

To: Business/Property Editor

Date: 10 August 2023
For immediate release

**HYSAN DEVELOPMENT COMPANY LIMITED
2023 INTERIM RESULTS**

SUMMARY

- Despite the challenges of the external environment, Hong Kong economy showed improvement with GDP growth and unemployment rate dropped further to 2.9% in the first half of 2023
- Recovery of retail sales at Hysan surpassed that of Hong Kong. The strategic move of rejuvenating our core portfolio also made good progress. However, temporary closure of certain retail areas for rejuvenation project and continuing pressure on office and residential sector impacted our operating results
- Turnover and Recurring Underlying Profit decreased year-on-year by 9.3% and 12.2% respectively
- Occupancies for Office and Retail portfolios were at 89% and 98% respectively
- The Group maintained its first interim dividend of HK27 cents per share

RESULTS

		Six months ended 30 June			
		Notes	2023	2022	Change
Turnover	<i>HK\$ million</i>	1	1,611	1,777	-9.3%
Recurring Underlying Profit	<i>HK\$ million</i>	2	1,026	1,169	-12.2%
Underlying Profit	<i>HK\$ million</i>	3	1,026	1,235	-16.9%
Reported Profit	<i>HK\$ million</i>	4	190	71	n/m
Basic Earnings per Share	<i>HK cent</i>		19	7	n/m
First Interim Dividend per Share	<i>HK cent</i>		27	27	±0%
			As at 30 June 2023	As at 31 December 2022	
Shareholders' Funds	<i>HK\$ million</i>	5	68,729	70,200	-2.1%
Net Asset Value per Share	<i>HK\$</i>	6	66.9	68.4	-2.2%

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 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 2023

Results

(Hong Kong, 10 August 2023) Hysan Development Company Limited (Stock Code: 00014) today announced the unaudited interim results for the six months ended 30 June 2023.

Recovery of retail sales at Hysan surpassed that of Hong Kong. The strategic move of rejuvenating our core portfolio also made good progress. However, temporary closure of certain retail areas for rejuvenation project and continuing pressure on office and residential sector impacted our operating results. The Group's turnover for the first half of 2023 was HK\$1,611 million, representing a year-on-year decrease of 9.3% compared to the same period in 2022. Recurring Underlying Profit for the first half was HK\$1,026 million.

Shareholders' fund was HK\$68,729 million as at 30 June 2023 (31 December 2022: HK\$70,200 million).

As at 30 June 2023, the investment properties of the Group were valued at HK\$96,732 million, a slight decrease of 0.1% from HK\$96,787 million as at 31 December 2022.

Dividends

The Board of Directors has declared a first interim dividend of HK27 cents per share (2022: HK27 cents per share) which will be payable in cash. Please see the table for all the relevant dates:

Closure of register of members	Friday, 25 August 2023
Ex-dividend date	Wednesday, 23 August 2023
Latest time to lodge transfer documents	Not later than 4pm on Thursday, 24 August 2023
Record date for first interim	Friday, 25 August 2023
First interim dividend payment date	On or about Tuesday, 5 September 2023

CHAIRMAN'S STATEMENT BY MS. IRENE YUN LIEN LEE

In the first half of 2023, the global economic situation remained uncertain. This was due to ongoing geopolitical tensions, declining world trade and tighter monetary and fiscal policies. With rising concerns about the stability of the international banking system, persistently high core inflation and growing geoeconomic fragmentation, the International Monetary Fund recently revised their forecast for global economic growth from 3.4% in 2022 to 2.8% for 2023, reflecting their lack of confidence in a strong economic rebound.

Despite the challenges of the external environment, we were encouraged to see signs of improvement in the Hong Kong economy. Year-on-year GDP growth resumed in the first half, and the labour market continued to improve, with the unemployment rate falling further to 2.9%. Inbound tourism also recovered strongly with 13 million visitors arriving Hong Kong in the first half, though it only accounted for 37% of pre-pandemic levels in 2019.

Business Review

As the COVID crisis eased, the support of our loyal Club Avenue members resumed progressively to pre-pandemic levels. In addition, we saw meaningful growth in both numbers and spending power of the Lee Gardens Club members. This segment is designed to capture the pool of general consumers which generated useful insight into the spending behaviour at Lee Gardens and as importantly, served as pipeline for our Club Avenue membership. The dual engine of the Lee Gardens Club and the growth of new Club Avenue members generated strong incremental sales. As tourist arrival numbers and their spending recover to pre-pandemic levels, this should add further momentum to the revival of the business. Recovery of retail sales at Hysan surpassed that of overall retail sales in the Hong Kong market, leading to an increase in turnover rent 67% year-on-year. At the end of June, the occupancy rate of our retail portfolio was 98%. Rental reversion rate on renewals, rent reviews and new lettings was predominantly positive during the first half of 2023.

