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Hysan 希慎

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 2022

- **Improvement in performance of retail tenants amidst signs of a Hong Kong economic recovery after the gradual relaxation of COVID-19 fifth wave restrictions**
- **The Group continues to refine and enhance its core, focusing on Lee Gardens and Hysan Place, as well as Caroline Hill Road site work**
- **Strategic pillars progressing, with sales commencing for award-winning Villa Lucca in Tai Po**
- **Occupancies for Office and Retail portfolios were 91% and 98% respectively**
- **Turnover and Recurring Underlying Profit decreased year-on-year by 3.1% and 0.7% respectively**
- **Reported Profit decreased year-on-year to HK$71 million mainly due to change in fair value of investment properties (non-cash in nature) by 1.0% which reflects general market conditions**

RESULTS

		Notes	**2022**	2021	Change
			Six months ended 30 June		
Turnover	*HK$ million*	*1*	**1,777**	1,834	-3.1%
Recurring Underlying Profit	*HK$ million*	*2*	**1,169**	1,177	-0.7%
Underlying Profit	*HK$ million*	*3*	**1,235**	1,177	+4.9%
Reported Profit	*HK$ million*	*4*	**71**	517	n/m
Basic Earnings per Share	*HK cent*		**7**	50	n/m
First Interim Dividend per Share	*HK cent*		**27**	27	±0%
			As at 30 June 2022	As at 31 December 2021	
Shareholders' Funds	*HK$ million*	*5*	**72,365**	73,870	-2.0%
Net Asset Value per Share	*HK$*	*6*	**70.3**	71.4	-1.5%

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

COVID-19 Fifth Wave's Impact on Hong Kong in the first quarter of 2022

The fifth wave of COVID-19 during the first months of 2022 in Hong Kong interrupted the economic recovery we saw during 2021. The restrictive measures imposed during the first quarter of 2022 not only reduced economic activity but also negatively affected consumer and business sentiment.

Starting in April, however, we began to see encouraging signs of recovery due to the moderation of the pandemic and gradual relaxation of government's quarantine measures. One was the latest unemployment figure (April to June) of 4.7%, which was an improvement from the same period in the previous year. Taking the April and May figures together, retail sales grew 4.7% year-on-year, due in part to the local Consumption Voucher Scheme.

While these signs are positive, Hong Kong's COVID-19 numbers were on a slow rise again as of this writing. Relaxation of government regulations, including those for normal travel, remain limited. Worldwide, uncertainty dominated the economic outlook, with rising interest rate and inflation, continuing supply chain issues and geopolitical tensions.

Vibrancy Returns to Lee Gardens

Like most businesses in Hong Kong, tenants in our core Causeway Bay portfolio were affected by the disruptions of the COVID-19 fifth wave. The situation has recently improved markedly. The Lee Gardens area is busy throughout the week and continues to be a vibrant destination at weekends.

Our positive outlook is underpinned by the figures. Estimated tenant sales rose more than 25% in the second quarter of 2022 as compared with the first quarter, and were on par with performance in the same period last year. Similarly, the occupancy rate of our retail portfolio stayed at a strong 98% level at the end of June, while office portfolio occupancy maintained a robust 91%.

The COVID-19 pandemic has confirmed the choice of hybrid work arrangements and flexible hours. Yet, many also recognise the advantages of having an office in the prime Lee Gardens area. These include the convenience of its location, the quality of the buildings, its reputation for attentive service and the synergy between the area's offices and retail offerings. All of these factors contributed to two of Hong Kong's leading banks deciding to open their premier wealth management centres in Lee Gardens in recent months.

As for the retail business, the marketing campaigns we ran from April to June — "Savour the Spring Sensations" and "Power Up" — benefited from more relaxed COVID-19 measures and Consumption Voucher spending, with significant support from both our loyal existing and new customers. The number of loyalty club members and their average transaction amounts both achieved year-on-year increases, despite limitations from COVID-19 fifth wave. Our partnership with Hang Seng Bank this summer has enabled us to leverage each other's brand and customer base.

Core Portfolio and Pillar Project Updates

This summer, Hysan Place will be 10 years old. While the complex remains a favourite of Hong Kong shoppers, we continue to enhance and raise the quality of the building and its offerings to cater for the ever-evolving needs of our customers. In the third quarter of 2022, we will be kicking off another trend-setting transformation, with new themes for different sectors of the building and exciting new tenants joining the shopping mall.

Other parts of our portfolio will also see substantial enhancements in the coming months, including the creation of an exclusive destination in Lee Gardens, with a mix of luxury retail flagship stores, quality dining, special events and experiences. While the changes are taking place, we will continue to provide the highest level of Lee Gardens service.

The extension to our Lee Gardens core portfolio, our joint-venture project at Caroline Hill Road, was successfully turned into a temporary vaccination centre where thousands of people received COVID-19 jabs. Site foundation work on the commercial and community sections of the project is now scheduled to begin.

