



We are committed to the long term. As we continue our journey, the expansion and rejuvenation of Lee Gardens, supported by our community business model, will transform this precinct for our next 100 years.

We welcome stakeholders' feedback on this Report. Please share your thoughts at hysan@hysan.com.hk

In an effort to reduce consumption of resources due to printing and distributing hard copies, the Hysan Sustainability Report has been prepared for electronic distribution and is available for public viewing on Hysan Development's website (www.hysan.com.hk).

A summary of Sustainability Report 2023 is provided on pages 121 to 123 of this Annual Report.



Scan QR code to read the Sustainability Report 2023



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Chairman's Statement

“

We look forward to the next
100 years of Lee Gardens,
where people come

**to work, live
and enjoy,**

now, and for
generations to come.

”



This year, we celebrate the 100th anniversary of Hysan, a testament to our enduring presence in Hong Kong and a legacy of community development. I would like to express my heartfelt gratitude to everyone who has been a part of the history, culture and the collective memory of Hysan and Lee Gardens.

Over the past century, Lee Gardens has grown from a garden for the public, to now, one of the world's most bustling and vibrant destinations. Our dual-engine office and retail portfolio, combined with our community business model, provide resilience and strength in the face of uncertainty. The blend of offerings creates an array of lifestyle experiences for office tenants, shoppers, tourists and residents. Our unique portfolio is at the heart of Hong Kong Island, we connect people and curate communities through our diverse offerings, the attraction of our convenient and prime location, and an engaging approach to reaching out to customers of all ages with events and programmes designed to appeal to their interests and aspirations. As Hysan enters its 101st year, we continue to evolve with the expansion, transformation and rejuvenation of Lee Gardens. Our community business model and our deep engagement with our stakeholders are key ingredients which will ensure a long-term future for Lee Gardens.

2023 presented a mix of challenges and opportunities for Hysan. This was a year of global upheaval as the world gradually recovered from the pandemic. Many continuing and new challenges, including ongoing geopolitical tensions, escalating geoeconomic fragmentation, interest rate hikes, inflation concerns and the increasing frequency of extreme weather events were impediments to recovery.

Chairman's Statement

Hong Kong was not immune to the impact of these external shocks. While there were improvements, especially in tourist numbers, consumption was cautious and the export sector remained weak. Expectations of prolonged high interest rates and concerns about the economic outlook on the Mainland dampened market sentiment in the local stock and property markets. Additionally, cities in the Greater Bay Area offered attractive day or weekend trips for Hong Kong, resulting in an imbalance in tourist flows.

Hong Kong's office sector continued to struggle against the backdrop of post-pandemic structural change. Landlords defended occupancy with more flexible lease terms and enhanced rental incentives as increased supply came to market. Lee Gardens is a highly desirable and competitive choice with our premium office space and facilities which include an abundance of retail, food and beverage offerings, situated in a well-connected, convenient and vibrant neighbourhood community.

The retail sector in Hong Kong is undergoing a transformation driven by changes in consumer behaviour, particularly a shift in tourist focus from extravagant shopping to experience-based tourism. In response, a brand-new lifestyle hub, #URBANHOOD, was unveiled in December 2023 at the basement of Hysan Place. This hub, spanning two levels, showcases a vibrant mix of nearly 40 lifestyle, entertainment, food and beverage brands from various Asian cities, including some making their debut in Hong Kong. This transformation was a continuation of our commitment to youth culture, celebrating a creative and lifestyle focused generation, connecting them with the ever-changing popular culture. Together with #UrbanSky, #UrbanPark, and over a hundred local and international brands and dining outlets in Hysan Place and around the Lee Gardens neighbourhood, #URBANHOOD offers an engaging experience that appeals to all generations.

Throughout the year, we introduced various initiatives to cater to the diverse interests and needs of our customers. Lee Garden's own indoor play space for toddlers and preschoolers was launched to provide novel and unique experiences for families. A series of festive events, promotions and thematic campaigns were designed to attract and engage locals and tourists.

Understanding customer behaviour and needs remains central to our Customer First philosophy. We continuously refined our offerings and launched targeted marketing and sales initiatives, collaborating with our tenants to attract and sustain our loyal Club Avenue membership. We are also focused on growing and grooming our Lee Gardens Club members. The performance of retail sales at Hysan surpassed that of the overall retail market in Hong Kong, leading to an increase in turnover rent of 45% year-on-year.

In 2023, we also made significant progress in the rejuvenation of the Lee Gardens hub. Major enhancement works at Lee Garden One were completed with the unveiling of the arcade in late 2023. The flagship stores of our key luxury anchor tenants are undergoing renovations and will be completed in stages during 2024 and 2025. The reopening of these flagship stores will reinforce our status as home to top luxury brands at Lee Gardens on Hysan Avenue.

