsoring Organisations of the U.S. Treadway Commission, by introducing the three lines of defence model.

Hysan believes that a clear appreciation of the separate roles of management, internal audit, the external auditors and the Audit Committee members is crucial to the effective functioning of the Audit Committee. The Audit Committee ensures the co-ordination between the internal and external auditors and that the internal audit function is adequately resourced.

## Accountability *continued*

### Board Committees *continued*

- **Audit Committee** *continued*

The Audit Committee also has the responsibility for reviewing the Group's Whistleblowing Policy. Pursuant to the Whistleblowing Policy, employees and related third parties who deal with the Group (e.g. consultants, contractors and suppliers) can raise concerns, in confidence or anonymously, about misconduct, malpractice or irregularities in any matters relating to the Group. The Audit Committee ensures that possible breaches and related matters are followed up by proportionate and independent investigations and such other actions as may be appropriate.

The Audit Committee has reviewed and discussed with management and the external auditors about the unaudited condensed consolidated financial statements for the six months ended 30 June 2017.

- **Remuneration Committee**

#### REMUNERATION COMMITTEE

Composition                      There is a majority of Independent Non-Executive Directors.

Chairman                              Fan Yan Hok Philip  
(Independent Non-Executive Director)

Other members                      Lee Tze Hau Michael  
(Non-Executive Director)

Poon Chung Yin Joseph  
(Independent Non-Executive Director)

The Remuneration Committee generally meets at least once every year.

Management makes recommendations to the Remuneration Committee on Hysan's framework or general policies for the remuneration of the Executive Director and members of the senior management. After considering such recommendations, the Remuneration Committee then makes recommendations to the Board. The Remuneration Committee also reviews the fees payable to Non-Executive Directors and Board Committee members prior to 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 2016 Annual Report sets out details of the level of the Directors' remuneration including remuneration breakdowns of the Executive Director.

## **Accountability** *continued*

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

- ***Nomination Committee***

#### **NOMINATION COMMITTEE**

Composition                      There is a majority of Independent Non-Executive Directors.

Chairman                          Lee Irene Yun-Lien  
(Board Chairman)

Other members                  Fan Yan Hok Philip  
(Independent Non-Executive Director)

Lau Lawrence Juen-Yee  
(Independent Non-Executive Director)

Lee Chien  
(Non-Executive Director)

Poon Chung Yin Joseph  
(Independent Non-Executive Director)

The Nomination Committee generally meets at least once every year.

The Nomination Committee is responsible for nominating candidates, for Board approval, to fill Board vacancies as and when they arise, evaluating the balance of skills, knowledge and experience of the Board and reviewing the Board Diversity Policy. 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 the matter of succession of the chairmanship.

## Accountability *continued*

### Board Committees *continued*

- **Strategy Committee**

#### STRATEGY COMMITTEE

##### Composition

Chairman	Lee Irene Yun-Lien (Board Chairman)
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Other members	Fan Yan Hok Philip (Independent Non-Executive Director)
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	Jebsen Hans Michael (Non-Executive Director)
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	Lee Chien (Non-Executive Director)
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	Poon Chung Yin Joseph (Independent Non-Executive Director, appointed as a member with effect from 22 February 2017)
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The Strategy Committee generally meets at least once every year and all Board members are also invited to attend its meetings. Strategic planning is vital for the sustainability of the Company. The Strategy Committee is responsible for reviewing and making recommendations to the Board on the Group's strategic matters.

## **Relationship with Shareholders**

We are committed to maintaining an open dialogue with the Company's shareholders, including communication with shareholders in a regular and timely manner, through the Group's annual reports, interim reports, press releases and announcements and shareholder visits; and having ongoing dialogue and meetings between senior management and institutional investors, fund managers, 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 host a dialogue with private shareholders. Individual shareholders can put questions to the Chairman at the AGM. The Chairmen of the various Board Committees attend AGMs to respond to shareholders' questions.

We recognise the significance of consistent disclosure practices aimed at accurate and timely dissemination of material information about Hysan. The Group's Corporate Disclosure Policy guides the disclosure of material information to investors, analysts and media. This policy also identifies who may speak on Hysan's behalf and outlines the responsibilities for communications with various stakeholder groups. Details are available at the Company's website.

## **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 the 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***

##### **Lee Irene Yun-Lien**

Ms. Lee leads the Group in her executive Chairman role. 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 and Hang Seng Bank 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, an independent non-executive director of Noble Group Limited (listed on Singapore Exchange 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. Lee Anthony Hsien Pin (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. She also serves as a director of certain subsidiaries of the Group.

