



Hysan Development Company Limited

INTERIM REPORT 2023

VISION

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

n/m: not meaningful

Notes:

1. **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.
2. **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.
3. **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.
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 the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance.
5. **Shareholders' Funds** are 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 period/year-end.

Chairman's Statement

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.

Lee Irene Yun-Lien

Chairman

Hong Kong, 10 August 2023

Management's Discussion and Analysis

Review of Results

In HK\$ million	Six months ended 30 June		
	2023	2022	Change
Turnover	1,611	1,777	-9.3%
– Office	745	805	-7.5%
– Retail	762	846	-9.9%
– Residential	104	126	-17.5%
Recurring Underlying Profit	1,026	1,169	-12.2%
Underlying Profit	1,026	1,235	-16.9%

Turnover and Recurring Underlying Profit saw year-on-year declines of 9.3% and 12.2% respectively. Structural changes continued to put pressure on the office and residential sector. On average approximately 11% of our retail area were closed for the major enhancement works of Lee Gardens rejuvenation project. The corresponding impact has been reflected in our retail turnover.

The Board of Directors has declared a first interim dividend of HK27 cents per share (2022: HK27 cents) which will be payable in cash.

The reconciliation of Recurring Underlying Profit, Underlying Profit and Reported Profit is as follows:

	Six months ended 30 June	
	2023 HK\$ million	2022 HK\$ million
Reported profit	190	71
Change in fair value of properties	607	958
Investment properties	754	985
Less: Effect of other non-controlling interests	(144)	(14)
Share of associates (net of tax)	(3)	(13)
Imputed interest income on interest-free loan to a joint venture	(24)	(8)
Other gains and losses	32	(16)
Profit attributable to perpetual capital securities holders	221	230
Underlying Profit	1,026	1,235
One-off exchange gain	–	(66)
Recurring Underlying Profit	1,026	1,169

Review of Operations

Office

In the first six months of 2023, turnover of the Group's office portfolio experienced a decline of 7.5% to HK\$745 million (2022: HK\$805 million), including a turnover rent of HK\$2 million (2022: HK\$5 million).

During the first quarter of the year, leasing momentum and leasing demand in Hong Kong's office market turned positive as COVID restrictions were relaxed and cross-border travel was resumed. However, companies remained generally cautious about taking up new space because of global economic uncertainties, which resulted in continued negative absorption of the overall office leasing market. Hong Kong's office market is expected to face downward pressure from additional supply as a number of new projects are in the pipeline for completion later in 2023.

The average rental reversion rate on renewals, rent reviews and new lettings for Hysan's Lee Gardens portfolio remained negative. Nevertheless, occupancy was maintained at a stable rate of 89% as at 30 June 2023 (31 December 2022: 90%).

As at 30 June 2023, the Banking, Finance and Wealth Management sector continued to occupy the largest share 25.3% (31 December 2022: 25.0%) of our tenant portfolio by floor area. The Co-work sector and Professional and Consulting sectors were second and third. After the resumption of normal travel with the Mainland, demand for medical and health services from Mainland visitors increased, which now occupy 7.4% (31 December 2022: 6.4%) of our floor area at the end of the period.

We will benefit from the unique features of Lee Gardens, a vibrant and integrated community of office and retail, with an abundance of convenient, varied and popular retail offerings, to further expand our tenant base.

Retail

Turnover in the Group's retail portfolio decreased by 9.9% to HK\$762 million (2022: HK\$846 million). Turnover rent was HK\$87 million (2022: HK\$52 million). Retail occupancy stood at a robust 98% as at 30 June 2023 (31 December 2022: 99%). The rental reversion rate on renewals, rent reviews and new lettings was predominantly positive during the first half of 2023.

With the resumption of normal travel with the Mainland and the rest of the world, we observed a promising uptrend in consumer spending. Recovery of retail sales at Hysan surpassed that of overall retail sales in the Hong Kong market, leading to an increase in our turnover rent by 67% year-on-year.

The enhancement works at Lee Garden One began in February. Major works will be completed in stages by late 2023. The transformation of Hysan Place also made good progress during the first half of the year, which included 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.

Marketing Initiatives and Loyalty Programmes

In the first half of 2023, after the resumption of travel and Mainlander and overseas tourists returned, the retail market grew on a recovery in consumer confidence and spending. In addition, more brands resumed their marketing campaigns to drive sales; overall consumption power subsequently increased, due in part to the government's consumption voucher scheme. Recovery of Hysan's sales performance surpassed that of overall retail sales in the Hong Kong market, following a series of festive events and promotions as well as the launch of Hysan Place #UrbanPark.

Hysan further implemented a variety of thematic campaigns to cater for the diverse interests and needs of customers. For the #UrbanPark launch campaign, we invited Lucien Clarke, one of the world's top skateboarders with sponsorships from international luxury and skateboarding brands, to a premium crossover pop-up shop and launch party. We also organised the Kids Carnival event, supported by 30 kids and homeware brands, which brought attention to Lee Garden Two and Three as destinations for families and children. Our signature Leisure campaign offered additional rewards to introduce versatile skincare products for the changing weather.

With the resumption of travel in the first quarter, Hysan launched a tourist promotion campaign which saw strong rebound in tourist spending as compared with pre-pandemic period. Watches and jewellery were the most popular categories among tourists visiting Lee Gardens, while restaurants and cafes were the most frequently visited venues.

In the first half of 2023, the support of our VIP Club Avenue and Lee Gardens Club members (both locals and tourists) resumed progressively to normal pre-pandemic levels. We saw meaningful growth in both numbers and spending power of our loyal members, generating incremental sales.

While building their new flagship stores, our luxury anchor tenants set up a series of temporary concept shops at Lee Gardens, which continued to attract strong support from our loyal members. Along with various opening offers, our VIP Club Avenue relationship managers provided personalised guided tours to members, who also enjoyed a value-added rewards scheme that included a diverse mix of experiences, event invitations and shopping rebates.

Residential

The luxury residential leasing market remained challenging in the first half of 2023 due to global economic uncertainties and reduced demand by the expatriate population. As a result, Hysan's residential leasing portfolio turnover saw a 17.5% decline to HK\$104 million (2022: HK\$126 million). Occupancy stayed flat at 61% as at 30 June 2023 (31 December 2022: 61%). The average rental reversion in the sector was negative for renewals, rent reviews and new lettings.

Core Expansion & Strategic Pillars

Commercial Property Development – Caroline Hill Road Site

Major designs for the strategic Caroline Hill Road project, a joint venture with Chinachem Group, are now finalised. Foundation works were on schedule and superstructure works are targeted to commence in the third quarter of 2023. The entire project 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.

The Caroline Hill Road project is included under "investment properties" in our condensed consolidated statement of financial position.

Residential Property Development – VILLA LUCCA in Tai Po and To Kwa Wan Residential Project

Our luxury residential project in Tai Po, VILLA LUCCA, was granted a Certificate of Compliance in the first quarter of 2023. This development of 262 garden houses and apartments is the first luxury residential project on Tai Po's prestigious Lo Fai Road in recent years.

Hong Kong's luxury residential sales market witnessed an initial recovery in the first quarter along with a steady return to normalcy. However, subsequent interest rate hikes, coupled with stresses in the global financial sector, cooled down market sentiments. Despite the uncertainties in the residential market, both the transaction price and unit rate of VILLA LUCCA achieved new records, reflecting buyers' appreciation of its exceptional quality.

Hysan acquired a 25% stake in a joint venture to develop the Urban Renewal Authority's residential project at Bailey Street/Wing Kwong Street in Kowloon's To Kwa Wan district. The development plan was approved in February and this quality site will be redeveloped into three 24-storey buildings covering a total area of over 700,000 square feet. Hysan will apply our expertise by overseeing the design and operation of the retail portion of the project.

The VILLA LUCCA Project and To Kwa Wan Residential Project are included under "investments in joint ventures" in our condensed consolidated statement of financial position.

Shanghai Investment Property – Lee Gardens Shanghai

Pre-leasing activities for Lee Gardens Shanghai resumed immediately after the lifting of COVID restrictions in 2022. The lease of first tenant commenced in the first quarter of 2023. The project's gross floor area for commercial activities is around 0.7 million square feet, with 375 parking spaces available.

The investment is included under "investment properties" in our condensed consolidated statement of financial position.

Shanghai Investment Property – Grand Gateway 66

This investment property, in which Hysan owns a 26% stake, demonstrated resilient performance despite the impact of COVID measures in Shanghai. The investment is included in "investments in associates" under our condensed consolidated statement of financial position.

Greater Bay Area Flex – Joint Venture with IWG plc

All of IWG's flexible workspace brands in Hong Kong and the Greater Bay Area are exclusively operated by a Hysan-IWG joint venture.

