Hysan Development Company Limited
希慎興業有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code：00014)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

- **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

		Notes	Six months ended 30 June 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 30 June 2023	As at 31 December 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 Leeisure 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 Leeisure 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.

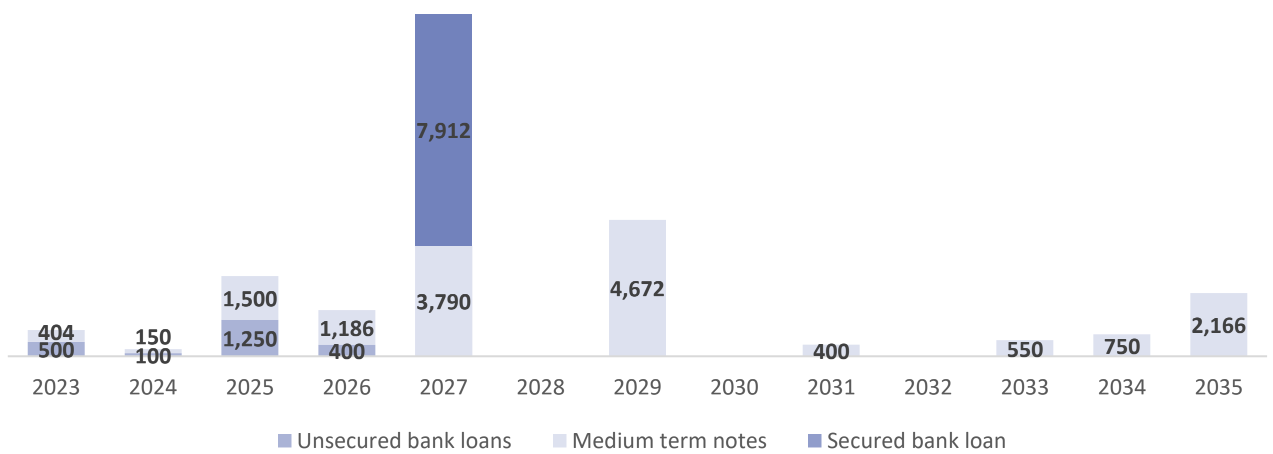
Capital Expenditure
Total cash outlay of capital expenditure decreased to HK$624 million during the interim period (2022: HK$2,621 million). The capital expenditure during the period was mainly related to Caroline Hill Road project and enhancement works in Lee Gardens area. The Group is committed to 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 Debt[1] 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 Equity[3], was 25.9% at interim period-end 2023 (31 December 2022: 23.4%). The Group's Net Interest Coverage[4] 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.

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.

[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.

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.

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	4	**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		**(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)	8		
Basic		**19**	7
Diluted		**19**	7

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023 (unaudited)

	Six months ended 30 June	
	2023	2022
	HK$ million	HK$ million
Profit for the period	**333**	335
Other comprehensive income (expenses)		
Items that will not be reclassified subsequently to profit or loss:		
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
Items that may be reclassified subsequently to profit or loss:		
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		**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	10	**632**	442
		110,982	110,817
Current assets			
Accounts and other receivables	10	**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	11	**931**	1,026
Deposits from tenants		**321**	387
Amounts due to non-controlling interests		**210**	214
Borrowings		**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
Non-current liabilities			
Amounts due to non-controlling interests		**4,728**	4,635
Borrowings		**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

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)*
Capital and reserves			
Share capital		**7,723**	7,723
Reserves		**61,006**	62,477
Equity attributable to owners of the Company		**68,729**	70,200
Perpetual capital securities		**10,224**	10,224
Other non-controlling interests		**2,854**	2,987
Total equity		**81,807**	83,411

Notes:

1. Independent Review

The interim results for the six months ended 30 June 2023 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), by Deloitte Touche Tohmatsu, whose report on review of condensed consolidated financial statements is included in the interim report to be sent to shareholders. The interim results have also been reviewed by the Group’s Audit and Risk Management Committee.

2. Basis of Preparation

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

The financial information relating to the year ended 31 December 2022 that is included in this result announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements is as follows:

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

3. Principal Accounting Policies

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

The accounting policies and methods of 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.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards that are relevant to its operations and effective for the Group's financial year beginning on 1 January 2023. The applications of the Amendments to References to the Conceptual Framework in HKFRS Standards has no material impact on the condensed consolidated financial statements in the current and prior periods.

4. Turnover

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

The Group's principal activities are property investment, management and development, and its turnover and results are principally derived from investment properties located in Hong Kong.

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

5. Segment Information

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

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

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

Residential segment – leasing of luxury residential properties and related facilities

Property development segment – development of properties for sale or leasing

Segment turnover and results

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

	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**
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.

Segment assets

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

	Office	Retail	Residential	Property development	Consolidated
	HK$ million	HK$ million	HK$ million	HK$ million	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

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 the 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.

6. Taxation

	Six months ended 30 June	
	2023	2022
	HK$ million	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	2022
	HK$ million	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** **HK$ million**	 2022 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	Six months ended 30 June 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	Six months ended 30 June 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. 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	As at 31 December 2022
	HK$ million	HK$ million
Less than 30 days	**22**	21
31-90 days	**14**	16
Over 90 days	**13**	9
	49	46

11. Accounts Payable and Accruals

	As at 30 June 2023	As at 31 December 2022
	HK$ million	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.

ADDITIONAL INFORMATION

Corporate Governance

The Board and management of the Company are committed to maintaining high standards of corporate governance. The Board has adopted a Statement of Corporate Governance Policy to provide guidance on how corporate governance principles are applied in the Company. In addition to complying with applicable statutory requirements, we aim to continually review and enhance our corporate governance practices in the light of local and international best practices.

The Company fully complied with the code provision of the Corporate Governance Code as set out in Part 2 of Appendix 14 of the Listing Rules throughout the review period. The Board reviews its corporate governance practices continuously to cope with the evolving needs of the Group. Further information on the Company's corporate governance practices is available on our website at www.hysan.com.hk.

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

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Following specific enquiries by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the review period.

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

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the review period.

Human Resources Practices

The Group aims to attract, retain and develop high calibre individuals committed to attaining our objectives. The total number of employees as at 30 June 2023 was 468. The Group's human resources practices are aligned with our corporate objectives so as to maximize shareholder value and achieve growth. Details on our human resources programmes, training and development are set out in the "Sustainability Report 2022".

Closure of Register of Members

The first interim dividend will be paid to shareholders whose names appear on the register of members on Friday, 25 August 2023 and the payment date will be on or about Tuesday, 5 September 2023. The register of members will be closed on Friday, 25 August 2023, on which date no transfer of shares will be registered. The ex-dividend date will be Wednesday, 23 August 2023. 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 at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:00 p.m. on Thursday, 24 August 2023.

By Order of the Board
Lee Irene Yun-Lien
Chairman

Hong Kong, 10 August 2023

*As at the date of this announcement, the Board comprises: 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* and Lee Tze Hau Michael*.*

* *Non-Executive Directors*
** *Independent Non-Executive Directors*

This interim results announcement is published on the websites of the Company (www.hysan.com.hk) and the Stock Exchange (www.hkexnews.hk). The Interim Report 2023 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites around end of August 2023.