#### ***Independent Non-Executive Director***

##### **Churchouse Frederick Peter**

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***

##### **Fan Yan Hok Philip**

Mr. Fan is an independent non-executive director of China Everbright International Limited, First Pacific Company Limited, China Aircraft Leasing Group Holdings Limited and PFC Device Inc., and an independent director of Goodman Group. 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***

##### **Lau Lawrence Juen-Yee**

Professor Lau is currently Ralph and Claire Landau Professor of Economics at The Chinese University of Hong Kong. He serves as Chairman of the Board of Directors for The Chinese University of Hong Kong (Shenzhen) Finance Institute, aka Shenzhen Finance Institute. 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***

##### **Poon Chung Yin Joseph**

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 was the former chairman of Hang Seng Index Advisory Committee, Hang Seng Indexes Company Limited, a former member of the Board of Inland Revenue of Hong Kong Special Administrative Region and the Environment and Conservation Fund Investment Committee, and a former committee member of the Chinese General Chamber of Commerce. 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***

##### **Jebsen Hans Michael** B.B.S.

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

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

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

#### ***Non-Executive Director***

##### **Lee Anthony Hsien Pin**

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, a director of Lee Hysan Estate Company, Limited and a director of Lee Hysan Company Limited (Lee Hysan Estate Company, Limited, a wholly-owned subsidiary of Lee Hysan Company Limited, is a substantial shareholder of the Company). He is the brother of Ms. Lee Irene Yun-Lien, 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***

##### **Lee Chien**

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, a director of Lee Hysan Estate Company, Limited and a director of Lee Hysan Company Limited (Lee Hysan Estate Company, Limited, a wholly-owned subsidiary of Lee Hysan Company Limited, is a substantial shareholder of the Company). Mr. Lee is a Council member of The Chinese University of Hong Kong and St. Paul's Co-educational College and a Trustee Emeritus of Stanford University. He is also a director of Stanford Health Care and CUHK Medical Centre. Mr. Lee received a Bachelor of Science Degree in Mathematical Science, a Master of Science Degree in Operations Research and a Master of Business Administration Degree from Stanford University. Mr. Lee was appointed a Non-Executive Director in 1988.

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

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

#### ***Non-Executive Director***

##### **Lee Tze Hau Michael**

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, a director of Lee Hysan Estate Company, Limited and a director of Lee Hysan Company Limited (Lee Hysan Estate Company, Limited, a wholly-owned subsidiary of Lee Hysan Company Limited, is 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.

#### **Directors' Emoluments**

The Remuneration Committee met in February 2017 to (i) approve 2017 Executive Director compensation packages and the 2016 performance-based bonus; and (ii) review the fees for Non-Executive Directors and Board Committee members. Further details of the Executive Director's compensation are set out in note 8 to the condensed consolidated financial statements on pages 30 and 31.

Share options were also granted to the Executive Director on 23 February 2017 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 2017, 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, 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		
Jebsen Hans Michael	60,984	–	2,473,316 (Note b)	–	2,534,300	0.242
Lee Chien	800,000	–	–	–	800,000	0.077
Lee Irene Yun-Lien	304,000	–	–	–	304,000	0.029

Notes:

- (a) This percentage was compiled based on the total number of issued shares of the Company (i.e. 1,045,458,559 ordinary shares) as at 30 June 2017.
- (b) Such shares were held through a corporation in which Jebsen Hans Michael was a member entitled to exercise no less than one-third of the voting power at general meeting.

Executive Director(s) 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	
Jebsen Hans Michael	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. Jebsen Hans Michael was deemed to be interested in the shares of Barrowgate by virtue of being a controlling shareholder of Jebsen and Company.

Apart from the above, no other interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations as at 30 June 2017 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 Director(s) is vested in the Remuneration Committee and endorsed by all Independent Non-Executive Directors as required under the Listing Rules. The Chairman may make grants to management staff below the Executive Director level.