Through our partnership with one of the world's largest flexible workspace platforms, we have confidence in the future of our Greater Bay Area business.

With the addition of 4 new centres at Leighton Center, K11 Atelier, MOKO Tower 1 and 60 Gloucester Road in Hong Kong during the reporting period, the joint venture now operates in 36 locations across the Greater Bay Area and will continue to expand IWG's brand within the region's growing flexible workspace market.

The investment is included under "investments in joint ventures" in our condensed consolidated statement of financial position.

Medical and Health – New Frontier Group

New Frontier Group is a leading private healthcare services provider based in the Mainland that operates a system of acute hospitals, an online hospital, rehabilitation and geriatric hospitals, oncology centres, ambulatory centres, outpatient clinics, a home health network, doctor groups, training centres and health insurance services across the country. Its rapid development continued in the first half of 2023.

Hysan's minority stake investment in New Frontier Group provides strategic exposure for the Group in the Mainland's fast-growing healthcare sector where demand for premium healthcare services is on the rise.

The investment is included as part of the "other financial investments" in our condensed consolidated statement of financial position.

Financial Review

Operating Costs

The Group's operating costs are generally classified as property expenses (direct costs and front-line staff wages and benefits) and administrative expenses (indirect costs largely representing payroll related costs of management and head office staff).

In response to the economic situation, the Group adopted rigorous cost control measures and kept our operating costs down during the period. However, the significant increase in electricity tariff and the turnover impact of the Lee Gardens rejuvenation project drove up our operating costs to turnover ratio to 25.4% (2022: 22.1%). Excluding the negative turnover impact of Lee Gardens rejuvenation project, the Group's operating costs to turnover ratio would be approximately 23.9% on a like-for-like basis.

Finance Costs

Finance costs increased to HK\$231 million, compared to HK\$172 million in the first half of 2022, contributed by the interest rate hike during the period. The effective interest rate for the period was 3.9%, as compared to 2.4% in the same period 2022.

Revaluation of Investment Properties

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

The valuation of investment properties was carried out by Knight Frank Petty Limited, an independent professional valuer, based on open market value. A fair value loss on investment properties (after considering capital expenditure spent on the Group's investment properties) of HK\$754 million (2022: fair value loss of HK\$985 million) was recognized in the condensed consolidated statement of profit or loss for the period. This loss mainly reflects heightened market risk in the office sector weakened by continued global economic uncertainties.

Investments in Associates and Joint Ventures

The Group's investments in associates are substantially represented by its interest in Shanghai Grand Gateway 66, a retail, office and residential complex, in Shanghai, China. The share of results of associates remained stable at HK\$146 million (2022: HK\$147 million).

The Group's investment in joint venture represents interests in VILLA LUCCA in Tai Po, the To Kwa Wan residential project and the IWG Flex business. The share of profits less losses in joint ventures increased to HK\$17 million, compared to share of losses of HK\$8 million in 2022, mainly due to sales commencing for VILLA LUCCA in Tai Po.

Other Financial Investments

The Group extended its geographical and business reach through certain strategic minority stake investments. Investment in New Frontier Group was one of the key initiatives which provides strategic exposure for the Group in the fast-growing healthcare sector in the Mainland. As at 30 June 2023, other financial investments totalled HK\$1,934 million (31 December 2022: HK\$2,035 million).

Bank Deposits

In addition to placing surplus funds as time deposits in banks with strong credit ratings, the Group also invested in investment grade debt securities.

Excluding imputed interest income recognized on an interest-free loan to a joint venture company for the residential site development in Tai Po of HK\$24 million (2022: HK\$8 million), like-for-like interest income increased to HK\$111 million (2022: HK\$61 million) resulting from higher deposit rate on the bank deposits placed.

Capital Expenditure

Total cash outlay of capital expenditure decreased to HK\$624 million during the interim period (2022: HK\$2,621 million). The capital expenditure during the period was mainly related to Caroline Hill Road project and enhancement works in Lee Gardens area. The Group is committed to enhancing the asset value of its investment property portfolio through continuous enhancement and redevelopment.

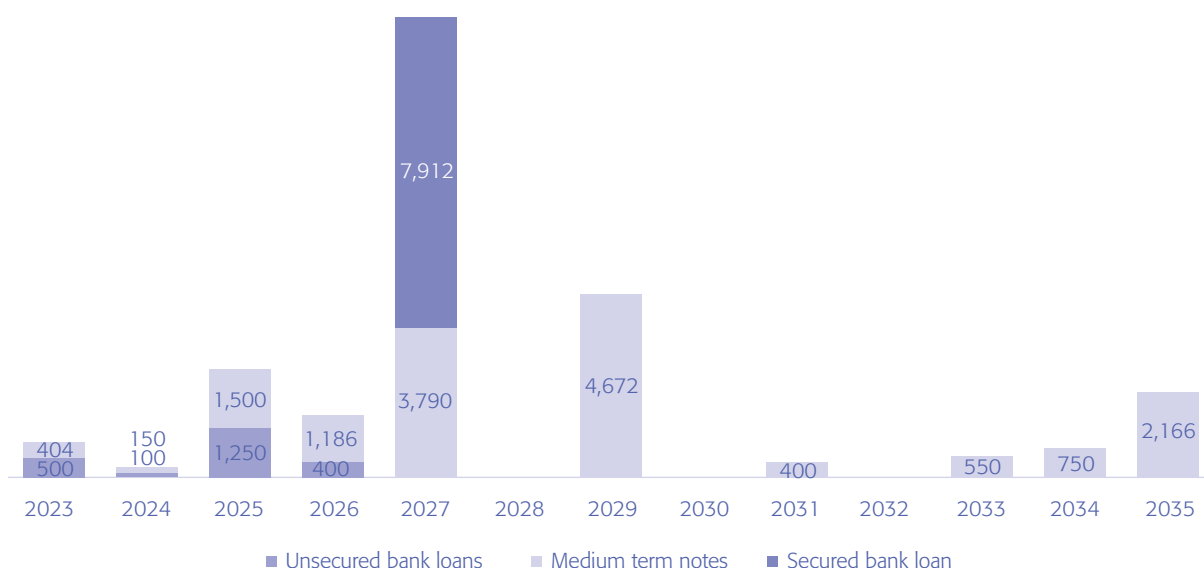
Treasury Policy

Capital Structure Management

To ensure a healthy financial position and a suitable capital structure servicing its financing needs and sustainable growth, the Group always strives to diversify its funding sources, and to maintain an appropriate debt maturity profile relative to the overall use of funds. The Group also aims to maintain adequate liquidity, keep a low borrowing margin relative to market conditions, and adopt suitable hedging and forex management strategies.

The Group's total Gross Debt¹ level as at 30 June 2023 decreased to HK\$25,730 million (31 December 2022: HK\$27,487 million), mainly resulting from the debt repayment in the first half of 2023. The Group does not have significant refinancing pressure with less than 5% of total gross debt due in the coming 18 months. The Group's average debt maturity as at 30 June 2023 remained the same at 4.8 years as compared to 31 December 2022 and well spread over the coming 12 years.

The following shows the debts maturity profile of the Group at 2023 interim period-end (in HK\$ million):



¹ The Gross Debt represents the contractual principal payment obligations as at 30 June 2023. However, in accordance with the Group's accounting policies, the debt is measured at amortized costs, using the effective interest method. As disclosed in the Group's condensed consolidated statement of financial position as at 30 June 2023, the book value of the outstanding debt of the Group was HK\$25,556 million (31 December 2022: HK\$27,277 million).

As at 30 June 2023, bank loans accounted for approximately 39% of the Group's total Gross Debt, with the remaining 61% from capital market financing (31 December 2022: 39%: 61%).

The following table shows the Group's source of debt financing as at 30 June 2023 (in HK\$ million):

	Available	Drawn	Undrawn
Secured term loans ²	12,951	7,912	5,039
Unsecured term loans	1,750	1,750	–
Committed revolving loans	5,370	500	4,870
Capital market issuances	15,568	15,568	–
Total committed facilities	35,639	25,730	9,909
Uncommitted revolving loans	2,180	–	2,180
Total source of debts financing	37,819	25,730	12,089

Gearing Ratio and Net Interest Coverage

The Group's gearing ratio, as measured by Net Debt to Equity³, was 25.9% at interim period-end 2023 (31 December 2022: 23.4%). The Group's Net Interest Coverage⁴ decreased to 10.3 times for interim period-end 2023 (2022: 13.1 times).

Credit Ratings

As at 30 June 2023, the Group's credit ratings were maintained at A- from Fitch and Baa1 from Moody's.

Liquidity Management

As at 30 June 2023, the Group has cash and bank deposits totalling about HK\$4,361 million (31 December 2022: HK\$7,771 million). All deposits are placed with banks with strong credit ratings and counterparty risk is monitored on a regular basis. In order to preserve liquidity and enhance interest yields, the Group invested HK\$997 million (31 December 2022: HK\$992 million) in investment-grade debt securities.

