

To: Business/Property Editor

Date: 22 August 2022
For immediate release

**HYSAN DEVELOPMENT COMPANY LIMITED
2022 INTERIM RESULTS**

HIGHLIGHTS

- **Improvement in performance of retail tenants amidst signs of a Hong Kong economic recovery after the gradual relaxation of COVID-19 fifth wave restrictions**
- **The Group continues to refine and enhance its core, focusing on Lee Gardens and Hysan Place, as well as Caroline Hill Road site work**
- **Strategic pillars progressing, with sales commencing for award-winning Villa Lucca in Tai Po**
- **Occupancies for Office and Retail portfolios were 91% and 98% respectively**
- **Turnover and Recurring Underlying Profit decreased year-on-year by 3.1% and 0.7% respectively**
- **Reported Profit decreased year-on-year to HK\$71 million mainly due to change in fair value of investment properties (non-cash in nature) by 1.0% which reflects general market conditions**

RESULTS

		Six months ended 30 June			
		Notes	2022	2021	Change
Turnover	<i>HK\$ million</i>	1	1,777	1,834	-3.1%
Recurring Underlying Profit	<i>HK\$ million</i>	2	1,169	1,177	-0.7%
Underlying Profit	<i>HK\$ million</i>	3	1,235	1,177	+4.9%
Reported Profit	<i>HK\$ million</i>	4	71	517	n/m
Basic Earnings per Share	<i>HK cent</i>		7	50	n/m
First Interim Dividend per Share	<i>HK cent</i>		27	27	±0%
			As at 30 June 2022	As at 31 December 2021	
Shareholders' Funds	<i>HK\$ million</i>	5	72,365	73,870	-2.0%
Net Asset Value per Share	<i>HK\$</i>	6	70.3	71.4	-1.5%

n/m: not meaningful

Notes:

- Turnover** comprises gross rental income from leasing of investment properties located in Hong Kong and management fee income from the provision of property management services for the period.
- Recurring Underlying Profit**, a non-HKFRS measure, 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.
- Underlying Profit**, a non-HKFRS measure, is arrived at by adding (i) Reported Profit excluding unrealized fair value change of investment properties and items not generated from the Group's core property investment business; and (ii) Profit attributable to holders of perpetual capital securities.
- Reported Profit** is the profit attributable to owners of the Company. It is prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance.
- Shareholders' Funds** are the equity attributable to owners of the Company.
- Net Asset Value per Share** represents Shareholders' Funds divided by the number of issued shares at period/year-end.

HYSAN DEVELOPMENT INTERIM RESULTS 2022

Results

Hysan Development Company Limited (Stock Code: 00014) today (22 August 2022) announced the Group's turnover for the first half of 2022 was HK\$1,777 million, representing a year-on-year decrease of 3.1% from HK\$1,834 million for the same period in 2021. The Recurring Underlying Profit (our key leasing business performance indicator) dropped slightly by 0.7% year-on-year to HK\$1,169 million (1H 2021: HK\$1,177).

Underlying Profit experienced a year-on-year increase of 4.9% to HK\$1,235 million in the first half of 2022 (1H 2021: HK\$1,177 million). This principally reflected a one-off exchange gain of HK\$66 million resulted from the settlement of a subsidiary acquired during the period.

Shareholders' Fund was HK\$72,365 million as at 30 June 2022 (31 December 2021: HK\$73,870 million).

As at 30 June 2022, the investment properties of the Group were valued at HK\$98,740 million, an increase of 3.8% from HK\$95,107 million as at 31 December 2021, mainly due to completion of acquisition of a commercial complex located at Nos. 668 and 688 Xinzha Road, Shanghai, the PRC in January 2022 at consideration of approximately RMB3,500 million (equivalent to approximately HK\$4,235 million).