#### ***The 2005 Scheme***

The Company adopted the 2005 Scheme at its AGM held on 10 May 2005, which had a term of 10 years and expired on 9 May 2015. All outstanding options granted under the 2005 Scheme 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 had 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 727,000 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 2017:

- (i) 2,119,335 share options granted (including 1,937,663 fully-vested share options) under the 2005 Scheme remained outstanding, representing approximately 0.20% of the total number of issued shares of the Company; and
- (ii) 1,534,000 share options granted (including 267,659 fully-vested share options) under the New Scheme remained outstanding, representing approximately 0.15% 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 1.1.2017	Changes during the period			Balance as at 30.06.2017
					Granted	Exercised	Cancelled/lapsed (Note b)	
<b>2005 Scheme</b>								
<b>Executive Director</b>								
Lee Irene Yun-Lien	14.5.2012	33.50	14.5.2013 – 13.5.2022	87,000	–	–	–	87,000
	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 1.1.2017	Changes during the period			Balance as at 30.06.2017
					Granted	Exercised	Cancelled/ lapsed (Note b)	
<b>Eligible employees</b> (Note c)	31.3.2008	21.96	31.3.2009 – 30.3.2018	11,000	–	–	–	11,000
	31.3.2009	13.30	31.3.2010 – 30.3.2019	128,000	–	–	–	128,000
	31.3.2010	22.45	31.3.2011 – 30.3.2020	126,334	–	(12,000) (Note d)	–	114,334
	31.3.2011	32.00	31.3.2012 – 30.3.2021	125,000	–	–	(32,000)	93,000
	30.3.2012	31.61	30.3.2013 – 29.3.2022	160,001	–	–	(7,000)	153,001
	28.3.2013	39.20	28.3.2014 – 27.3.2023	276,000	–	–	(118,000)	158,000
	31.3.2014	33.75	31.3.2015 – 30.3.2024	338,000	–	(55,000) (Note e)	(41,000)	242,000
	31.3.2015	34.00	31.3.2016 – 30.3.2025	359,000	–	(31,600) (Note f)	(84,400)	243,000
				<u>2,500,335</u>	–	(98,600)	(282,400)	<u>2,119,335</u>

## 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 1.1.2017	Changes during the period			Balance as at 30.06.2017
					Granted	Exercised	Cancelled/ lapsed (Note b)	
<b><u>New Scheme</u></b>								
<b>Executive Director</b>								
Lee Irene Yun-Lien	9.3.2016	33.15	9.3.2017 – 8.3.2026	375,000	–	–	–	375,000
	23.2.2017	36.25 (Note g)	23.2.2018 – 22.2.2027	–	300,000	–	–	300,000
<b>Eligible employees</b> (Note c)	31.3.2016	33.05	31.3.2017 – 30.3.2026	610,000	–	(31,600) (Note h)	(146,400)	432,000
	31.3.2017	35.33 (Note i)	31.3.2018 – 30.3.2027	–	427,000	–	–	427,000
				985,000	727,000	(31,600)	(146,400)	1,534,000

## **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 resignations of certain eligible employees.
- (c) Eligible employees are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.
- (d) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$36.85.
- (e) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$36.50.
- (f) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$36.47.
- (g) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 22 February 2017) was HK\$36.00.
- (h) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$36.43.
- (i) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2017) was HK\$35.00.

Apart from the above, the Company did not grant any share option under the 2005 Scheme and the New Scheme to any other person during the review period which are 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 statement of profit or loss over the three-year vesting period of the options.

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

The inputs into the Model were as follows:

<b>Date of grant</b>	<b>31.3.2017</b>	<b>23.2.2017</b>
Closing share price at the date of grant	HK\$35.250	HK\$36.250
Exercise price	HK\$35.330	HK\$36.250
Risk free rate (Note a)	1.331%	1.488%
Expected life of option (Note b)	5 years	5 years
Expected volatility (Note c)	19.133%	20.238%
Expected dividend per annum (Note d)	HK\$1.204	HK\$1.204
Estimated fair values per share option	HK\$4.374	HK\$4.958

Notes:

- (a) Risk free rate: being the approximate yield 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 over the past 5 years immediately before the date of grant.
- (d) Expected dividend per annum: being the approximate average annual cash dividend over the past 5 financial years.

## Substantial Shareholders' and Other Persons' Interests in Shares

As at 30 June 2017, 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
First Eagle Investment Management, LLC	Investment manager	52,460,214	5.02

Notes:

- (a) The percentage was compiled based on the total number of issued shares of the Company as at 30 June 2017 (i.e. 1,045,458,559 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 which is required to be kept under section 336 of the SFO as at 30 June 2017.

### Related Party Transactions

The Group entered into certain transactions with parties regarded as "Related Parties" under the 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 18 to the condensed consolidated financial statements.

Some of these transactions also constituted "Continuing Connected Transactions" under the Listing Rules, as identified below.

