

To: Business/Property Editor

Date: 17 February 2023  
For immediate release

## **HYSAN DEVELOPMENT COMPANY LIMITED 2022 ANNUAL RESULTS**

### **SUMMARY**

- The world was impacted by COVID-19, in its third year, and by macroeconomic factors that included geopolitical tensions, war, inflation, interest rate hikes, supply chain disruption, energy and food crisis
- Hong Kong was not immune to external volatility. The travel restrictions and other COVID-19 measures further dampened Hong Kong economic activity in 2022
- The recent reopening of the Hong Kong and Mainland China border and the relaxation of COVID-19 restrictions boosted consumption sentiment and market confidence
- An area-wide rejuvenation which include our core assets in Lee Gardens and Hysan Place has commenced, and together with the Caroline Hill development, will significantly expand our footprint and reach. Our continuous enhancement and dynamic curation will ensure Lee Gardens is one of the most important destinations in Hong Kong
- The Group continues to build its strategic pillars to complement our core portfolio
- Occupancies for Office and Retail portfolios were 90% and 99% respectively
- Turnover and Underlying Profit decreased year-on-year by 4.1% and 8.6% respectively
- Reported Loss arising from non-cash fair value change of investment properties was recorded in 2022
- The Group's core earnings remained resilient. A second interim dividend of HK117 cents per share was declared

## RESULTS

		Notes	Year ended 31 December		
			2022	2021	Change
Turnover	HK\$ million	1	<b>3,460</b>	3,608	-4.1%
Recurring Underlying Profit	HK\$ million	2	<b>2,063</b>	2,330	-11.5%
Underlying Profit	HK\$ million	3	<b>2,129</b>	2,330	-8.6%
Reported (Loss) Profit	HK\$ million	4	<b>(1,157)</b>	1,383	n/m
Basic (Loss) Earnings per Share	HK cent		<b>(112)</b>	133	n/m
Full-year Dividends per Share	HK cent		<b>144</b>	144	±0%
			As at 31 December		
			2022	2021	
Shareholders' Funds	HK\$ million	5	<b>70,200</b>	73,870	-5.0%
Net Asset Value per Share	HK\$	6	<b>68.4</b>	71.4	-4.2%

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 year.
- 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 (Loss) 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 (Loss) Profit** is the (loss) 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 year-end.

## HYSAN DEVELOPMENT ANNUAL RESULTS 2022

### Results

(Hong Kong, 17 February 2023) Hysan Development Company Limited (Stock Code: 00014) today announced the financial results for the year ended 31 December 2022. The Group's turnover for 2022 was HK\$3,460 million, representing a slight year-on-year decrease of 4.1% from HK\$3,608 million for 2021. Recurring Underlying Profit and Underlying Profit were HK\$2,063 million and HK\$2,129 million respectively.

The Group recorded a Reported Loss of HK\$1,157 million in 2022, as compared to a Reported Profit of HK\$1,383 million for the corresponding year in 2021, mainly due to a fair value loss of investment properties of HK\$3,213 million recognized for the year. Notwithstanding the above information, as the above fair value loss is non-cash in nature, there will be no effect on the operating cash flow of the Group. The overall financial position of the Group remains healthy.

As at 31 December 2022, the investment properties of the Group were valued at HK\$96,787 million, an increase of 1.8% from HK\$95,107 million as at 31 December 2021.

### Dividends

The Board of Directors has declared a second interim dividend of HK117 cents per share (2021: HK117 cents per share) which will be payable in cash. Together with the first interim dividend of HK27 cents per share (2021: HK27 cents per share), there is an aggregate distribution of HK144 cents per share (2021: HK144 cents per share). Please see the table for all the relevant dates:

Closure of register of members	Monday, 6 March 2023
Ex-dividend date	Thursday, 2 March 2023
Latest time to lodge transfer documents	Not later than 4pm on Friday, 3 March 2023
Record date for second interim	Monday, 6 March 2023
Second interim dividend payment date	On or about Monday, 20 March 2023

## COMMENTS BY MS. IRENE YUN LIEN LEE, CHAIRMAN

### ***Global Economic, Social and Political Uncertainties in 2022***

The global economy was full of uncertainties throughout 2022. In large part, this was due to the lingering impact of COVID-19, especially in Mainland China, where restrictions curtailed social and economic activities in major cities whenever the virus was reported. An environment of high energy prices and increasing interest rates prevailed against a backdrop of war and geopolitical tensions. Many countries also had to contend with high inflation and supply chain bottlenecks.