Dividends

The Board of Directors has declared a first interim dividend of HK27 cents per share (2021: HK27 cents) which will be payable in cash. Please see the table for all the relevant dates:

Closure of register of members	Tuesday, 6 September 2022
Ex-dividend date	Friday, 2 September 2022
Latest time to lodge transfer documents	Not later than 4pm on Monday, 5 September 2022
Record date for first interim	Tuesday, 6 September 2022
First interim dividend payment date	On or about Friday, 16 September 2022

COMMENTS BY MS. IRENE YUN LIEN LEE, CHAIRMAN

COVID-19 Fifth Wave's Impact on Hong Kong in the first quarter of 2022

The fifth wave of COVID-19 during the first months of 2022 in Hong Kong interrupted the economic recovery we saw during 2021. The restrictive measures imposed during the first quarter of 2022 not only reduced economic activity but also negatively affected consumer and business sentiment.

Starting in April, however, we began to see encouraging signs of recovery due to the moderation of the pandemic and gradual relaxation of government's quarantine measures. One was the latest unemployment figure (April to June) of 4.7%, which was an improvement from the same period in the previous year. Taking the April and May figures together, retail sales grew 4.7% year-on-year, due in part to the local Consumption Voucher Scheme.

While these signs are positive, Hong Kong's COVID-19 numbers were on a slow rise again as of this writing. Relaxation of government regulations, including those for normal travel, remain limited. Worldwide, uncertainty dominated the economic outlook, with rising interest rate and inflation, continuing supply chain issues and geopolitical tensions.

Vibrancy Returns to Lee Gardens

Like most businesses in Hong Kong, tenants in our core Causeway Bay portfolio were affected by the disruptions of the COVID-19 fifth wave. The situation has recently improved markedly. The Lee Gardens area is busy throughout the week and continues to be a vibrant destination at weekends.

Our positive outlook is underpinned by the figures. Estimated tenant sales rose more than 25% in the second quarter of 2022 as compared with the first quarter, and were on par with performance in the same period last year. Similarly, the occupancy rate of our retail portfolio stayed at a strong 98% level at the end of June, while office portfolio occupancy maintained a robust 91%.

The COVID-19 pandemic has confirmed the choice of hybrid work arrangements and flexible hours. Yet, many also recognise the advantages of having an office in the prime Lee Gardens area. These include the convenience of its location, the quality of the buildings, its reputation for attentive service and the synergy between the area's offices and retail offerings. All of these factors contributed to two of Hong Kong's leading banks deciding to open their premier wealth management centres in Lee Gardens in recent months.

As for the retail business, the marketing campaigns we ran from April to June — "Savour the Spring Sensations" and "Power Up" — benefited from more relaxed COVID-19 measures and Consumption Voucher spending, with significant support from both our loyal existing and new customers. The number of loyalty club members and their average transaction amounts both achieved year-on-year increases, despite limitations from COVID-19 fifth wave. Our partnership with Hang Seng Bank this summer has enabled us to leverage each other's brand and customer base.

Core Portfolio and Pillar Project Updates

This summer, Hysan Place will be 10 years old. While the complex remains a favourite of Hong Kong shoppers, we continue to enhance and raise the quality of the building and its offerings to cater for the ever-evolving needs of our customers. In the third quarter of 2022, we will be kicking off another trend-setting transformation, with new themes for different sectors of the building and exciting new tenants joining the shopping mall.

Other parts of our portfolio will also see substantial enhancements in the coming months, including the creation of an exclusive destination in Lee Gardens, with a mix of luxury retail flagship stores, quality dining, special events and experiences. While the changes are taking place, we will continue to provide the highest level of Lee Gardens service.

The extension to our Lee Gardens core portfolio, our joint-venture project at Caroline Hill Road, was successfully turned into a temporary vaccination centre where thousands of people received COVID-19 jabs. Site foundation work on the commercial and community sections of the project is now scheduled to begin.

Our luxury residential project in Tai Po, known as Villa Lucca, launched its sales programme in August. The project received double honours at the Asia Pacific Property Awards for its Exceptional (Architectural) Design. We were also delighted to have received excellent media coverage for this top-quality project that features a state-of-the-art clubhouse as well as premium features for all our residential units, amongst lush gardens with views of Tolo Harbour and Pat Sin Leng mountain range.

The city of Shanghai saw a COVID-19 outbreak in Q2 2022 which resulted in weeks of limited activities for its population. We are glad to report that Lee Gardens Shanghai's leasing activities restarted in earnest after the lifting of the restrictions, and we expect to welcome our first tenant later in the year. We are also reviewing different concepts for a revised retail space design, which is a part of our asset enhancement programme.