Our roots run deep in Hong Kong and Causeway Bay in particular. The rich tapestry of Lee Gardens' legacy was built upon our community, and it is for this reason that our community business model, which prioritises inclusivity, social wellbeing, environmental stewardship, positive economic impact and liveability, remains fundamental to our sustainability strategy.

During the year, we are delighted to have received prestigious awards that recognised our commitment to sustainability. These included the Distinction Award of The Hong Kong Management Association Hong Kong Sustainability Award 2023 and, for the 20th consecutive year, the Corporate Governance Award of the Hong Kong Institute of Certified Public Accountants Best Corporate Governance and ESG Awards 2023. These accolades are testaments to our unwavering dedication to achieving excellence in ESG.

We are committed to addressing climate change. Our Caroline Hill Road project adheres to the highest sustainability standards and is designed to withstand climate challenges. Furthermore, we are focused on "S", the social element in ESG. We actively promote sports, art and culture through community programmes, promoting inclusivity and positive social impact, and ensuring their accessibility to a wider community in Hong Kong.

Looking ahead, while the local and global economic outlook for 2024 remains uncertain, what will always remain true is our commitment to fostering development and growth. Therefore, the Board has made the decision to adjust our dividend in order to build for the future.

We look forward to the next 100 years of Lee Gardens, where people come to work, live and enjoy, now, and for generations to come.

Lee Irene Yun-Lien

Chairman

Hong Kong, 22 February 2024

Balanced Dual-Engine Portfolio



RETAIL

Connect people and curate communities through

DIVERSE OFFERINGS

Our dual-engine office and retail portfolio, combined with our community business model, provide resilience and strength in the face of uncertainty. The blend of offerings creates an array of lifestyle experiences for office tenants, shoppers, tourists and residents.

Premium office space and vibrant community attract

A DIVERSITY OF OFFICE TENANTS

OFFICE



Expansion and Rejuvenation of Lee Gardens

Trendsetter

Hysan Place acts as the gateway to the rest of the Lee Gardens core portfolio. It has been, and will remain, the trendsetter in our portfolio, with a high level of urban vibrancy that starts with its MTR-connected basement levels.



Enhanced Walkability

Hysan will put in place a new connectivity system throughout our Lee Gardens buildings, as well as linking Causeway Bay MTR station through to the Caroline Hill Road development. Once completed, the new connectivity system will make Lee Gardens the premier walkable commercial destination in Hong Kong.



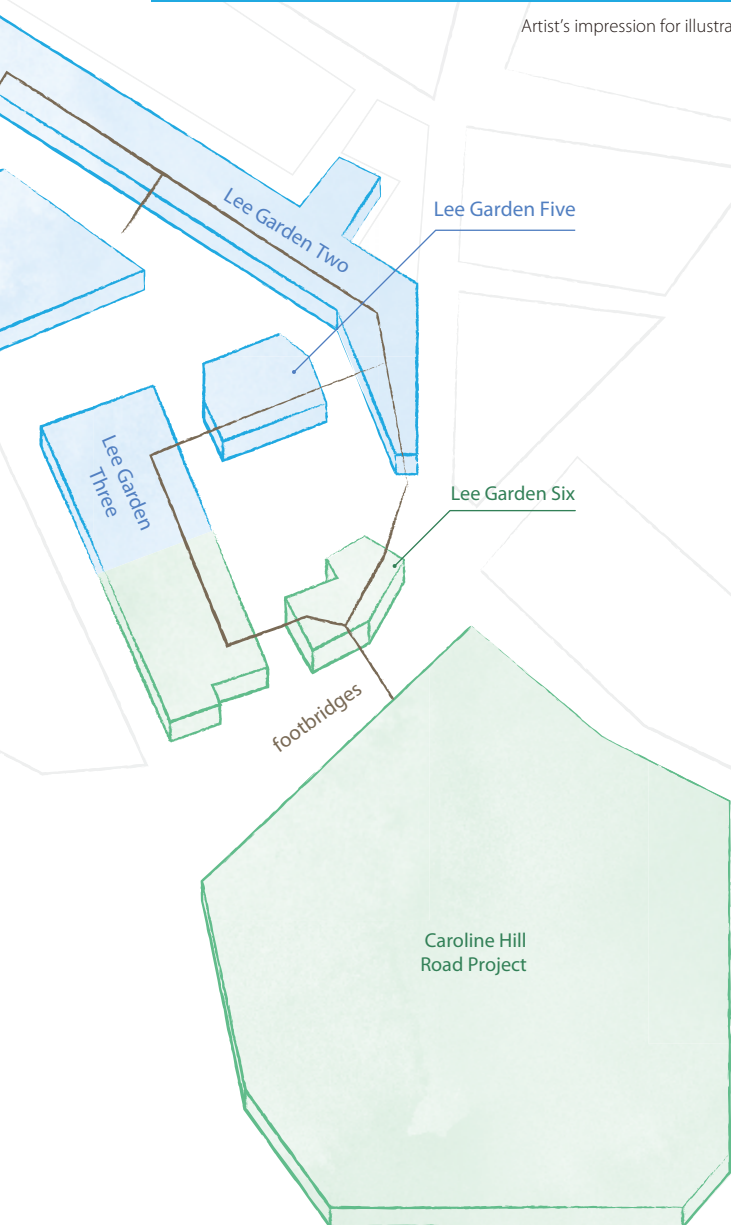
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Home of Luxury Flagships