Hong Kong's office market, in contrast, has yet to experience a notable rebound. Although there was an increase in office enquiries after the resumption of travel, companies were generally cautious about taking up new space because of the global economic uncertainty. This resulted in a continued negative absorption of the overall office leasing market in the first half of the year. Our performance was somewhat protected by Lee Gardens' unique location, its vibrant and integrated community of office and retail, with an abundance of convenient, varied and popular retail offerings serving high quality offices. This has enabled us to continue to attract and capture the demand for office space from tenants in the actively expanding financial and wealth management services and medical and health sectors. Our office portfolio at the end of June settled at a relatively stable occupancy rate of 89%.

Core portfolio and pillar project updates

Our key luxury anchor tenants' demand for expansion in Lee Gardens underpinned our strategic portfolio enhancement works which began at Lee Garden One in February this year while Lee Garden Five started its major renovation in late 2022. In addition to our key luxury anchor tenants' expansion, a number of top new international brands have also committed to Lee Gardens.

Approximately 11% of our portfolio has been taken off the market during this period. While building their new flagship stores, the tenants set up new concept boutiques at temporary locations at Lee Gardens, which continued to attract strong support from our loyal members. When the building works are completed, this cluster of luxury brands will showcase their latest flagship store designs and concepts, making Hysan Avenue the leading home for luxury brand flagships in Hong Kong.

The transformation of Hysan Place made good progress during the first half of the year. It started with the unveiling of the Urban Park, with the highly popular indoor skateboarding park on level four, followed by the reopening of levels four and five. With levels three, six and seven being transformed, the entire mid-zone will be a vibrant hub with an exciting and eclectic mix of urban and youth-centric brands. These brands, which resonate with Hysan Place's trend-setting propositions, have formed a dynamic cluster that continues to strengthen its unique appeal and injects a refreshed new impetus into the Lee Gardens portfolio. Later this year, the ground floor and basement floors (B1 and B2) will reopen with a metropolitan train station theme, showcasing a series of new dining and shopping experiences.

In order to mitigate the effects of the improvement works, we organised a series of festive events, promotions and thematic campaigns, notably the #UrbanPark launch, Kids Carnival event and Leisure campaign, which appealed to the diverse interests and needs of our clientele. When the rejuvenation works are completed, Lee Gardens, the destination of choice for both locals and tourists, should generate stronger consumer spending momentum, thus providing an enhanced and sustainable mid to longer term future for Hysan.

The Caroline Hill Road project, an important part of our Lee Gardens master plan, is progressing on schedule for opening in late 2026. This is an important milestone in our long-term growth plans and will reinforce the Lee Gardens precinct as one of Hong Kong's most unique destinations. We are particularly excited to see how this development is incorporating timeless design with the highest specifications in sustainability.

Our luxury residential project in Tai Po, VILLA LUCCA, was granted a Certificate of Compliance in the first quarter of 2023. Despite the uncertainties in the residential market, both the transaction price and unit rate of the project achieved new records, reflecting buyers' appreciation of the high quality of the development.

Hysan's Community Business Model

Hysan's sustainability strategy builds on the Community Business Model, which prioritises inclusivity, social wellbeing, environmental stewardship, positive economic impact and liveability. The Caroline Hill Road project exemplifies this approach, as it is being developed according to the highest sustainability standards with extensive greening and communal spaces that promote social wellbeing and liveability. Hysan's commitment to carbon net-zero goals further highlights our dedication to environmental stewardship with a long-term vision. Our extensive community programmes, which range from sponsoring sports and art to nurturing innovative technologies, highlight our dedication to delivering positive social impacts. At Hysan, we believe in building for the future and investing in the community to ensure we can support and benefit our stakeholders for the long term.

Outlook

In the months ahead, global economic uncertainty will remain a hurdle for Hong Kong's economic recovery. However, as transportation and handling capacity continue to catch up, increasing inbound tourism numbers and the further resumption of economic activities will help to revive our city's relevance and competitive status.

At Hysan, 2023 marks the 100th anniversary of our establishment in Hong Kong. While this centennial is a remarkable milestone worth celebrating, it is even more important to look forward to our continuing journey. We are confident that Hysan is well-placed to capture opportunities as Hong Kong benefits from the growth potential of the Greater Bay Area. Our strategy of expanding and rejuvenating our core Lee Gardens will not only give this precinct a new look but will transform Lee Gardens for the next century, creating sustainable outperformance for Hysan for many years to come.

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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.