Care for the Community

We are proud to have set up two temporary Community Vaccination Centres in our portfolio during the most difficult period of the COVID-19 fifth wave. In fact, the Leighton Centre vaccination venue proved so popular with the community that it will remain in place until at least September of this year.

Our contribution to the fight against COVID-19 also included donations of air purifiers, rapid antigen testing kits, and food and care packages to people in need. In To Kwa Wan, we partnered with local NGOs to provide free inspections of elderly residents' drainage pipes, where viruses can collect.

The Community Lab we set up with Hong Kong Science and Technology Parks proves to be a popular destination for people interested in learning about technology. This complements the Lab's main role of helping new technology start-ups test their innovations in a real-world environment, the Lee Gardens Community Lab.

Outlook

In the months ahead, we expect that global economic woes will continue to create uncertainty, although cross-boundary restrictions may gradually be lifted in Hong Kong to provide some relief for external trade. Further relaxation of the city's international travel and trade limitations will be needed to ensure Hong Kong retains its status as a world-renowned financial and trading hub. Internally, the amount of local spending will also depend on the pandemic situation and any further moderation of COVID-19 rules.

At Hysan, we are confident about the prospects for our business, even in the short-term, as people continue to gather at our destinations for work, for shopping and for socialising with one another. Together with our continuing development, core expansion plans and growth pillars, we are optimistic about Hysan's continued long-term success.

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For enquiries, please contact:

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period ended 30 June 2022 (unaudited)

	<u>Notes</u>	Six months ended 30 June	
		<u>2022</u>	<u>2021</u>
		HK\$ million	HK\$ million
Turnover	4	1,777	1,834
Property expenses		(248)	(218)
		<hr/>	<hr/>
Gross profit		1,529	1,616
Investment income		135	49
Other gains and losses		16	7
Administrative expenses		(145)	(121)
Finance costs		(172)	(275)
Change in fair value of investment properties		(985)	(545)
Share of results of:			
associates		147	212
joint venture		(8)	-
		<hr/>	<hr/>
Profit before taxation		517	943
Taxation	6	(182)	(162)
		<hr/>	<hr/>
Profit for the period	7	335	781
		<hr/> <hr/>	<hr/> <hr/>
Profit for the period attributable to:			
Owners of the Company		71	517
Perpetual capital securities holders		230	229
Other non-controlling interests		34	35
		<hr/>	<hr/>
		335	781
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share (expressed in HK cents)	8		
Basic		7	50
		<hr/> <hr/>	<hr/> <hr/>
Diluted		7	50
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2022 (unaudited)

	Six months ended 30 June	
	<u>2022</u>	<u>2021</u>
	HK\$ million	HK\$ million
Profit for the period	335	781
Other comprehensive income (expenses)		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
(Losses) gains on revaluation of properties held for own use (net of tax)	(2)	3
Change in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")	21	162
	19	165
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of subsidiaries	(153)	-
Net adjustments to hedging reserve	139	(65)
Share of translation reserve of an associate	(270)	64
	(284)	(1)
Other comprehensive (expenses) income for the period (net of tax)	(265)	164
Total comprehensive income for the period	70	945
Total comprehensive (expenses) income attributable to:		
Owners of the Company	(194)	681
Perpetual capital securities holders	230	229
Other non-controlling interests	34	35
	70	945

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022 (unaudited)

	Notes	As at 30 June <u>2022</u> HK\$ million	As at 31 December <u>2021</u> HK\$ million (audited)
Non-current assets			
Investment properties		98,740	95,107
Property, plant and equipment		539	472
Investments in associates		5,872	5,995
Loans to associates		10	10
Investments in joint ventures		520	475
Loans to joint ventures		4,260	1,256
Other financial investments		2,109	1,780
Debt securities		998	843
Deferred tax asset		96	90
Other financial assets		369	9
Other receivables	10	371	1,835
		<u>113,884</u>	<u>107,872</u>
Current assets			
Accounts and other receivables	10	533	887
Debt securities		31	171
Other financial assets		20	-
Tax recoverable		-	39
Time deposits		6,038	1,866
Cash and cash equivalents		663	6,538
		<u>7,285</u>	<u>9,501</u>
Current liabilities			
Accounts payable and accruals	11	870	820
Deposits from tenants		347	372
Amounts due to non-controlling interest		214	214
Borrowings		2,553	531
Taxation payable		117	-
		<u>4,101</u>	<u>1,937</u>
Net current assets		<u>3,184</u>	<u>7,564</u>
Total assets less current liabilities		<u>117,068</u>	<u>115,436</u>
Non-current liabilities			
Amounts due to non-controlling interest		4,571	7,639
Borrowings		24,571	18,126
Other financial liabilities		319	149
Deposits from tenants		537	546
Deferred taxation		1,123	1,091
		<u>31,121</u>	<u>27,551</u>
Net assets		<u>85,947</u>	<u>87,885</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued

As at 30 June 2022 (unaudited)

	<u>Notes</u>	As at 30 June <u>2022</u> HK\$ million	As at 31 December <u>2021</u> HK\$ million (audited)
Capital and reserves			
Share capital		7,723	7,723
Reserves		64,642	66,147
Equity attributable to owners of the Company		<u>72,365</u>	73,870
Perpetual capital securities		10,273	10,657
Other non-controlling interests		3,309	3,358
Total equity		<u><u>85,947</u></u>	<u><u>87,885</u></u>

Notes:

1. Independent Review

The interim results for the six months ended 30 June 2022 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), by Deloitte Touche Tohmatsu, whose report on review of condensed consolidated financial statements is included in the interim report to be sent to shareholders. The interim results have also been reviewed by the Group’s Audit and Risk Management Committee.

2. Basis of Preparation

The unaudited condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA.

The financial information relating to the year ended 31 December 2021 that is included in this result announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.
- The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

3. Principal Accounting Policies

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

The accounting policies and methods of computations followed in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021.

The application of all the amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA are disclosed below.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards that are relevant to its operations and effective for the Group's financial year beginning on 1 January 2022. The applications of the Amendments to References to the Conceptual Framework in HKFRS Standards has no material impact on the condensed consolidated financial statements in the current and prior periods.

4. Turnover

Turnover represents gross rental income from leasing of investment properties and management fee income from provision of property management services 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.

Contracts for property management services have various contractual periods for which the Group bills fixed amount of each month of service period. Substantially all of the revenue from provision of property management services is recognized at the amount to which the Group has right to invoice which reflects the progress towards complete satisfaction of performance obligations satisfied over time. The categories for disaggregation of revenue from provision of property management services recognized over time in Hong Kong are consistent with the segment disclosure under note 5.

5. Segment Information

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

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

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

Residential segment – leasing of luxury residential properties and related facilities

Property development segment – development of properties for sale or leasing

Segment turnover and results

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

	<u>Office</u> HK\$ million	<u>Retail</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Property</u> <u>Development</u> HK\$ million	<u>Consolidated</u> HK\$ million
<i>For the six months ended</i>					
<i>30 June 2022 (unaudited)</i>					
Turnover					
Leasing of investment properties	702	756	112	-	1,570
Provision of property management services	103	90	14	-	207
Segment revenue	805	846	126	-	1,777
Property expenses	(109)	(112)	(27)	-	(248)
Segment profit	696	734	99	-	1,529
Investment income					135
Other gains and losses					16
Administrative expenses					(145)
Finance costs					(172)
Change in fair value of investment properties					(985)
Share of results of associates a joint venture					147 (8)
Profit before taxation					517
<i>For the six months ended</i>					
<i>30 June 2021 (unaudited)</i>					
Turnover					
Leasing of investment properties	775	734	120	-	1,629
Provision of property management services	105	86	14	-	205
Segment revenue	880	820	134	-	1,834
Property expenses	(85)	(104)	(29)	-	(218)
Segment profit	795	716	105	-	1,616
Investment income					49
Other gains and losses					7
Administrative expenses					(121)
Finance costs					(275)
Change in fair value of investment properties					(545)
Share of results of associates					212
Profit before taxation					943

All the segment turnover reported above is from external customers.