The demand for expansion by our key retail anchor tenants gave us the confidence and impetus to the strategic rejuvenation. After the refurbishments are completed, this cluster of buildings on Hysan Avenue will become an even more exclusive destination for top international brands.



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Artist's impression for illustrative purposes only

The Green Centric

The Caroline Hill Road project will become the heart of our green-centric area, setting new standards for premium, sustainability-minded offices.

Strategic Pillars

Pillars

We invest in strategic growth pillars that drive geographic diversification and target business opportunities that complement and reinforce our core business.

Lee Gardens Shanghai

Enhancement of the retail space started in 2023 and is expected to be completed in 2024.



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GBA Flex

Solution in new office ecosystem, showing good performance.



VILLA LUCCA

1/4 of houses and apartments were sold or leased in 2023.

To Kwa Wan Residential

Hysan's skillsets are being leveraged in the design and operations of the retail portion of the project.



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New Frontier Investment

Demand for premium healthcare services is rising.



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1

A large, abstract yellow watercolor splash graphic on the left side of the page, with various sized circular spots and soft edges. The background is white.

Overview

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Key Facts



Our Portfolio

Hysan's investment portfolio is set predominantly in Lee Gardens, a unique part of Hong Kong's renowned commercial heart in Causeway Bay.

Within our approximately 4.5 million square feet of retail, office and residential tenant space, we strive to become partners with our tenants and create a sustainable ecosystem. Our medium-to-long term strategy involves the continued refinement and expansion of our "Core" in Lee Gardens, as well as investment in growth "Pillars" which will deliver a more balanced and diversified portfolio for Hysan.

VISION

To be the premier property company in its market of choice.