² Secured term loans represent the contractual principal payment obligations of the project financing of Caroline Hill Road project.

³ Net Debt to Equity is defined as borrowings less time deposits, cash and cash equivalents divided by total equity.

⁴ Net Interest Coverage is defined as gross profit less administrative expense before depreciation divided by net interest expenses after interest capitalization.

Further liquidity, if needed, is available from the undrawn committed revolving facilities offered by the Group's relationship banks. Most of these facilities are arranged on a medium-term basis, to help minimize refinancing risk and strengthen the Group's financing flexibility. These facilities amounted to HK\$4,870 million at 2023 interim period-end (31 December 2022: HK\$4,900 million), essentially allowing the Group to obtain additional liquidity as the need arose.

Interest Rate Management

Interest expenses represent one of the key cost drivers of the Group's business. The Group monitors its interest rate exposure closely and adopts an appropriate hedging strategy in light of market conditions. The fixed rate debt ratio (after taking into account interest rate swap) at interim period-end 2023 was 61% (31 December 2022: 61%). The effective interest rate increased to 3.9% at interim period-end 2023 from 2.8% at year-end 2022 which was mainly due to the increase of interest rate.

Foreign Exchange Management

The Group aims to achieve minimal currency exposure and does not speculate in currency movements for asset and liability management. The Group monitors and manages its foreign currency exposure, including USD and RMB, where appropriate, by applying systematic measures to mitigate foreign currency risk.

The majority of the Group's borrowings are denominated or hedged to HKD with limited exposure to foreign exchange risk. During the interim period of 2023, the Group has issued two RMB bonds through private placement for a total size of RMB450 million, which served as natural hedging tool for the Group's RMB assets.

Capital Management

The Group did not repurchase any securities in the interim period of 2023. During the interim period of 2022, the Group had repurchased approximately US\$49 million senior guaranteed perpetual capital securities for a total consideration of HK\$364 million.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**TO THE BOARD OF DIRECTORS OF
HYSAN DEVELOPMENT COMPANY LIMITED**

希慎興業有限公司

(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 set out on pages 18 to 47, which comprise the condensed consolidated statement of financial position as of 30 June 2023 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

10 August 2023

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023 (unaudited)

	Notes	Six months ended 30 June	
		2023 HK\$ million	2022 HK\$ million
Turnover	3	1,611	1,777
Property expenses		(264)	(248)
Gross profit		1,347	1,529
Investment income		138	135
Other gains and losses		(32)	16
Administrative expenses		(145)	(145)
Finance costs	5	(231)	(172)
Change in fair value of investment properties		(754)	(985)
Share of results of:			
associates		146	147
joint ventures		17	(8)
Profit before taxation		486	517
Taxation	6	(153)	(182)
Profit for the period	7	333	335
Profit (loss) for the period attributable to:			
Owners of the Company		190	71
Perpetual capital securities holders		221	230
Other non-controlling interests		(78)	34
		333	335
Earnings per share (expressed in HK cents)			
Basic	8	19	7
Diluted	8	19	7

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023 (unaudited)

	Six months ended 30 June	
	2023 HK\$ million	2022 HK\$ million
Profit for the period	333	335
Other comprehensive income (expenses)		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Gains (losses) on revaluation of properties held for own use (net of tax)	2	(2)
Change in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")	(94)	21
	(92)	19
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of subsidiaries	(164)	(153)
Net adjustments to hedging reserve	(65)	139
Share of translation reserve of an associate	(141)	(270)
	(370)	(284)
Other comprehensive expenses for the period (net of tax)	(462)	(265)
Total comprehensive (expenses) income for the period	(129)	70
Total comprehensive (expenses) income attributable to:		
Owners of the Company	(272)	(194)
Perpetual capital securities holders	221	230
Other non-controlling interests	(78)	34
	(129)	70

Condensed Consolidated Statement of Financial Position

As at 30 June 2023 (unaudited)

	Notes	As at 30 June 2023 HK\$ million	As at 31 December 2022 HK\$ million (audited)
Non-current assets			
Investment properties	10	96,732	96,787
Property, plant and equipment		608	623
Investments in associates		5,496	5,491
Loans to associates		8	10
Investments in joint ventures		723	473
Loans to joint ventures		3,496	3,485
Other financial investments		1,934	2,035
Debt securities		903	992
Deferred tax asset		96	96
Other financial assets		354	383
Other receivables	11	632	442
		110,982	110,817
Current assets			
Accounts and other receivables	11	425	562
Debt securities		94	–
Other financial assets		–	15
Time deposits		3,695	5,211
Cash and cash equivalents		666	2,560
		4,880	8,348
Current liabilities			
Accounts payable and accruals	12	931	1,026
Deposits from tenants		321	387
Amounts due to non-controlling interests	13	210	214
Borrowings	14	1,054	3,244
Taxation payable		79	32
		2,595	4,903
Net current assets		2,285	3,445
Total assets less current liabilities		113,267	114,262

Condensed Consolidated Statement of Financial Position *continued*

As at 30 June 2023 (unaudited)

	Notes	As at 30 June 2023 HK\$ million	As at 31 December 2022 HK\$ million (audited)
Non-current liabilities			
Amounts due to non-controlling interests	13	4,728	4,635
Borrowings	14	24,502	24,033
Other financial liabilities		510	514
Deposits from tenants		511	498
Deferred taxation		1,209	1,171
		31,460	30,851
Net assets			
		81,807	83,411
Capital and reserves			
Share capital		7,723	7,723
Reserves		61,006	62,477
Equity attributable to owners of the Company			
Perpetual capital securities	15	10,224	10,224
Other non-controlling interests		2,854	2,987
Total equity			
		81,807	83,411

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023 (unaudited)

	Attributable to owners of the Company		
	Share capital HK\$ million	Share options reserve HK\$ million	General reserve HK\$ million
As at 1 January 2023 (audited)	7,723	36	96
Profit (loss) for the period	–	–	–
Exchange difference on translation of subsidiaries	–	–	–
Net losses arising from hedging instruments	–	–	–
Reclassification adjustments for net gains included in profit or loss	–	–	–
Gain on revaluation of properties held for own use (Note a)	–	–	–
Change in fair value of equity instruments at FVTOCI	–	–	–
Share of translation reserve of an associate	–	–	–
Total comprehensive (expenses) income for the period	–	–	–
Recognition of equity-settled share-based payments	–	2	–
Forfeiture of unclaimed dividend	–	–	–
Dividends paid during the period (note 9)	–	–	–
Distribution to perpetual capital securities holders (note 15)	–	–	–
As at 30 June 2023 (unaudited)	7,723	38	96
As at 1 January 2022 (audited)	7,723	31	96
Profit for the period	–	–	–
Exchange difference on translation of subsidiaries	–	–	–
Net gains arising from hedging instruments	–	–	–
Reclassification adjustments for net gains included in profit or loss	–	–	–
Loss on revaluation of properties held for own use (Note a)	–	–	–
Change in fair value of equity instruments at FVTOCI	–	–	–
Share of translation reserve of an associate	–	–	–
Total comprehensive income (expenses) for the period	–	–	–
Recognition of equity-settled share-based payments	–	3	–
Forfeiture of share options	–	(2)	–
Repurchase of own shares	–	–	–
Dividends paid during the period (note 9)	–	–	–
Distribution to perpetual capital securities holders (note 15)	–	–	–
Repurchase of perpetual capital securities (note 15)	–	–	–
Deemed distribution to a non-controlling shareholder	–	–	–
As at 30 June 2022 (unaudited)	7,723	32	96

Note:

- (a) The Group's leasehold land and buildings classified as property, plant and equipment were revalued as at 30 June 2023 and 2022 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\$2 million (2022: loss of HK\$2 million) arising on revaluation have been recognized and accumulated in properties revaluation reserve.