## 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 the 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) (as amended – Note c)	5 years commencing from 1 September 2013 (Note d)	Office units on the 28th, 30th and 31st Floors and 3 carparking spaces	2017: HK\$37,212,720 2018: HK\$24,808,480 (on pro-rata basis)
	(ii) Treasure Matrix Limited (Notes e & f)	(1) 28 March 2014 (Lease and Licence Agreements) (as amended – Notes g & i)	5 years commencing from 28 March 2014 (Note d)	Shop Nos. 308 & 311 on the 3rd Floor (connected to an outdoor garden) (on pro-rata basis) (Notes j & k)
	(2) 20 October 2014 (Existing Licence Agreement) (Notes h & i)	3 years commencing from 1 December 2014	Portion 1 on the 3rd Floor	
	(3) 27 March 2017 (New Licence Agreement) (Notes h & i)	1 years, 3 months and 27 days commencing from 1 December 2017		
	(4) 20 October 2014 (Existing Licence Agreement) (Notes h & i)	3 years commencing from 1 November 2014	Various storerooms and advertising spaces	
	(5) 27 March 2017 (New Licence Agreement) (Notes h & i)	1 years, 4 months and 27 days commencing from 1 November 2017		

## 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 the 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	2017: HK\$2,526,440 (on pro-rata basis) (Note l)

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

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

Connected person	Date of agreement	Terms	Premises	Consideration received during the period
Barrowgate Limited	22 March 2016	3 years commencing from 1 April 2016	Whole premises of Lee Garden Two	HK\$15,303,832 (Note m)

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

Connected person	Date of agreement	Terms	Premises	Consideration received during the period
Barrowgate Limited	22 March 2016	3 years commencing from 1 April 2016	Whole premises of Lee Garden Two	HK\$1,571,916 (Note m)

## **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) Jebesen and Company Limited (“Jebesen and Company”) is beneficial substantial shareholder of Barrowgate and having equity interest of 10% in Barrowgate. Jebesen Hans Michael, Non-Executive Director of the Company, is a controlling shareholder of Jebesen and Company.
- (c) On 16 August 2016, a memorandum was entered into and pursuant to which the rent for the period from 1 September 2016 to 31 August 2018 was reviewed and revised to the then prevailing market rent.
- (d) The term of the agreements mentioned under I(a)(i) and I(a)(ii) above exceeds 3 years. According to the 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.
- (e) Treasure Matrix Limited (“Treasure Matrix”) is a non wholly-owned subsidiary of the Company.
- (f) 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 Jebesen Hans Michael, Non-Executive Director of the Company.
- (g) On 27 March 2017, a memorandum was entered into and pursuant to which the rent for the period from 28 March 2017 to 27 March 2019 was reviewed and revised to the then prevailing market rent.
- (h) On 27 March 2017, new licence agreements were entered into to renew the existing licence agreements. The existing and new licence agreements on their own constituted continuing connected transactions of the Company which were fully exempted from Chapter 14A requirements as the annual consideration under the existing and new licence agreements fall below the applicable de minimis threshold under the Listing Rules.
- (i) As the aggregated annual consideration under the lease and various licence agreements entered into with Treasure Matrix exceeds the applicable de minimis threshold under the Listing Rules, they constituted continuing connected transactions of the Company being subject to announcement requirements but exempted from independent shareholders’ approval requirements.
- (j) Annual consideration for 2017 included actual turnover rent received for the review period and estimated turnover rent for the remaining part of the year.
- (k) Retail monthly operating charges and promotion levies for Lee Garden Two were revised with effect from 1 January 2017.
- (l) Office extra air-conditioning operating charges for One Hysan Avenue were revised with effect from 1 January 2017.
- (m) These represent the actual consideration received for the period from 1 January 2017 to 30 June 2017, 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.

## **Connected Transactions**

Certain transactions entered into by the Group constituted connected transactions under the Listing Rules during the review period. Certain details of the transactions are set out as follows:

### **I. Acquisitions of No. 9 Lan Fong Road (the “Property”) and the Remaining Portion of Inland Lot No. 29 (the “Land”), Hong Kong**

On 17 March 2017, Jayton Investments Limited (“Jayton”) and Oretta Limited (“Oretta”), both wholly-owned subsidiaries of the Company, entered into the following agreements:

- (1) Jayton entered into a conditional agreement with Dowling Development Ltd. (“Dowling Development”), a wholly-owned subsidiary of LHE to acquire the entire issued and fully paid up share capital of Sparkling Touch Investments Ltd., which is the sole registered owner of the Property, for a consideration of HK\$75 million, with LHE guaranteeing the due and punctual performance of the obligations of Dowling Development; and
- (2) Oretta entered into an agreement with LHE to acquire the Land for a consideration of HK\$100.