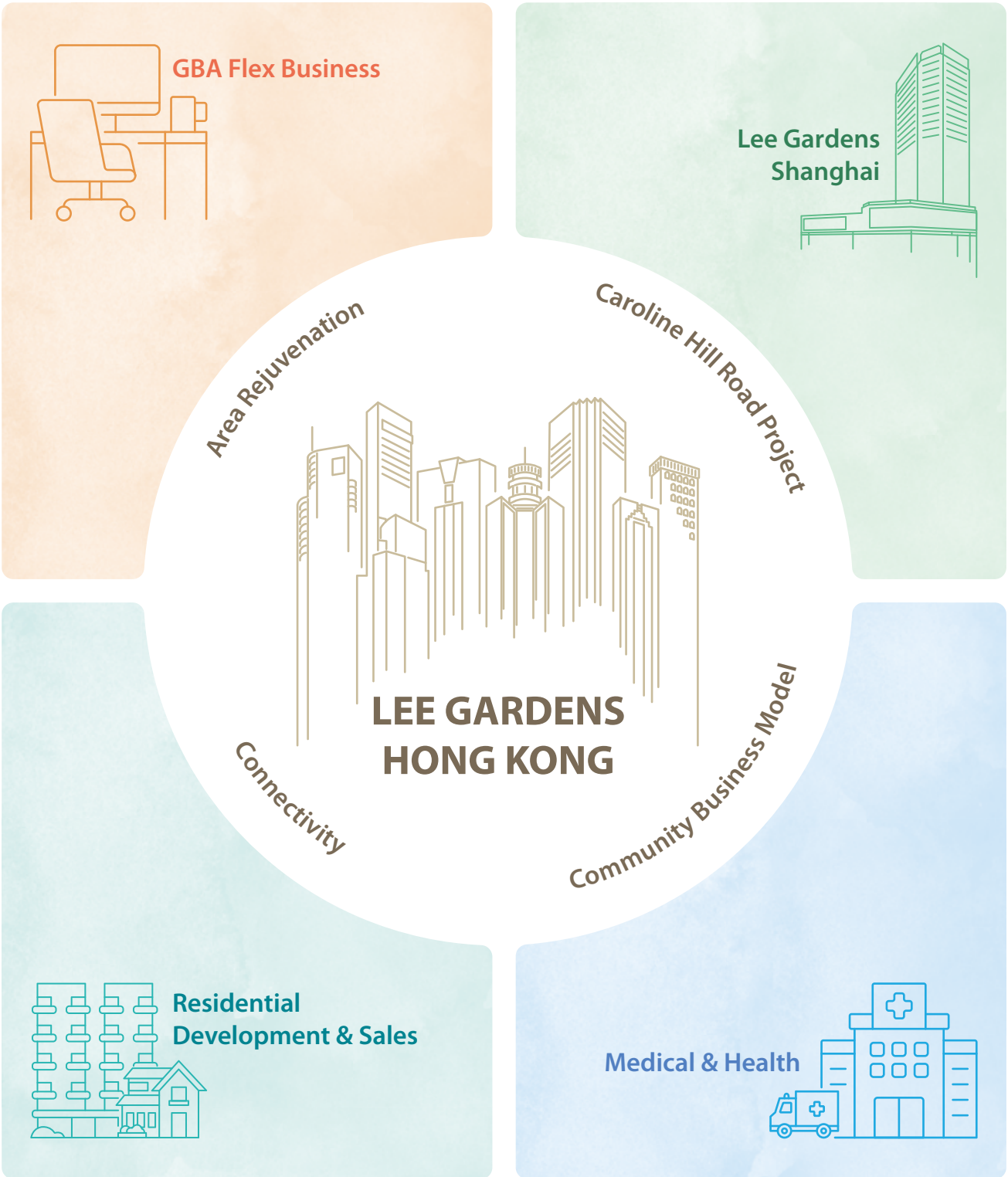
MISSION

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.

VALUES

L E E G A R D E N S
E X M O C E R N E U
A C P O C S I T T S
D E O D O P V R W T
E L W U E I E O A
R L E C N C N P R I
S E R I T T G R K N
H N M T A / E I A
I C E I B D N N B
P E N Z I R E G I
T E L I U L
N I V R I
S T E S T
H Y N H Y
I I
P P