### ***Hong Kong Was Not Immune***

As a comparatively small and outward-facing economy, Hong Kong was not immune to this external volatility. The impact of COVID-19 on Hong Kong for nearly the past three years has been profound, including significant changes in consumption habits. When the pandemic returned in full force during the first quarter of 2022 (the “fifth wave”), GDP fell by almost 3% from the last quarter of 2021.

### ***But Then Things Started to Look Up***

The moderation of the pandemic and gradual relaxation of the Hong Kong Government’s quarantine measures had a positive effect on the economy from the second quarter of 2022 onwards. In the second half of the year, the city began to host major international events again, including the Global Financial Leaders’ Investment Summit and the much-anticipated Hong Kong Rugby Sevens. Inbound tour groups were also welcomed, with some conditions attached. Towards the festive season at the end of the year, with far fewer COVID-19 restrictions, holiday shopping crowds also returned.

The reopening of Hong Kong’s border with Mainland China in January 2023 is expected to bring tourists and businesses back to our southern city, albeit gradually. In recent surveys, tourists, including Mainland travellers still considered Hong Kong to be one of their top destinations for leisure and for business. We have every reason to believe Hong Kong will continue to be a favoured place to conduct business as one of the world’s key financial centres.

During his first Policy Address, Hong Kong’s new Chief Executive John Lee provided further positive news for the city in the medium and long term. Mr Lee emphasized the government’s determination to improve the city’s competitiveness as an attractive place for talent and business. His government has pledged to address social issues in Hong Kong, in particular the need to increase and speed up land supply for residential use. As a global financial and trading centre, Hong Kong’s important role in connecting China to the world will be vital. Moreover, the city will also play a significant part as a member of the burgeoning Greater Bay Area.

### ***Hysan’s Appeal***

As a property owner and operator with a core portfolio in the heart of commercial Hong Kong, Hysan has a solid asset base that contributes strong levels of revenue and liquidity.

The Company takes maximum advantage of the enduring appeal of Hong Kong, to China and to the world. Our iconic Lee Gardens precinct, in the unrivalled location of vibrant Causeway Bay, has become a destination for businesses that set up an office presence there as well as for

consumers, both locals and visitors. Hysan's smart community-based business model, and our long-term commitment to green and sustainable growth, attract potential investors and business partners.

The Company's strategic direction reinforces our confidence in the long-term and sustainable development of our core portfolio and our strategy to build supporting investment pillars. Hysan is steered by an experienced board of directors. Operationally, it is run by a skilled and enthusiastic management team.

Looking ahead, we will continue to fine-tune our strategic execution with a focus on financial discipline, risk management and dynamic asset enhancement.

### ***Hysan's Core in 2022***

Hysan's 2022 earnings were affected by the strict quarantine rules put into place in Hong Kong and Mainland China during the fifth wave, as well as by gloomy global economic prospects and geopolitical tensions. Nevertheless, we were able to maintain the occupancy rate in our retail portfolio and, to an extent, our more challenging office portfolio, by extending support to our tenants throughout the worst of COVID-19. In the process, Hysan gained much goodwill from our stakeholders, further enhancing our reputation as a landlord who values partnership with their tenants and views business from a sustainable, long-term perspective.

As restrictions were gradually lifted in the second half of the year, we saw a general recovery in footfall and spending, especially during weekends. Our retail space attracted considerable interest from potential tenants. Pop-up stores were in demand, bringing in new and exciting concepts.

Our office portfolio faced structural headwinds as a result of a change in requirements by international and local businesses for more flexible office arrangements, thus less space, a trend accelerated by COVID-19; as well as an increase in supply. Hysan, however, continues to be an attractive office destination due to our convenient and lively Lee Gardens location which offers an integrated vibrant office and retail environment with an abundance of popular on-site retail offerings. Our extensive range of flex operators has proven to be an important feature for corporates who value the access to flexible space.

### ***Time for Rejuvenation***

In our last Annual Report, we mentioned our plan for major enhancements within our core portfolio. This will be our first significant core portfolio-wide upgrade since Lee Garden One was completed in 1997. Hysan will put in place a planned area connectivity system throughout our Lee Gardens buildings, as well as linking Causeway Bay MTR station through to the Caroline Hill Road development. We also have plans to connect car parks with tunnels in the future, in a bid to reduce surface traffic, noise and pollution. With the linkages connecting our even more iconic offerings throughout the portfolio, Lee Gardens will be the premier walkable commercial destination in Hong Kong.

The demand for expansion by our key retail anchor tenants together with our plans to connect our buildings gave us the confidence and impetus to commence this important rejuvenation. This

will also complement our own interior upgrades for Lee Garden One and Lee Garden Five. After the refurbishment, this cluster on Hysan Avenue will become an even more exclusive destination for top international brands, where each anchor tenant's store will occupy a space of around 10,000 square feet.