Attributable to owners of the Company

Investments revaluation reserve HK\$ million	Hedging reserve HK\$ million	Properties revaluation reserve HK\$ million	Translation reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million	Perpetual capital securities HK\$ million	Other non- controlling interests HK\$ million	Total HK\$ million
278	(144)	452	(338)	62,097	70,200	10,224	2,987	83,411
-	-	-	-	190	190	221	(78)	333
-	-	-	(164)	-	(164)	-	-	(164)
-	(35)	-	-	-	(35)	-	-	(35)
-	(30)	-	-	-	(30)	-	-	(30)
-	-	2	-	-	2	-	-	2
(94)	-	-	-	-	(94)	-	-	(94)
-	-	-	(141)	-	(141)	-	-	(141)
(94)	(65)	2	(305)	190	(272)	221	(78)	(129)
-	-	-	-	-	2	-	-	2
-	-	-	-	1	1	-	-	1
-	-	-	-	(1,202)	(1,202)	-	(55)	(1,257)
-	-	-	-	-	-	(221)	-	(221)
184	(209)	454	(643)	61,086	68,729	10,224	2,854	81,807
320	(161)	458	530	64,873	73,870	10,657	3,358	87,885
-	-	-	-	71	71	230	34	335
-	-	-	(153)	-	(153)	-	-	(153)
-	213	-	-	-	213	-	-	213
-	(74)	-	-	-	(74)	-	-	(74)
-	-	(2)	-	-	(2)	-	-	(2)
21	-	-	-	-	21	-	-	21
-	-	-	(270)	-	(270)	-	-	(270)
21	139	(2)	(423)	71	(194)	230	34	70
-	-	-	-	-	3	-	-	3
-	-	-	-	2	-	-	-	-
-	-	-	-	(125)	(125)	-	-	(125)
-	-	-	-	(1,209)	(1,209)	-	(61)	(1,270)
-	-	-	-	-	-	(235)	-	(235)
-	-	-	-	20	20	(379)	-	(359)
-	-	-	-	-	-	-	(22)	(22)
341	(22)	456	107	63,632	72,365	10,273	3,309	85,947

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023 (unaudited)

	Six months ended 30 June	
	2023 HK\$ million	2022 HK\$ million
Net cash from operating activities	1,053	1,228
Investing activities		
Payments in respect of investment properties	(624)	(98)
Acquisition of investment properties through acquisition of subsidiaries	–	(2,523)
Purchases of property, plant and equipment	(9)	(11)
Interest received	80	21
Proceeds upon maturity of debt securities	–	140
Purchase of debt securities	–	(147)
Proceeds upon maturity of time deposits with original maturity over three months	5,168	2,503
Additions to time deposits with original maturity over three months	(3,652)	(6,675)
Payments in respect of other financial investments	(25)	(292)
Repayment from an associate	2	–
Investment in a joint venture	–	(2)
Advances to joint ventures	(199)	(3,035)
Net cash from (used in) investing activities	741	(10,119)
Financing activities		
Payment for finance costs	(459)	(341)
Issuance of fixed rate notes	1,050	149
New bank loans	600	8,742
Repayment of fixed rate notes	(2,326)	(331)
Repayment of bank loans	(1,070)	(80)
Repurchase of perpetual capital securities	–	(359)
Payment on repurchase of own shares	–	(125)
Repayment to non-controlling interests of a subsidiary	(4)	(3,164)
Dividends paid	(1,202)	(1,209)
Distribution paid to perpetual capital securities holders	(221)	(235)
Dividends paid to non-controlling interests of a subsidiary	(55)	(61)
Net cash (used in) from financing activities	(3,687)	2,986
Net decrease in cash and cash equivalents	(1,893)	(5,905)
Cash and cash equivalents as at 1 January	2,560	6,538
Effect of foreign exchange rate changes	(1)	30
Cash and cash equivalents as at 30 June	666	663

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (unaudited)

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The financial information relating to the year ended 31 December 2022 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 those statutory financial statements is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2022 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.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2022.

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

2. PRINCIPAL ACCOUNTING POLICIES *continued*

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules

The application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. 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 recognised at the amount to which the Group has right to invoice which reflect the progress towards complete satisfaction of performance obligations satisfied over time. The categories for disaggregation of revenue from provision of property management services recognised over time in Hong Kong are consistent with the segment disclosure under note 4.

4. 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.

	Office HK\$ million	Retail HK\$ million	Residential HK\$ million	Property development HK\$ million	Consolidated HK\$ million
For the six months ended 30 June 2023 (unaudited)					
Turnover					
Leasing of investment properties	645	682	92	–	1,419
Provision of property management services	100	80	12	–	192
Segment revenue	745	762	104	–	1,611
Property expenses	(115)	(121)	(28)	–	(264)
Segment gross profit	630	641	76	–	1,347
Share of results of a joint venture	–	–	–	25	25
Segment profit	630	641	76	25	1,372
Investment income					138
Other gains and losses					(32)
Administrative expenses					(145)
Finance costs					(231)
Change in fair value of investment properties					(754)
Share of results of: associates					146
a joint venture					(8)
Profit before taxation					486

4. SEGMENT INFORMATION *continued*

Segment turnover and results *continued*

	Office HK\$ million	Retail HK\$ million	Residential HK\$ million	Property development HK\$ million	Consolidated HK\$ million
For the six months ended					
30 June 2022 (unaudited)					
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					147
a joint venture					(8)
Profit before taxation					517

All the segment turnover reported above is from external customers.

Segment profit represents the profit earned by each segment including share of results of a joint venture for investment in Tai Po residential project. Segment profit is reported without allocation of items not specifically attributed to individual reportable segments including 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 and a joint venture. This is the measure reported to the chief operating decision maker of the Group for the purpose 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.

	Office HK\$ million	Retail HK\$ million	Residential HK\$ million	Property development HK\$ million	Consolidated HK\$ million
As at 30 June 2023 (unaudited)					
Segment assets	36,455	31,814	8,722	23,675	100,666
Investments in and loans to associates					5,504
Investment in a joint venture					334
Other financial investments					1,934
Other assets					7,424
Consolidated assets					115,862
As at 31 December 2022 (audited)					
Segment assets	36,919	31,549	8,725	23,264	100,457
Investments in and loans to associates					5,501
Investment in a joint venture					334
Other financial investments					2,035
Other assets					10,838
Consolidated assets					119,165

4. SEGMENT INFORMATION *continued*

Segment assets *continued*

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 results.

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

Included in the retail and office segment is an investment property located in Mainland of HK\$626 million (31 December 2022: HK\$642 million) and HK\$3,078 million (31 December 2022: HK\$3,370 million) respectively.

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

5. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK\$ million	HK\$ million
Finance costs comprise:		
Interest on bank loans	216	86
Interest on fixed rate notes	278	259
Imputed interest on amounts due to non-controlling interests	22	24
Total interest expenses	516	369
Other finance costs	35	32
Less: amounts capitalized (Note)	(302)	(227)
	249	174
Net exchange losses on borrowings	11	71
Reclassification of net gains from hedging reserve on financial instruments designated as cash flow hedges	(30)	(74)
Medium Term Note Programme expenses	1	1
	231	172

Note:

During the period, interest expenses have been capitalized to investment properties at an average capitalization rate of 3.1% (2022: 2.1%) per annum.

6. TAXATION

	Six months ended 30 June	
	2023 HK\$ million	2022 HK\$ million
Current tax		
Hong Kong Profits Tax		
– current period	115	156
Deferred tax	38	26
	153	182

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	
	2023 HK\$ million	2022 HK\$ million
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	17	16
Gross rental income from investment properties including rentals received with reference to turnover of tenants of HK\$89 million (2022: HK\$57 million)	(1,419)	(1,570)
Interest income (included in investment income)	(111)	(61)
Imputed interest income on interest-free loan to a joint venture (included in investment income)	(24)	(8)
Staff costs (including directors' emoluments)	165	149
Share of income tax of associates (included in share of results of associates)	60	67

8. EARNINGS PER SHARE

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

	Earnings	
	Six months ended 30 June	
	2023	2022
	HK\$ million	HK\$ million
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	190	71
	Number of shares	
	Six months ended 30 June	
	2023	2022
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,027,008,223	1,036,062,547
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	–	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,027,008,223	1,036,062,547

The computation of diluted earnings per share does not assume the exercise of all (2022: all) of the Company's outstanding share options as the exercise prices of those options were higher than the average market price for shares.

9. DIVIDENDS

(a) Dividends recognized as distribution during the period:

	Six months ended 30 June	
	2023 HK\$ million	2022 HK\$ million
2022 second interim dividend paid – HK117 cents per share	1,202	–
2021 second interim dividend paid – HK117 cents per share	–	1,209
	1,202	1,209

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

	Six months ended 30 June	
	2023 HK\$ million	2022 HK\$ million
First interim dividend declared – HK27 cents per share (2022: HK27 cents per share)	277	278

The first interim dividend for 2023 is not recognized as a liability as at 30 June 2023 because it has been declared after the end of the reporting period. It will be payable in cash.

10. INVESTMENT PROPERTIES

	Fair value HK\$ million
As at 1 January 2023	96,787
Additions	852
Transfer from property, plant and equipment, net	8
Change in fair value recognized in profit or loss - unrealized	(754)
Exchange difference	(161)
As at 30 June 2023	96,732

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.

The fair value of the Group's investment properties as at 30 June 2023 and 31 December 2022 and as at the date of transfer to property, plant and equipment from investment properties 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.

There has been no change to the valuation technique during the period for completed properties and properties under development in Hong Kong and Mainland.