OUR STRATEGY



Key Facts

Our Properties Portfolio

HYSAN PLACE OFFICE AND RETAIL

Greenest commercial building and trendiest shopping centre in town

Completed in 2012

Approx. Gross Floor Area	Number of Floors	Parking Spaces
716,000 ft²	40	60

LEE THEATRE PLAZA RETAIL ONLY

One of Hong Kong's best-loved shopping and dining complexes

Completed in 1994 | Lower zone renovated in 2013

Approx. Gross Floor Area	Number of Floors
314,000 ft²	26

LEIGHTON CENTRE OFFICE AND RETAIL

Popular office complex amongst sports and lifestyle shops

Completed in 1977 | Renovated in 2011

Approx. Gross Floor Area	Number of Floors	Parking Spaces
430,000 ft²	28	321

ONE HYSAN AVENUE OFFICE AND RETAIL

Efficient office and retail complex in prime site

Completed in 1976 | Renovated in 2011

Approx. Gross Floor Area	Number of Floors
169,000 ft²	26

SHANGHAI

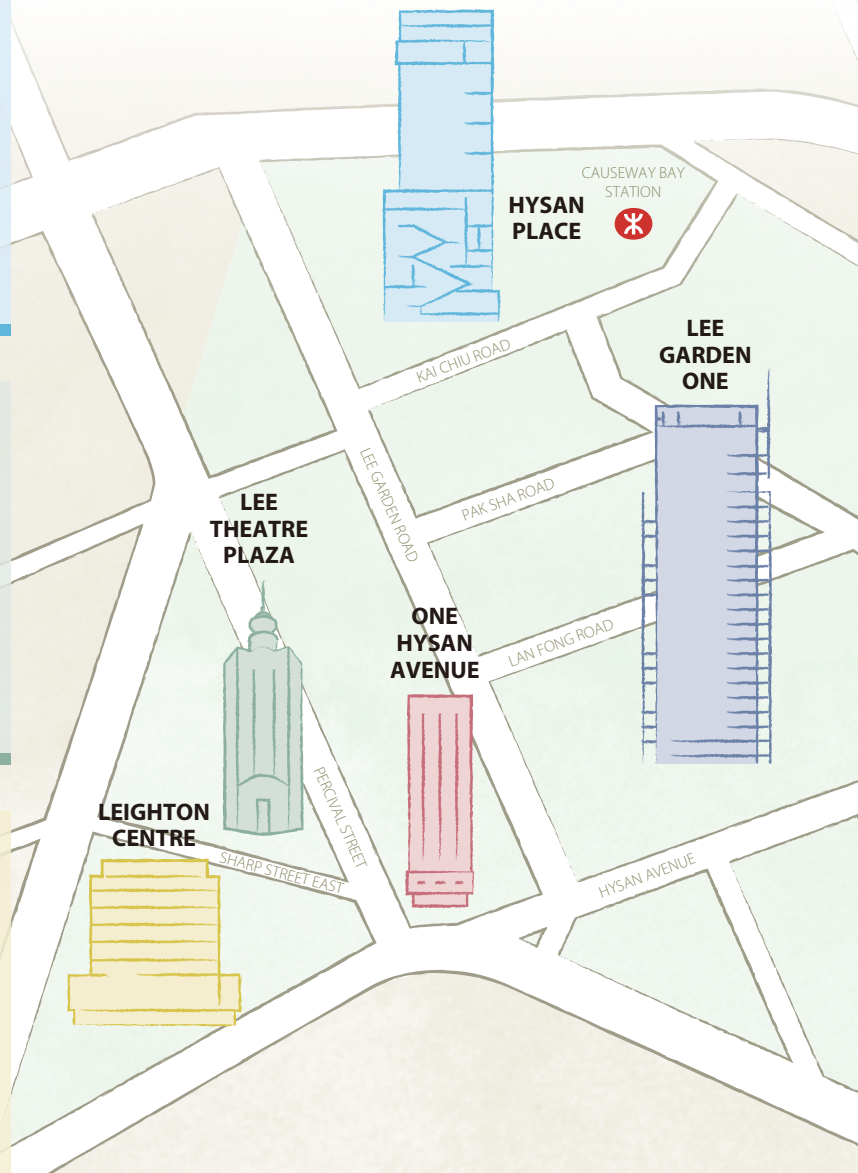
LEE GARDENS SHANGHAI

OFFICE AND RETAIL

Grade A commercial complex in one of the world's most vibrant cities

Acquired in 2022

Approx. Gross Floor Area	Number of Floors
736,000 ft²	24



LEE GARDEN ONE OFFICE AND RETAIL

Home to international corporations and premium brands

Completed in 1997 | Retail podium renovated in 2023

Approx. Gross Floor Area	Number of Floors	Parking Spaces
902,000 ft²	53	200

LEE GARDEN TWO OFFICE AND RETAIL

Spacious offices and home to children's concept floors

Completed in 1992 | Retail podium renovated in 2019

Approx. Gross Floor Area	Number of Floors	Parking Spaces
621,000 ft²	34	167

LEE GARDEN THREE OFFICE AND RETAIL

Newest commercial address in Lee Gardens

Completed in 2017

Approx. Gross Floor Area	Number of Floors	Parking Spaces
467,000 ft²	32	201

LEE GARDEN FIVE OFFICE AND RETAIL

An office and retail complex in one of Hong Kong's most prestigious commercial areas

Completed in 1989 | Renovated in 2009

Approx. Gross Floor Area	Number of Floors
132,000 ft²	25

LEE GARDEN SIX OFFICE AND RETAIL

Convenient office and retail location

Completed in 1988 | Renovated in 2004

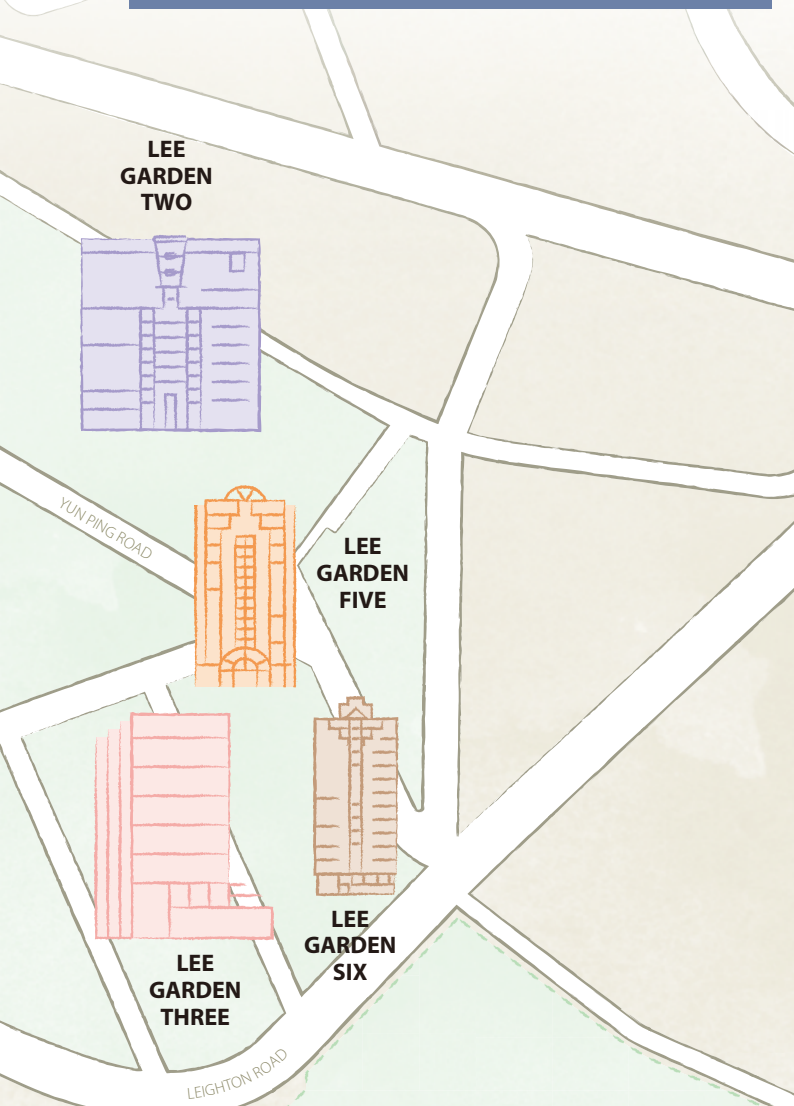
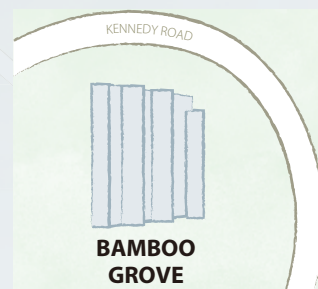
Approx. Gross Floor Area	Number of Floors
80,000 ft²	24