The commencement of the bulk of the rejuvenation project this year will coincide with the 100<sup>th</sup> anniversary of our founding Lee family's presence in Causeway Bay and the birth of our iconic Lee Gardens brand. By looking ahead and renewing our portfolio, a new century will be ushered in for the Company.

Hysan Place acts as the gateway to the rest of the Lee Gardens core portfolio, while providing a seamless vertical journey linked by a series of exciting destinations. It has been and will remain the trendsetter in our portfolio, with a high level of urban vibrancy that starts with its MTR-connected basement levels. In December 2022, we unveiled the Urban Park on the 4<sup>th</sup> floor, which is now home to skateboarders and other stylish urbanites in the city centre.

The Caroline Hill Road project started in September 2022 and will become the heart of our green-centric area. The overall project is progressing on schedule for completion in 2026. It will set new standards for premium offices, where state-of-the-art, sustainability-minded amenities will match or exceed the expectations of even the most demanding commercial tenants. There will also be a 60,000 square foot lifestyle park that serves as an urban oasis for the community, highlighted by a valuable, ancient Banyan Tree and other significant historical features that will be preserved.

### ***On Track with Our Strategic Diversification Pillars***

Our strategy to reduce concentration risk and to build new engines of growth will provide flexibility, risk management and at the same time complement and support our core operations. Asset-light investments were generally less affected by COVID-issues, and our pillars have been shown to provide good value for our diversification strategy.

Although the Lee Gardens Shanghai office portfolio was ready for leasing activities in early 2022, the city's COVID outbreak curtailed all activities for several weeks. We started our rental campaign upon the lifting of the restrictions, and the first tenant made its commitment in the fourth quarter of 2022 to move into the building.

Under the leadership of a highly capable management team, New Frontier Group, our healthcare investment, achieved solid financial performance amid a difficult operating environment in 2022.

The co-working industry in China also performed well during COVID, relative to traditional office leasing. We believe flexible requirements and hybrid work modes will continue to drive flex demand. This will benefit our joint venture with IWG in the Greater Bay Area over the medium and long term.

### ***Embedding sustainability for the future***

Our community business model is fundamental to our commitment to sustainability at Hysan. We are committed to inclusivity, diversity, social wellbeing, climate change preparedness and

liveability within the communities we serve. Our actions include, rejuvenating our Lee Gardens neighbourhood as well as developing the new Caroline Hill Road project with the highest sustainability standards. To combat climate change, we completed a gap assessment on our carbon net-zero goals and made good progress with our decarbonization strategy.

We continued to provide strong support for the needs of our community. One example is the COVID-19 vaccination centres we set up at Leighton Centre and Caroline Hill during the pandemic's fifth wave, which showed our care and commitment to the community of Hong Kong. The ability to unveil the centres successfully within weeks after the initial proposals showcased public and private partnerships at their best.

Hysan has also contributed to different segments of society through its extensive corporate responsibility programmes. These range from sports (rugby academies) to art (rooftop art pieces celebrating traditional games), and from history (Cantonese Opera with a modern twist) to our support of new cutting-edge technology (manpower for Community Lab cohorts).

### ***Outlook***

In the year ahead, the economic uncertainties of today's world look set to continue. The after-effects of the pandemic and geopolitical tensions combined with rising inflation and higher interest rates will remain challenging.

For Hong Kong, the reopening of the border and the resumption of business and social activities will help to revive our city's status as a financial, trading and tourist hub.

Hysan's home base in Causeway Bay, and more specifically in Lee Gardens, has strong appeal to global and local visitors, businesses and investors. With the continuing development of our portfolio and expansion of our core and our pillars, we believe our long-term prospects remain positive.

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### **About Hysan**

Hysan Development Company Limited is a leading property investment, management and development company with a core portfolio of approximately 4.5 million of high-quality office, retail and residential space, situated in Hong Kong's Lee Gardens. With roots in the city that go back 100 years, Hysan has focused on building the community, mixing the traditional and the new, applying technology and practicing sustainability. It has transformed the Lee Gardens area into a modern smart community, with a unique Hong Kong character, making it an attractive destination for leading multinational corporations, international visitors and local residents.

The Company has been growing its core portfolio through upgrades and expansion. It has also invested in strategic growth pillars which target opportunities brought about by the New Economy, with the aim of reinforcing Hysan's business by geography and by sector. Among its strategic pillars are Lee Gardens Shanghai and an urban renewal project in To Kwa Wan. Hysan has been listed on the Stock Exchange of Hong Kong since 1981 under stock code 00014.



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