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

Segment assets

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

	<u>Office</u> HK\$ million	<u>Retail</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Property</u> <u>Development</u> HK\$ million	<u>Consolidated</u> HK\$ million
<i>As at 30 June 2022 (unaudited)</i>					
Segment assets	38,081	32,018	8,718	24,537	103,354
Investments in and loans to associates					5,882
Investments in a joint venture					343
Other financial investments					2,109
Other assets					9,481
Consolidated assets					<u>121,169</u>
<i>As at 31 December 2021 (audited)</i>					
Segment assets	34,715	31,921	8,715	21,199	96,550
Investments in and loans to associates					6,005
Investment in a joint venture					352
Other financial investments					1,780
Other assets					12,686
Consolidated assets					<u>117,373</u>

Segment assets represented the investment properties and accounts receivable of each segment and investments in and loans to joint ventures engaged in property development business.

Unallocated assets include investments in and loans to associates, investment in a joint venture, other financial investments and other assets which include property, plant and equipment, debt securities, other financial assets, deferred tax asset, other receivables, time deposits and cash and cash equivalents.

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.

Included in the Property Development segment is an investment property under development, which will be transferred to other segment upon completion of the development.

Included in the Retail and Office segment is an investment property located in Mainland China of HK\$703 million and HK\$3,747 million respectively.

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

6. Taxation

	Six months ended 30 June	
	<u>2022</u> HK\$ million	<u>2021</u> HK\$ million
Current tax		
Hong Kong Profits Tax		
- current period	156	167
Deferred tax	26	(5)
	<u>182</u>	<u>162</u>

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

7. Profit for the Period

	Six months ended 30 June	
	<u>2022</u> HK\$ million	<u>2021</u> HK\$ million
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	<u>16</u>	<u>14</u>
Gross rental income from investment properties including rentals received with reference to turnover of tenants of HK\$57 million (2021: HK\$57 million)	<u>(1,514)</u>	<u>(1,629)</u>
Interest income (included in investment income)	<u>(61)</u>	<u>(42)</u>
Imputed interest income on interest-free loan to a joint venture (included in investment income)	<u>(8)</u>	<u>(7)</u>
Staff costs (including directors' emoluments)	<u>149</u>	<u>132</u>
Share of income tax of associates (included in share of results of associates)	<u>67</u>	<u>83</u>

9. Dividends

(a) Dividends recognized as distribution during the period:

	Six months ended 30 June	
	<u>2022</u>	<u>2021</u>
	HK\$ million	HK\$ million
2021 second interim dividend paid – HK117 cents per share	1,209	-
2020 second interim dividend paid – HK117 cents per share	-	1,216
	1,209	1,216

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

	Six months ended 30 June	
	<u>2022</u>	<u>2021</u>
	HK\$ million	HK\$ million
First interim dividend		
- HK27 cents per share (2021: HK27 cents per share)	278	281

The first interim dividend for 2022 is not recognized as a liability as at 30 June 2022 because it has been declared after the end of the reporting period. It will be payable in cash.

10. Accounts and Other Receivables

	As at	As at
	30 June	31 December
	<u>2022</u>	<u>2021</u>
	HK\$ million	HK\$ million
Accounts receivable	177	64
Interest receivable	127	111
Prepayments in respect of investment properties	163	132
Deposit for acquisition of a subsidiary	-	1,520
Other receivables and prepayments	437	895
Total	904	2,722
Analysed for reporting purposes as:		
Current assets	533	887
Non-current assets	371	1,835
	904	2,722

The following is an ageing analysis of accounts receivable (net of allowance for credit losses) at the end of the reporting period. Accounts receivable mainly includes rents from leasing of investment properties, which are normally received in advance.

	As at 30 June <u>2022</u> HK\$ million	As at 31 December <u>2021</u> HK\$ million
Less than 30 days	144	28
31-90 days	23	30
Over 90 days	10	6
	<u>177</u>	<u>64</u>

11. Accounts Payable and Accruals

	As at 30 June <u>2022</u> HK\$ million	As at 31 December <u>2021</u> HK\$ million
Accounts payable	171	193
Interest payable	172	155
Other payables	527	472
	<u>870</u>	<u>820</u>

As at 30 June 2022, accounts payable of the Group with carrying amount of HK\$104 million (31 December 2021: HK\$143 million) were aged less than 90 days.