BAMBOO GROVE RESIDENTIAL

Quality international living in Mid-Levels

Completed in 1985 | Renovated in 2019

Approx. Gross Floor Area	Number of Floors	Parking Spaces
691,000 ft²	345	436



2023 Performance at a Glance

Environmental, Social and Governance Recognitions

Hong Kong Investor Relations Association's 9th Investor Relations Awards 2023

- Best IR Company (Mid Cap)
- Best Investor Presentation Material (Mid Cap)
- Best Annual Report (Mid Cap)
- Best ESG (S) (Mid Cap)
- Best ESG (G) (Mid Cap)

Hong Kong Green Building Council's Zero-Carbon-Ready Building Certification Scheme – Existing Building – EUI Pathway

- Hysan Place and Lee Garden One

Hong Kong Institute of Certified Public Accountants' Best Corporate Governance and ESG Awards 2023

- Corporate Governance Awards (Non-Hang Seng Index (Medium Market Capitalization) Category)

Hong Kong Management Association's Hong Kong Sustainability Award 2023

- Distinction Award (Large Organizations)

The Hong Kong Institution of Engineers' The Excellence Building Award 2023

- Grand Award - (Existing Building) Revitalization project for Hysan Office Headquarter at Lee Garden One

Hong Kong Awards for Environmental Excellence – Certificate of Merit – Property Management (Commercial & Industrial)

- Hysan Property Management Limited - Hysan Place



Remained 4-star



Hang Seng Corporate Sustainability Index Series Member 2023-2024

Remained AA



Remained A



Remained as Low Risk
2024 ESG Top-Rated Companies List



FTSE4Good

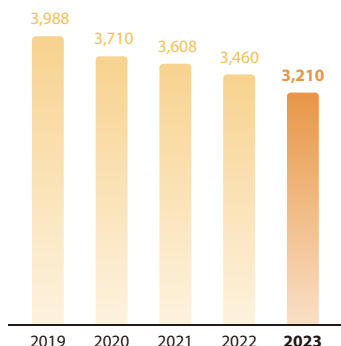
Improved to 3.5 / 5

Financial Performance

Turnover

HK \$3,210 m

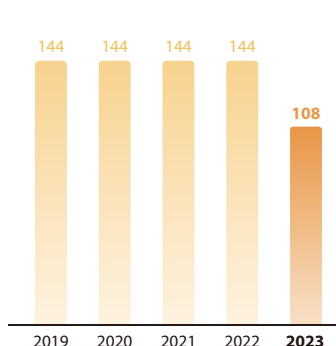
↓ 7.2%



Dividends per Share

HK 108 cents

↓ 25%



Net Interest Coverage (After Interest Capitalization) ^(Note 1)

9.6 times
(2022: 13.1 times)

Net Interest Coverage (Before Interest Capitalization) ^(Note 2)

2.4 times
(2022: 3.9 times)

Net Debt to Equity ^(Note 3)

27.2 %
(2022: 23.4%)

Effective Interest Rate

4.2 %
(2022: 2.8%)

Average Debt Maturity

4.5 years
(2022: 4.8 years)

Fixed Rate Debt

62 %
(2022: 61%)

Capital Market Issuances

61 %
(2022: 61%)

Credit Ratings

Moody's: Baa1
Fitch: BBB+

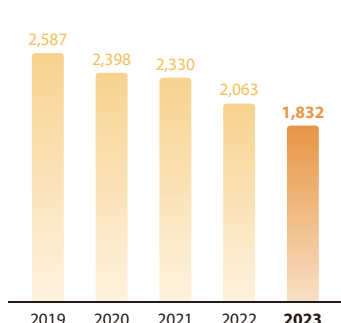
Notes:

1. Net Interest Coverage (after interest capitalization) is defined as: "Gross profit less administrative expenses before depreciation" divided by "net interest expenses charged to profit or loss"
2. Net Interest Coverage (before interest capitalization) is defined as: "Gross profit less administrative expenses before depreciation" divided by "net interest expenses charged to profit or loss plus interest expenses capitalized"
3. Net Debt to Equity is defined as borrowings less time deposits, cash and cash equivalents divided by total equity

Recurring Underlying Profit

HK \$1,832m

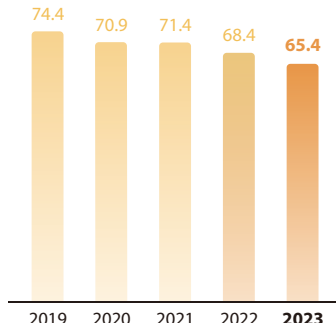
↓ 11.2%



Net Asset Value per Share

HK \$65.4

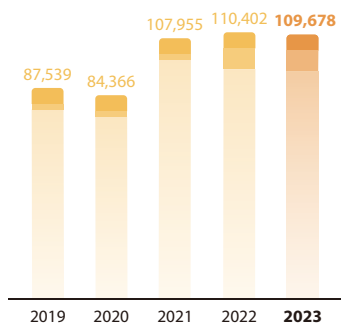
↓ 4.4%



Total asset (exclude cash and debt securities)

HK \$109,678m

↓ 0.7%

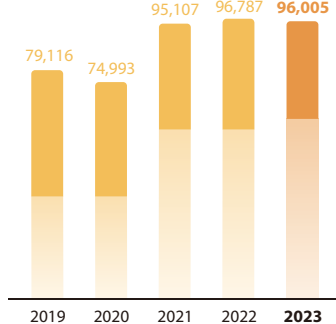


● Core ● Pillars ● Other*

Property Value

HK \$96,005m

↓ 0.8%



● Cost ● Revaluation

* Others mainly represent investment in Shanghai Grand Gateway 66

Financial Review Summary

1. Turnover

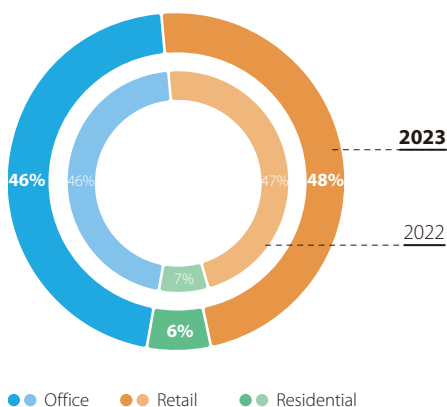
HK\$ million	2023	2022	Change
Office	1,472	1,578	-6.7%
Retail	1,533	1,643	-6.7%
Residential	205	239	-14.2%
	3,210	3,460	-7.2%

- Office: Due to global economic uncertainties, elevated interest rates, geopolitical tensions and a slower-than-anticipated economic recovery, Hong Kong's office market remained subdued. City-wide Grade A office vacancy reached 13% by the end of 2023. The rental reversion rate remained negative as competition among landlords intensified. Nevertheless, Lee Gardens, with its top-quality office spaces and vibrant community, continued to attract new tenants from finance, wealth management, high-end retail and medical and health services sectors, and office occupancy remained stable.
- Retail: Hong Kong's retail sales improved owing to a confluence of factors, including revival of inbound tourism, improved household income and promotional campaigns and activities organized by the Hong Kong Government. However, the recovery was impeded by a challenging external economic environment and a strong Hong Kong dollar. Additionally, the inclination of residents to travel and spend in nearby cities in the Greater Bay Area and abroad has led to imbalanced tourist flows. Rental reversion rate was predominantly positive in 2023. Approximately 10% of our retail area was closed for the rejuvenation project, which impacted rental income during the year.
- Residential: The influx of young professionals through various talent schemes had a positive impact on Hong Kong's mass residential leasing market; however, the luxury residential leasing market remained sluggish, and demand from expatriates continued to be weak.

Details of the operating performances of the group's individual operations are set out on pages 26 to 28 of the Review of Operations.