10. INVESTMENT PROPERTIES *continued*

Investment properties in Hong Kong

The value of the completed investment properties is derived from the basis of capitalization of net income with due allowance for the reversionary income potential but without allowances for any expenses or taxation which may be incurred in effecting a sale, and where appropriate, cross reference by sale comparables.

For investment properties under development, residual method of valuation was adopted. The value is based on the development 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 development and allowance of profit required for the development, which duly reflected the risks associated with the development.

As at 30 June 2023, the aggregate fair value of certain investment properties in Hong Kong pledged as securities for the Group's borrowings amounted to HK\$19,790 million (31 December 2022: HK\$19,640 million).

Investment properties in Mainland

During the year ended 31 December 2022, the Group acquired entire equity interests in Scorecity Investments Limited, being an indirect holder of a commercial complex located at Nos. 668 and 688 Xinzha Road, Shanghai, the PRC, from an independent third party for an aggregate cash consideration of approximately RMB3,500 million (equivalent to approximately HK\$4,235 million).

Income capitalization approach - discounted cash flow ("DCF") analysis was adopted for the valuation of such completed investment properties in Mainland. The DCF analysis is based on prospective periodic net cash flow to operating properties, which is typically estimated as gross income less vacancy and operating expenses and other outgoings. The series of periodic net operating cash flow, along with an estimate of the reversionary or terminal value anticipated at the end of the projection period, is then discounted at the discount rate, being the cost of capital or the rate of required return, into present value. A 10-year investment horizon has been undertaken for the DCF analysis and the net income in the year eleven is capitalized at an appropriate yield.

11. ACCOUNTS AND OTHER RECEIVABLES

	As at 30 June 2023 HK\$ million	As at 31 December 2022 HK\$ million
Accounts receivable	49	46
Interest receivable	148	175
Prepayments in respect of investment properties	442	235
Other receivables and prepayments	418	548
Total	1,057	1,004
Analysed for reporting purposes as:		
Current assets	425	562
Non-current assets	632	442
	1,057	1,004

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 2023 HK\$ million	As at 31 December 2022 HK\$ million
Less than 30 days	22	21
31-90 days	14	16
Over 90 days	13	9
	49	46

12. ACCOUNTS PAYABLE AND ACCRUALS

	As at 30 June 2023 HK\$ million	As at 31 December 2022 HK\$ million
Accounts payable	139	295
Interest payable	164	192
Other payables	628	539
	931	1,026

As at 30 June 2023, accounts payable of the Group with carrying amount of HK\$96 million (31 December 2022: HK\$193 million) were aged less than 90 days.

13. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

	As at 30 June 2023 HK\$ million	As at 31 December 2022 HK\$ million
Current (Note a)	210	214
Non-current (Note b)	4,728	4,635
	4,938	4,849

Notes:

- (a) The balances are unsecured, interest-free and repayable on demand.
- (b) The balance is unsecured, interest-free and for the development of a commercial site at Caroline Hill Road, Causeway Bay, Hong Kong.

14. BORROWINGS

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

	Current		Non-Current	
	As at 30 June 2023 HK\$ million	As at 31 December 2022 HK\$ million	As at 30 June 2023 HK\$ million	As at 31 December 2022 HK\$ million
Secured bank loans	–	–	7,843	7,833
Unsecured bank loans	500	499	1,742	2,208
Unsecured fixed rate notes	554	2,745	14,917	13,992
	1,054	3,244	24,502	24,033

15. PERPETUAL CAPITAL SECURITIES

In 2020, the Group through a wholly owned subsidiary of the Company (the “Issuer”) issued US\$850 million (equivalent to approximately HK\$6,604 million) 4.10% subordinated perpetual capital securities (the “Subordinated Securities”), which are unconditionally and irrevocably guaranteed by the Company. Further, the Issuer issued US\$500 million (equivalent to approximately HK\$3,875 million) 4.85% senior perpetual capital securities (the “Senior Securities”), which are unconditionally and irrevocably guaranteed by the Company. The proceeds of the capital securities are for general corporate purpose and the capital securities are listed on Hong Kong Stock Exchange.

Distribution on the Subordinated Securities and Senior Securities (collectively the “Securities”) are payable semi-annually in-arrear each year and can be deferred at the sole discretion of the Issuer, if the Issuer and the Company do not declare or pay dividends or repurchase, redeem, cancel, reduce or otherwise acquire any securities of lower or equal rank. The Securities have no fixed maturity and are redeemable at the Issuer’s option on or after 3 June 2025 and 25 August 2023 respectively, at their principal amounts together with any distribution accrued to such date.

The Securities are classified as equity and initially recognized at the proceeds received in the condensed consolidated financial statements of the Group.

During the period ended 30 June 2022, the Group had repurchased perpetual capital securities with principal amount of HK\$379 million with cash consideration of HK\$359 million.

16. COMMITMENTS

As at 30 June 2023 and 31 December 2022, the Group had the following commitments in respect of its investment properties, property, plant and equipment and subscription to a fund investment as a limited partner:

	As at 30 June 2023 HK\$ million	As at 31 December 2022 HK\$ million
(a) Capital commitment: Contracted but not provided for investment properties and property, plant and equipment	1,669	1,723
(b) Other commitment: Subscription to a fund investment as a limited partner	29	45

17. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions and balances with related parties

During the period, the Group has transaction with related party including imputed interest income on interest-free loan to a joint venture and imputed interest expense on interest-free amounts due to non-controlling interests as disclosed in notes 5, 7 and 13. The imputed interest expense arising from the amounts due to non-controlling interests during the period has been fully capitalized into investment properties under development. The interest income on loans to joint ventures during the period is amounted to HK\$17 million (2022: HK\$14 million). At the end of the reporting period, the Group has several balances with related parties including loans to joint ventures and loans to associates as disclosed in the condensed consolidated statement of financial position. The Group has also granted guarantees to banks for facilities granted to a joint venture. The non-controlling interest of a subsidiary has granted guarantee to banks in relation to the Group's secured bank loan as disclosed in note 14.

17. RELATED PARTY TRANSACTIONS AND BALANCES *continued*

(a) Transactions and balances with related parties *continued*

In addition, the Group has the following transactions with other related parties during the period and has the following balances with them at the end of the reporting period:

	Gross rental income received from		Amounts due to non-controlling interests	
	Six months ended 30 June 2023 HK\$ million	Six months ended 30 June 2022 HK\$ million	As at 30 June 2023 HK\$ million	As at 31 December 2022 HK\$ million
Related companies controlled by the Directors of the Company (Note a(i) & (ii))	23	27	60	61
Non-controlling shareholder of subsidiaries (Note b(i) & (ii))	9	13	4,878	4,788
Joint venture and associate (Note c)	33	30	–	–

Notes:

- (a) (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 Company, Barrowgate Limited (“Barrowgate”) by Jebsen Capital Limited, a wholly owned subsidiary of Jebsen and Company Limited, of which Jebsen Hans Michael is a director and a controlling shareholder, as a shareholder loan in proportion to its shareholding in Barrowgate for general funding purpose. The amount is unsecured, interest-free and repayable on demand.
- On 16 May 2023, Jebsen Hans Michael retired from his director role of the Company and remained as a connected person of Hysan at issuer level for 12 months thereafter.
- (b) (i) The sum of transactions represents the aggregate gross rental income received from Hang Seng Bank Limited (“Hang Seng”), the intermediate holding company of Imenson, and The Hongkong and Shanghai Banking Corporation Limited, the holding company of Hang Seng. Imenson is a non-controlling shareholder with significant influence over Barrowgate.
- (ii) The balance represents outstanding loans advanced to Barrowgate by Imenson and Patchway Holding Limited (“Patchway”) by Coastday Limited, as shareholder loans in proportion to its shareholding in Barrowgate and Patchway respectively. The amounts advanced to Barrowgate are unsecured, interest-free and repayable on demand. The amount advanced to Patchway is unsecured, interest-free and for the development of a commercial site at Caroline Hill Road, Causeway Bay, Hong Kong.
- (c) Rental income is charged in accordance with respective tenancy agreements.

17. RELATED PARTY TRANSACTIONS AND BALANCES *continued*

(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	
	2023 HK\$ million	2022 HK\$ million
Directors' fees, salaries and other short-term employee benefits	28	25
Share-based payments	2	3
Retirement benefits scheme contributions	–	–
	30	28

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

18. 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 2022.

(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 amortized 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.

18. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *continued*

(b) Fair value measurements *continued*

(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) continued*

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortized cost in the condensed consolidated financial statements approximate their fair values, except for the carrying amount of HK\$15,471 million (31 December 2022: HK\$16,737 million) unsecured fixed rate notes (including interest payable) with fair value of HK\$13,974 million (31 December 2022: HK\$15,097 million).