Completion of the sale and purchase under the agreements took place on 31 March 2017.

Dowling Development is a wholly-owned subsidiary of LHE, which in turn is interested in approximately 41.43% of the issued share capital of the Company and is a substantial shareholder of the Company. Hence, both Dowling Development and LHE are connected persons of the Company under the Listing Rules, the entering into of the transactions constituted connected transactions of the Company under Rule 14A.76(2) of the Listing Rules.

The abovementioned acquisitions are in line with the core business and strategic policy of the Group. Details of the acquisitions were disclosed in the Company’s announcement dated 17 March 2017.

## **Connected Transactions** *continued*

### **II. Project Financing**

Gainwick Limited ("Gainwick"), a 60%-owned subsidiary of the Company (as defined in Schedule 1 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)), entered into a facility agreement with, among others, certain lenders (including Hang Seng Bank Limited ("Hang Seng") and The Hongkong and Shanghai Banking Corporation Limited ("HSBC")), pursuant to which the lenders agreed to severally provide to Gainwick their respective portion of the facility (with each of Hang Seng and HSBC providing a facility in the maximum amount of HK\$1,120 million (collectively the "Facilities")) bearing non-refundable front end fee of 0.75% on the facility amount, and interest rate at sum of HIBOR and interest margin of 0.65% per annum of the relevant interest period.

Hang Seng holds approximately 24.64% equity interest in Barrowgate, a non wholly-owned subsidiary of the Company, and therefore is a substantial shareholder of Barrowgate. HSBC is the holding company of Hang Seng. Accordingly, both Hang Seng and HSBC are connected persons of the Company under the Listing Rules. The provisions of the Facilities constituted connected transactions of the Company under Rule 14A.101 of the Listing Rules.

The Facilities serve to finance the costs of land premium, construction cost and all related costs to be incurred for developing the residential sites at Tai Po Town Lot Nos. 223 and 229, Lo Fai Road, Tai Po, New Territories, Hong Kong. Details of the Facilities were disclosed in the Company's announcement dated 26 May 2017.

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

During the six months ended 30 June 2017, 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 programmes, training and development as set out in the Responsible Business section of the Annual Report 2016.

# Shareholder Information

## FINANCIAL CALENDAR

Announcement of interim results	4 August 2017
Ex-dividend date for first interim dividend	17 August 2017
Closure of register of members and record date for first interim dividend	21 August 2017
Dispatch of first interim dividend warrants	(on or about) 30 August 2017

## 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 Monday, 21 August 2017.

The register of members will be closed on Monday, 21 August 2017, 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 Friday, 18 August 2017.

Dividend warrants will be dispatched to shareholders on or about Wednesday, 30 August 2017.

## 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.

## INTERIM REPORT

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

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

## INVESTOR RELATIONS

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

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

# Corporate Information

## **BOARD OF DIRECTORS**

Lee Irene Yun-Lien (*Chairman*)  
Churchouse Frederick Peter\*\*  
Fan Yan Hok Philip\*\*  
Lau Lawrence Juen-Yee\*\*  
Poon Chung Yin Joseph\*\*  
Jebsen Hans Michael B.B.S.\*  
(*Yang Chi Hsin Trevor as his alternate*)  
Lee Anthony Hsien Pin\*  
(*Lee Irene Yun-Lien as his alternate*)  
Lee Chien\*  
Lee Tze Hau Michael\*

## **AUDIT COMMITTEE**

Poon Chung Yin Joseph\*\*(*Chairman*)  
Churchouse Frederick Peter\*\*  
Fan Yan Hok Philip\*\*  
Lee Anthony Hsien Pin\*

## **REMUNERATION COMMITTEE**

Fan Yan Hok Philip\*\* (*Chairman*)  
Poon Chung Yin Joseph\*\*  
Lee Tze Hau Michael\*

## **NOMINATION COMMITTEE**

Lee Irene Yun-Lien (*Chairman*)  
Fan Yan Hok Philip\*\*  
Lau Lawrence Juen-Yee\*\*  
Poon Chung Yin Joseph\*\*  
Lee Chien\*

\* Non-Executive Director

\*\* Independent Non-Executive Director

## **STRATEGY COMMITTEE**

Lee Irene Yun-Lien (*Chairman*)  
Fan Yan Hok Philip\*\*  
Poon Chung Yin Joseph\*\*  
Jebsen Hans Michael B.B.S.\*  
Lee Chien\*

## **COMPANY SECRETARY**

Cheung Ka Ki Maggie

## **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](http://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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