Occupancy	2023	2022
Office	89%	90%
Retail	97%	99%
Residential	60%	61%

Revenue by sector



Consolidated Statement of profit or loss for the year ended 31.12.2023

	HK\$ million
① Turnover	3,210
Operating cost	(928)
Net margin	2,282
Investment income	261
Other gains and losses	1
Finance costs	(478)
② Change in fair value of investment properties	(2,763)
Change in fair value of other financial investments	(267)
③ Share of results of associates	270
③ Share of results of joint ventures	(37)
Loss before taxation	(731)
Taxation	(295)
Loss for the year	(1,026)
Attributable to perpetual capital securities holders and other non-controlling interests	154
Loss attributable to shareholders	(872)

Recurring underlying profit attributable to shareholders for the year ended 31.12.2023

	HK\$ million
Loss attributable to shareholders	(872)
Non-operating items	2,704
④ Recurring Underlying profit	1,832

Consolidated Statement of Cash Flows for the year ended 31.12.2023

	HK\$ million
Net margin	2,282
Changes in other working capital	116
Depreciation of property, plant and equipment	33
Cash generated from operations	2,431
Net investment and advance to joint ventures and other financial investments	(531)
Net repayments of bank loans, fixed rate notes and balance with non-controlling interest	(1,334)
Issuance of perpetual capital securities, net of distribution and transaction costs	(442)
Movements in time deposits, other receivables and payables	4,166
Interest and taxation	(1,014)
Dividends paid	(1,585)
Considerations for share repurchase	(1)
Acquisition of investment properties and other capital expenditure	(1,669)
Net cash inflow	21
Time deposits, cash and cash equivalents	7,771
Less: Time deposits maturing more than 3 months	(5,211)
Cash and cash equivalents at 1.1.2023	2,560
Effect of foreign exchange rate changes	2
Cash and cash equivalents at 31.12.2023*	2,583
*Representing:	
Time deposits, cash and cash equivalents	3,854
Time deposits maturing more than 3 months	(1,271)
	2,583

Consolidated Statement of Financial Position at 31.12.2023

	HK\$ million
Net Assets	
② Investment properties	96,005
Other long-term investments	11,527
Time deposits, cash and cash equivalents	3,854
Other assets	3,140
Total assets	114,526
Borrowings	(25,564)
Taxation	(1,272)
Other liabilities	(7,999)
	79,691
Capital and reserves	
Share capital	7,723
Retained Profits	59,747
Other reserves	12,221
	79,691

Consolidated Statement of Financial Position at 1.1.2023

	HK\$ million
Net Assets	
② Investment properties	96,787
Other long-term investments	11,494
Time deposits, cash and cash equivalents	7,771
Other assets	3,113
Total assets	119,165
Borrowings	(27,277)
Taxation	(1,203)
Other liabilities	(7,274)
	83,411
Capital and reserves	
Share capital	7,723
Retained Profits	62,097
Other reserves	13,591
	83,411

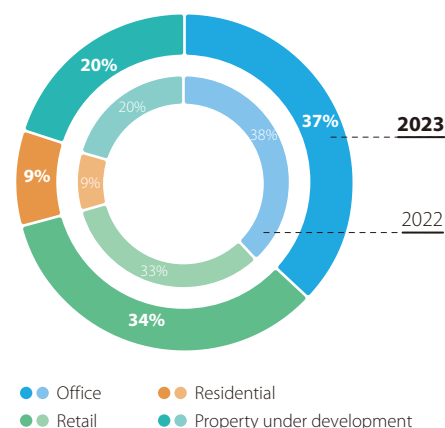
Consolidated Retained Profits for the year ended 31.12.2023

	HK\$ million
Retained profits at 1.1.2023	62,097
Loss attributable to shareholders	(872)
Repurchase of own shares	(1)
Dividends paid during the year	(1,479)
Other reserve movement	2
Retained profits at 31.12.2023	59,747

2. Investment properties

HK\$ million	2023	2022	Change
Office	35,688	36,906	-3.3%
Retail	32,480	31,517	3.1%
Residential	8,647	8,724	-0.9%
Property under development	19,190	19,640	-2.3%
	96,005	96,787	-0.8%

The valuation of investment properties reported in the consolidated statement of financial position represents the market value at each year-end date, as estimated by Knight Frank Petty Limited, an independent valuer. A fair value loss of HK\$2,763 million (2022: HK\$3,213 million) was recognized in the consolidated statement of profit or loss for the year, mainly attributable to the change in valuation of our office portfolio under development. This fair value loss is non-cash in nature and does not affect the operating cash flow of the Group.

Investment properties by portfolio**3. Share of results of associates and joint ventures**

The Group's investments in associates are primarily represented by its interest in Grand Gateway 66, a retail, office and residential complex in Shanghai, China. The share of results of associates remained stable (2023: HK\$270 million, 2022: HK\$274 million).

The Group's investment in joint ventures comprises interests in residential development projects and the IWG Flex business.

4. Recurring underlying profit

Recurring Underlying Profit decreased year-on-year by 11.2%. Details of the reconciliation from reported loss to recurring underlying profit are set out on page 24 to 25 of the Review of Results.