The fair value of HK\$7,750 million (31 December 2022: HK\$9,968 million) of the unsecured fixed rate notes is categorized into Level 1 of the fair value hierarchy, in which the fair value was 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\$6,224 million (31 December 2022: HK\$5,129 million) of the unsecured fixed rate notes is categorized 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.

(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 based on 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).

18. 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*

	As at 30 June 2023			
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
Financial assets				
<i>Financial assets at FVTPL</i>				
Unlisted club debenture	–	1	–	1
Fund investment	–	–	311	311
<i>Financial assets at FVTOCI</i>				
Unlisted investments in equity securities	–	–	1,623	1,623
<i>Derivatives under hedge accounting</i>				
Cross currency swaps	–	329	–	329
Interest rate swaps	–	24	–	24
Total	–	354	1,934	2,288
Financial liabilities				
<i>Derivatives under hedge accounting</i>				
Cross currency swaps	–	143	–	143
Interest rate swaps	–	367	–	367
Total	–	510	–	510

18. 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*

	As at 31 December 2022			
	Level 1	Level 2	Level 3	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Financial assets				
<i>Financial assets at FVTPL</i>				
Unlisted club debenture	–	1	–	1
Fund investment	–	–	327	327
<i>Financial assets at FVTOCI</i>				
Unlisted investments in equity securities	–	–	1,708	1,708
<i>Derivatives under hedge accounting</i>				
Cross currency swaps	–	382	–	382
Interest rate swaps	–	15	–	15
Total	–	398	2,035	2,433
Financial liabilities				
<i>Derivatives under hedge accounting</i>				
Cross currency swaps	–	117	–	117
Interest rate swaps	–	397	–	397
	–	514	–	514

18. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

continued

(b) Fair value measurements *continued*

(iii) Reconciliation of Level 3 fair value measurements of financial asset

	Fund investment HK\$ million	Unlisted investments in equity securities HK\$ million
As at 1 January 2023	327	1,708
Addition	16	9
Fair value loss recognized in profit or loss	(32)	–
Fair value loss recognized in other comprehensive income	–	(94)
As at 30 June 2023	311	1,623

There was no transfer among Levels 1, 2 and 3 during the six months ended 30 June 2023.

During the period, the unrealized fair value loss of approximately HK\$32 million relating to fund investment at fair value through profit or loss is included in 'other gains and losses'.

(iv) Valuation techniques and inputs used in fair value measurements

Cross currency swaps 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.

The fair values of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from the quoted interest rates.

18. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

continued

(b) Fair value measurements *continued*

(iv) Valuation techniques and inputs used in fair value measurements *continued*

Financial assets grouped in Level 3 are measured with reference to underlying assets and liabilities as at the end of the reporting period and other valuation techniques including discounted cash flows or market approach, taking into account different multiples such as price per earnings multiples of comparable listed companies, where relevant. If there is lack of marketability, a discount is applied in determining the fair value. A slight increase in lack of marketability discount would result in a slight decrease in the fair value of the unlisted investments in equity securities, vice versa.

(v) Valuation process of Level 3 fair value measurements of financial asset

At the end of the reporting period, the management of the Group obtains the valuation techniques and inputs for fair value measurements in relation to the financial assets grouped in Level 3 and their underlying assets and liabilities, where appropriate. The management of the Group also engages independent qualified professional valuer to perform valuation for investments in equity securities when necessary. Where there is a material change in the fair value of the financial assets grouped in Level 3, analysis will be performed and the causes of the fluctuations will be reported to the Directors of the Company.

Corporate Governance

Compliance with Corporate Governance Code

During the six months ended 30 June 2023, Hysan Development Company Limited (the “Company”) and its subsidiaries (the “Group” or “Hysan”) continued to comply fully with the requirements of the code provisions of the Corporate Governance Code as set out in Part 2 of Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Further information on Hysan’s corporate governance practices is available at the Company’s website: www.hysan.com.hk/governance.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “Model Code”) as its own code of conduct regarding the securities transactions of the directors of the Company (the “Directors”). All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2023.

Highlights for the first half of 2023

Hysan embraces good corporate governance as one of its core values and as the foundation of achieving consistent and sustainable performance. During the review period for the six months ended 30 June 2023 (the “Review Period”), we have been continuously seeking opportunities to enhance our corporate governance practices:

- **Hybrid Annual General Meeting:** the annual general meeting of the Company (“AGM”) held on 16 May 2023 (“2023 AGM”) was a hybrid meeting, allowing shareholders of the Company (“Shareholders”) to attend the meeting in person at a principal meeting place or to join via the live online webcast system (“e-Meeting System”). Attending via the e-Meeting System allowed Shareholders to view the live meeting proceedings, attend the meeting, submit questions by text to the interactive platform for Q&A, call to raise questions and vote online in real-time. The e-Meeting System could broaden the reach of the AGM to Shareholders who do not wish to attend in person or for overseas Shareholders who are not able to attend in person.

Highlights for the first half of 2023 *continued*

- **Board and Board Committees Refreshment:** At the 2023 AGM, Jebesen Hans Michael retired as a Non-Executive Director and the chairman of the sustainability committee of the Company (the "Sustainability Committee") after having served on the board of directors of the Company (the "Board") for more than 29 years. Chung Cordelia was appointed as an Independent Non-Executive Director and Young Elaine Carole was appointed as the chairman of the Sustainability Committee following the retirement of Jebesen Hans Michael. New appointments were also made to the Company's remuneration committee ("Remuneration Committee"), nomination committee ("Nomination Committee") and Sustainability Committee with effect from 1 March 2023 and 16 May 2023, respectively. Details of the Board Committees refreshment are set out on P.65 of this report.
- **Independence Weighting:** Following the above-mentioned Board refreshment, the Independent Non-Executive Director ratio of the Company increased from 46% to 54.5%. The appointment of new Independent Non-Executive Director decreased the average tenure of Directors and expanded the Board's breadth of experience by including fresh perspectives from a diversified business and professional background.
- **Gender Diversity:** Following the appointment of Chung Cordelia as an Independent Non-Executive Director, the percentage of female representation at Board level increased from 27% to 36.4%, exceeding our gender diversity target of 33% female Directors.
- **Data Protection:** The Group conducted a data privacy compliance review amongst major business and supporting units (including the newly established Shanghai operation) on their compliance with the applicable privacy laws as well as our relevant corporate policies and statements in the collection, use, storage and retention of personal data.

Our Board and Board Committees

Board

As at 30 June 2023 and up to the date of this report, the composition of the Board is set out below:

Lee Irene Yun-Lien (*Chairman*)

Lui Kon Wai (*Executive Director and Chief Operating Officer*)

Chung Cordelia**

Churchouse Frederick Peter**

Fan Yan Hok Philip**

Poon Chung Yin Joseph**

Wong Ching Ying Belinda**

Young Elaine Carole**

Lee Anthony Hsien Pin* (*Lee Irene Yun-Lien as his alternate*)

Lee Chien*

Lee Tze Hau Michael*

* Non-Executive Director

** Independent Non-Executive Director

Lee Irene Yun-Lien, Churchouse Frederick Peter, Lee Chien and Lee Tze Hau Michael who stood for re-election at the 2023 AGM were re-elected with the approval of the Shareholders.

Changes with effect from conclusion of the 2023 AGM:

- Jebsen Hans Michael retired as a Non-Executive Director.
- Chung Cordelia was appointed as an Independent Non-Executive Director.

Our Board and Board Committees *continued*

Board Committees

Changes to the composition of Board Committees during the Review Period and up to the date of this report:

With effect from 1 March 2023:

- Churchouse Frederick Peter was appointed as a member of the Remuneration Committee.
- Fan Yan Hok Philip ceased to be a member of the Sustainability Committee.
- Lee Tze Hau Michael was appointed as a member of the Sustainability Committee and ceased to be a member of the Remuneration Committee.

With effect from the conclusion of the 2023 AGM:

- Chung Cordelia was appointed as a member of the Remuneration Committee and the Nomination Committee.
- Fan Yan Hok Philip ceased to be a member of the Nomination Committee.
- Poon Chung Yin Joseph ceased to be a member of the Remuneration Committee.
- Jebson Hans Michael ceased to be the chairman of the Sustainability Committee following his retirement as a Non-Executive Director on the same day.
- Young Elaine Carole was appointed as the chairman of the Sustainability Committee.

The composition of our Board Committees as at 30 June 2023 and up to the date of this report is set out in the section "Corporate Information" of this report.

Risk Management and Internal Control

Details of Hysan's risk management and internal control systems were set out in the "Risk Management and Internal Control Report" on pages 82 to 89 of the Company's 2022 Annual Report.

The audit and risk management committee of the Company ("Audit and Risk Management Committee") continued to review the Company's risk management and internal control systems, as well as the internal audit reports for the six months ended 30 June 2023 as submitted by the Internal Audit Department of the Company.

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

Directors' Updated Biographical Details

Save for the changes to the Directors' other major offices as set out below, since the Company's 2022 Annual Report, there has not been any change in the information of the Directors that is required to be disclosed under Rule 13.51B(1) to the Listing Rules:

Lee Chien retired as an independent non-executive director of Swire Pacific Limited with effect from the conclusion of its annual general meeting held on 11 May 2023.

Fan Yan Hok Philip retired as an independent non-executive director of China Aircraft Leasing Group Holdings Limited with effect from the conclusion of its annual general meeting held on 16 May 2023.

Wong Ching Ying Belinda retired as an independent non-executive director of Television Broadcasts Limited with effect from the conclusion of its annual general meeting held on 31 May 2023.

Chung Cordelia ceased to be a non-executive director of Hong Kong Science and Technology Parks Corporation and a member of the Research Grants Council of the HKSAR Government with effect from 30 June 2023.

The biographical details of the Directors are available at the Company's website: www.hysan.com.hk/about/leadership.

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

Executive Directors' and Senior Management's Emoluments

The Company's approach is to provide a fair market level of remuneration to attract, retain and motivate high-quality Executive Directors, senior management and employees. At the same time, rewards must be aligned with the Company's strategy, corporate culture and core values, performance as well as Shareholders' interests.

The following principles of remuneration for Executive Directors, senior management and employees have been established:

- Remuneration must be based on a fair reward system with an emphasis on performance, taking into account the determining factors as more particularly set out below;
- The Remuneration Committee shall determine the overall amount of each component of remuneration, taking into account both quantitative and qualitative assessments of performance, as well as the achievement of financial and operational key performance targets and behavioural competencies that align with the Group's long-term strategy, corporate culture and core values;
- Remuneration policy and practices shall be as transparent as possible and reviewed regularly, independent of executive management;
- Share option grantees shall develop significant personal shareholdings through executive share option schemes, in order to align their interests with those of the Shareholders;
- Remuneration packages shall be set at levels that ensure comparability and competitiveness with Hong Kong-based companies competing for a similar talent pool, with special emphasis on the real estate industry. Independent professional advice is to be sought where appropriate; and
- Pay and employment conditions elsewhere in the Group shall be taken into account.

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

Executive Directors' and Senior Management's Emoluments *continued*

In reviewing and determining employees' remuneration, the Company (and the Remuneration Committee in the case of Executive Directors and senior management) will take into account the following determining factors:

Components	Determining Factors
Fixed compensation	
Base salary and allowances	<ul style="list-style-type: none">• Market trends: increments in line with general and real estate industry norms• Market benchmarks relevant to role and job scope• Company performance (with reference to the Group's turnover growth, occupancy rate, property expenses ratio, underlying profit, etc.)• Individual performance, behavioural competencies and contribution ^{Note 1}, measured against annual financial and operational targets (turnover, expense ratio, earnings per share ("EPS"), portfolio year-end occupancy, achievement of key strategic initiatives, etc.)
Variable compensation	
Performance bonus	<ul style="list-style-type: none">• Company performance (with reference to the Group's turnover growth, occupancy rate, property expenses ratio, underlying profit, etc.)• Individual performance, behavioural competencies and contribution ^{Note 1}, measured against annual financial and operational targets (turnover, expense ratio, EPS, portfolio year-end occupancy, achievement of key strategic initiatives, etc.)• Actual bonus payout ranges from 0–200% of target bonus, which is set as a percentage of annual base salary
Share options	<ul style="list-style-type: none">• Company performance (with reference to the Group's turnover growth, occupancy rate, property expenses ratio, underlying profit, etc.)• Individual performance and potential, as well as long-term contribution ^{Note 2} to the Company• Level of share options granted is based on a prescribed grant multiple of annual base salary

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

Executive Directors' and Senior Management's Emoluments *continued*

Notes:

1. Employees undergo mid-year and annual performance appraisal processes, during which individual performance targets (financial and operational) are set. Performance is continuously monitored throughout the year and evaluated against these performance targets semi-annually. Performance assessment on the achievement of performance targets and behavioural competencies that align with the Group's long-term strategy, corporate culture and core values culminates in an individual performance rating which will determine the fixed and variable compensation outcomes.
2. Aiming to incentivize a proper balance between business performance and long-term sustainable growth, the long-term contribution of the employees is reviewed and evaluated based on, among others, the pre-determined individual long-term objectives and development plan, considering also the alignment with the Group's long-term strategy, corporate culture and core values, etc.

In February 2023, the Remuneration Committee held a meeting to consider the annual base salaries of Lee Irene Yun-Lien and Lui Kon Wai, and concluded that their 2023 annual fixed base salaries are HK\$8,240,000, and HK\$5,600,000, respectively and their 2022 performance-based bonus amounts to HK\$14,008,000 and HK\$6,048,000, respectively (see pages 96 to 103 and 151 of the Company's 2022 Annual Report).

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

Non-Executive Directors and Independent Non-Executive Directors

The fees payable to Non-Executive Directors and Independent Non-Executive Directors are reviewed annually based on a number of factors, including the level of responsibility, experience and abilities required of the Directors, the level of care and amount of time required; as well as the fees offered for similar positions in companies requiring the same talent.

In February 2023, the Remuneration Committee agreed that the annual fees payable to the Non-Executive Directors and Independent Non-Executive Directors shall remain unchanged as follows (see pages 96 to 103 of the Company's 2022 Annual Report):

	Per annum HK\$
Board	
Non-Executive Director and Independent Non-Executive Directors	280,000
Audit and Risk Management Committee	
Chairman	180,000
Member	108,000
Remuneration Committee	
Chairman	75,000
Member	45,000
Nomination Committee	
Chairman	50,000
Member	30,000
Sustainability Committee	
Chairman	50,000
Member	30,000

Directors' Interests in Shares

As at 30 June 2023, 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 (the "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)
	Personal interests	Family interests	Corporate interests	Other interests			
Lee Chien	970,000	—	—	—	970,000	0.094	
Lee Irene Yun-Lien	479,000	—	—	—	479,000	0.046	

Note:

The percentages were computed based on the total number of issued shares of the Company as at 30 June 2023 (i.e. 1,027,008,223 ordinary shares).

Executive Directors have been granted share options under the Company's share option schemes adopted on 10 May 2005 (the "2005 Scheme") and/or 15 May 2015 ("New Scheme"), details of which are set out in the section "Long-term incentives: Share Option Schemes" below. These constitute interests in underlying shares of equity derivatives of the Company under the SFO.

Apart from the above, as at 30 June 2023, no other interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations as defined in the SFO 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.

Directors' Interests in Shares *continued*

Long-term incentives: Share Option Schemes

The Company may grant options under executive share option schemes as adopted from time to time. The purpose of such schemes is to strengthen the connection between individual employees and Shareholders' interests. The power to grant options to the Executive Directors is vested in the Remuneration Committee, with endorsement by all Independent Non-Executive Directors being required under the Listing Rules. The Chairman may grant options 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 will continue to be valid and exercisable in accordance with the provisions of the 2005 Scheme. No further option will be granted under the 2005 Scheme.

The New Scheme

The Company adopted the New Scheme at its AGM held on 15 May 2015, which has a term of 10 years and will expire on 14 May 2025. The terms of the New Scheme are substantially the same as those of the 2005 Scheme.

Movements of share options during the Review Period

During the Review Period, no share options were granted under the New Scheme. The number of options available for grant under the scheme mandate limit of the New Scheme at the beginning and the end of the Review Period were 98,048,673 and 98,325,673, respectively. Since the 2005 Scheme had expired on 9 May 2015, no option was granted under the 2005 Scheme during the Review Period.

Directors' Interests in Shares *continued*

Long-term incentives: Share Option Schemes *continued*

Movements of share options during the Review Period *continued*

As at 30 June 2023:

- (i) share options exercisable into a total of 709,000 ordinary shares of the Company granted and fully-vested under the 2005 Scheme remained outstanding, representing approximately 0.07% of the total number of issued shares of the Company;
- (ii) share options exercisable into a total of 7,640,067 ordinary shares of the Company (including fully-vested share options exercisable into 5,806,051 ordinary shares of the Company) granted under the New Scheme remained outstanding, representing approximately 0.74% of the total number of issued shares of the Company; and
- (iii) 98,325,673 shares remained issuable under the New Scheme, representing approximately 9.57% of the total number of issued shares of the Company.

Directors' Interests in Shares *continued*

Long-term incentives: Share Option Schemes *continued*

Movements of share options during the Review Period continued

Details of options granted, exercised, cancelled/lapsed and outstanding under the 2005 Scheme and the New Scheme (the "Schemes") during the Review Period are as follows:

Name	Date of Grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2023	Changes during the Review Period			Balance as at 30.06.2023
					Granted	Exercised	Cancelled/lapsed (Note b)	
2005 Scheme								
Executive Director								
Lee Irene Yun-Lien	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
Other employee participants								
	28.3.2013	39.20	28.3.2014 – 27.3.2023	85,000	–	–	(85,000)	–
	31.3.2014	33.75	31.3.2015 – 30.3.2024	46,000	–	–	(10,000)	36,000
	31.3.2015	34.00	31.3.2016 – 30.3.2025	61,000	–	–	(13,000)	48,000
				1,082,000	–	–	(373,000)	709,000

Directors' Interests in Shares *continued*

Long-term incentives: Share Option Schemes *continued*

Movements of share options during the Review Period continued

Name	Date of Grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2023	Changes during the Review Period			Balance as at 30.06.2023
					Granted	Exercised	Cancelled/lapsed (Note b)	
<u>New Scheme</u>								
Executive Directors								
Lee Irene Yun-Lien	9.3.2016	33.15	9.3.2017 – 8.3.2026	375,000	–	–	–	375,000
	23.2.2017	36.25	23.2.2018 – 22.2.2027	300,000	–	–	–	300,000
	1.3.2018	44.60	1.3.2019 – 29.2.2028	373,200	–	–	–	373,200
	22.2.2019	42.40	22.2.2020 – 21.2.2029	494,200	–	–	–	494,200
	21.2.2020	29.73	21.2.2021 – 20.2.2030	650,000	–	–	–	650,000
	26.2.2021	33.05	26.2.2022 – 25.2.2031	664,000	–	–	–	664,000
	28.2.2022	23.25	28.2.2023 – 27.2.2032	819,000	–	–	–	819,000
Lui Kon Wai	29.3.2018	41.50	29.3.2019 – 28.3.2028	179,000	–	–	–	179,000
	29.3.2019	42.05	29.3.2020 – 28.3.2029	203,000	–	–	–	203,000
	31.3.2020	25.20	31.3.2021 – 30.3.2030	262,000	–	–	–	262,000
	31.3.2021	30.40	31.3.2022 – 30.3.2031	267,000	–	–	–	267,000
	28.2.2022	23.25	28.2.2023 – 27.2.2032	400,000	–	–	–	400,000

Directors' Interests in Shares *continued*

Long-term incentives: Share Option Schemes *continued*

Movements of share options during the Review Period continued

Name	Date of Grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2023	Changes during the Review Period			Balance as at 30.06.2023
					Granted	Exercised	Cancelled/lapsed (Note b)	
Other employee participants	31.3.2016	33.05	31.3.2017 – 30.3.2026	106,000	–	–	(17,000)	89,000
	31.3.2017	35.33	31.3.2018 – 30.3.2027	208,667	–	–	(18,000)	190,667
	29.3.2018	41.50	29.3.2019 – 28.3.2028	260,000	–	–	(32,000)	228,000
	29.3.2019	42.05	29.3.2020 – 28.3.2029	393,000	–	–	(46,000)	347,000
	31.3.2020	25.20	31.3.2021 – 30.3.2030	498,000	–	–	(48,000)	450,000
	31.3.2021	30.40	31.3.2022 – 30.3.2031	605,000	–	–	(40,000)	565,000
	31.3.2022	23.36	31.3.2023 – 30.3.2032	860,000	–	–	(76,000)	784,000
				<u>7,917,067</u>	–	–	(277,000)	<u>7,640,067</u>

Notes:

(a) All options granted have a vesting period of three years in equal proportions starting from the first anniversary of the grant and becoming fully vested on the third anniversary. "Exercise period" accordingly begins with the first anniversary of the date of grant.

(b) Options lapsed during the Review Period in accordance with the rules of the Schemes.

Save as disclosed above, there is no further information which is required to be disclosed under Rule 17.07 of the Listing Rules.

Substantial Shareholders' and Other Persons' Interests in Shares

As at 30 June 2023, 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)
Lee Hysan Company Limited	Beneficial owner	433,130,735	42.17
Silchester International Investors LLP	Investment manager	83,647,000	8.14
First Eagle Investment Management, LLC	Investment manager	52,460,214	5.10

Note:

The percentages were computed based on the total number of issued shares of the Company as at 30 June 2023 (i.e. 1,027,008,223 ordinary shares).

Apart from the above, no other interest or short position in the shares or underlying shares of the Company were recorded in the register that is required to be kept under section 336 of the SFO as at 30 June 2023.

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

During the Review Period, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

Human Resources Practices

The Group aims to attract, retain and develop high-calibre individuals who are committed to attaining our objectives and achieving Hysan's corporate culture and core values. The total number of employees as at 30 June 2023 was 468. The Group's human resources practices are aligned with our corporate objectives in order to maximize Shareholder value and achieve sustainable growth.

There has been no material change to the human resources practices, training and development programmes as set out in the "Sustainability Report 2022".

Shareholder Information

FINANCIAL CALENDAR

Interim results announced	10 August 2023
Ex-dividend date for first interim dividend	23 August 2023
Closure of register of members and record date for first interim dividend	25 August 2023
Despatch of first interim dividend warrants	(on or about) 5 September 2023

FIRST INTERIM DIVIDEND

The Board declares the payment of a first interim dividend of HK27 cents per share. The first interim dividend will be payable in cash to Shareholders on the register of members as at Friday, 25 August 2023.

The register of members will be closed on Friday, 25 August 2023, 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, Tricor Standard Limited (the "Registrar") not later than 4:00 p.m. on Thursday, 24 August 2023.

Dividend warrants will be despatched to the Shareholders on or about Tuesday, 5 September 2023.

SHAREHOLDER SERVICES

For enquiries about share transfer and registration, please contact the Registrar:

Tricor Standard Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong
Telephone: (852) 2980 1333
Facsimile: (852) 2861 1465

Holders of the Company's ordinary shares should notify the Registrar promptly of any change of their address.

The interim report of the Company (the "Interim Report") (English and Chinese versions) is available on our website at www.hysan.com.hk and the Stock Exchange's website at www.hkexnews.hk. Shareholders may at any time choose to receive the Interim Report in printed form in either English or Chinese language or both or by electronic means. For those Shareholders who have chosen to receive the Interim Report using electronic means, who for any reason have difficulty in receiving or gaining access to the Interim Report, the Company will promptly upon request send to you the Interim Report in printed form free of charge.

Shareholders may at any time change their choice of the language or means of receipt of the Interim Report or other corporate communications of the Company by notice in writing to the Company or the Registrar, or by email to hysan14-ecom@hk.tricorglobal.com or cosec@hysan.com.hk. The Change Request Form may be downloaded from the Company's website at www.hysan.com.hk.

INVESTOR RELATIONS

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

Investor Relations
Hysan Development Company Limited
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*)

Lui Kon Wai

(*Executive Director and Chief Operating Officer*)

Chung Cordelia**

Churchouse Frederick Peter**

Fan Yan Hok Philip**

Poon Chung Yin Joseph**

Wong Ching Ying Belinda**

Young Elaine Carole**

Lee Anthony Hsien Pin*

(*Lee Irene Yun-Lien as his alternate*)

Lee Chien*

Lee Tze Hau Michael*

AUDIT AND RISK

MANAGEMENT COMMITTEE

Poon Chung Yin Joseph** (*Chairman*)

Churchouse Frederick Peter**

Fan Yan Hok Philip**

Lee Anthony Hsien Pin*

REMUNERATION COMMITTEE

Fan Yan Hok Philip** (*Chairman*)

Chung Cordelia**

Churchouse Frederick Peter**

NOMINATION COMMITTEE

Lee Irene Yun-Lien (*Chairman*)

Chung Cordelia**

Churchouse Frederick Peter**

Poon Chung Yin Joseph**

Lee Chien*

* Non-Executive Director

** Independent Non-Executive Director

SUSTAINABILITY COMMITTEE

Young Elaine Carole** (*Chairman*)

Wong Ching Ying Belinda**

Lee Tze Hau Michael*

COMPANY SECRETARY

Hao Shu Yan

REGISTERED OFFICE

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 website: www.hysan.com.hk.

SHARE LISTING

Hysan's shares are listed on the Stock Exchange. It has a sponsored American Depositary Receipts ("ADR") Programme in the New York market.

STOCK CODE

Stock Exchange: 00014

Bloomberg: 14HK

Reuters: 0014.HK

Ticker Symbol for ADR Code: HYSNY

CUSIP reference number: 449162304

AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants and

Registered Public Interest Entity Auditors

35/F, One Pacific Place

88 Queensway

Hong Kong

Hysan Development Company Limited

50/F Lee Garden One, 33 Hysan Avenue, Hong Kong
T 852 2895 5777 F 852 2577 5153

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