Our luxury residential project in Tai Po, known as Villa Lucca, launched its sales programme in August. The project received double honours at the Asia Pacific Property Awards for its Exceptional (Architectural) Design. We were also delighted to have received excellent media coverage for this top-quality project that features a state-of-the-art clubhouse as well as premium features for all our residential units, amongst lush gardens with views of Tolo Harbour and Pat Sin Leng mountain range.

The city of Shanghai saw a COVID-19 outbreak in Q2 2022 which resulted in weeks of limited activities for its population. We are glad to report that Lee Gardens Shanghai's leasing activities restarted in earnest after the lifting of the restrictions, and we expect to welcome our first tenant later in the year. We are also reviewing different concepts for a revised retail space design, which is a part of our asset enhancement programme.

Care for the Community

We are proud to have set up two temporary Community Vaccination Centres in our portfolio during the most difficult period of the COVID-19 fifth wave. In fact, the Leighton Centre vaccination venue proved so popular with the community that it will remain in place until at least September of this year.

Our contribution to the fight against COVID-19 also included donations of air purifiers, rapid antigen testing kits, and food and care packages to people in need. In To Kwa Wan, we partnered with local NGOs to provide free inspections of elderly residents' drainage pipes, where viruses can collect.

The Community Lab we set up with Hong Kong Science and Technology Parks proves to be a popular destination for people interested in learning about technology. This complements the Lab's main role of helping new technology start-ups test their innovations in a real-world environment, the Lee Gardens Community Lab.

Outlook

In the months ahead, we expect that global economic woes will continue to create uncertainty, although cross-boundary restrictions may gradually be lifted in Hong Kong to provide some relief for external trade. Further relaxation of the city's international travel and trade limitations will be needed to ensure Hong Kong retains its status as a world-renowned financial and trading hub. Internally, the amount of local spending will also depend on the pandemic situation and any further moderation of COVID-19 rules.

At Hysan, we are confident about the prospects for our business, even in the short-term, as people continue to gather at our destinations for work, for shopping and for socialising with one another. Together with our continuing development, core expansion plans and growth pillars, we are optimistic about Hysan's continued long-term success.

Lee Irene Yun-Lien
Chairman

Hong Kong, 22 August 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Review of Results

In HK$ million	**Six months ended 30 June 2022**	2021	Change
Turnover	**1,777**	1,834	-3.1%
- *Office*	***805***	*880*	*-8.5%*
- *Retail*	***846***	*820*	*+3.2%*
- *Residential*	***126***	*134*	*-6.0%*
Recurring Underlying Profit	**1,169**	1,177	-0.7%
Underlying Profit	**1,235**	1,177	+4.9%

Turnover and Recurring Underlying Profit saw year-on-year decline of 3.1% and 0.7% respectively. The office sector remained under pressure partly due to the border closure between Mainland China and Hong Kong. The retail sector started to recover as economic fundamentals and market sentiment improved. The residential leasing segment declined mainly due to limited expatriate demand.

Underlying Profit experienced a year-on-year increase of 4.9%. This principally reflected a one-off exchange gain of HK$66 million that resulted from the settlement of a subsidiary acquired during the period.

The Board of Directors has declared a first interim dividend of HK27 cents per share (2021: 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	
	2022 HK$ million	2021 HK$ million
Reported profit	**71**	517
Change in fair value of properties	**958**	445
Investment properties	**985**	545
Less: Effect of other non-controlling interests	**(14)**	(28)
Share of associates (net of tax)	**(13)**	(72)
Imputed interest income on interest-free loan to a joint venture	**(8)**	(7)
Other gains and losses	**(16)**	(7)
Profit attributable to perpetual capital securities holders	**230**	229
Underlying Profit	**1,235**	1,177
One-off exchange gain	**(66)**	-
Recurring Underlying Profit	**1,169**	1,177

Review of Operations

Office

Turnover of the Group's office portfolio experienced a decline of 8.5% to HK$805 million (2021: HK$880 million), including turnover rent of HK$5 million (2021: HK$2 million). Despite the decline in office turnover, contribution from Co-Work increased with higher market demand.

After three consecutive years of declining office rents in Hong Kong, the first half of 2022 continued to be affected by COVID-19. Office demand from Mainland Chinese firms stayed weak, partly due to the border closure between the Mainland and Hong Kong. Many multinational firms adopted flexible or hybrid workplace as their new working model.

The average rental reversion rate on renewals, rent review and new lettings for Hysan's Lee Gardens portfolio remained in negative territory. Occupancy, however, stayed firm at 91% as at 30 June 2022 (31 December 2021: 94%).

Potential tenants are now looking for quality office space with sustainability features, which Hysan is in a good position to supply. After the opening of premier wealth management centres by HSBC and Standard Chartered Bank in Lee Gardens, other banks have been looking into consolidating their operations in our portfolio, which excels with its location, facilities and nearby retail offerings.

Banking, Finance and Wealth Management stayed in the top slot by tenant floor area occupation (24.7%). Professional and Consulting remained in second place (14.0%), while Co-Work continued in third place (13.9%).

Retail

The Group's retail portfolio turnover saw an increase of 3.2% to HK$846 million (2021: HK$820 million), including turnover rent of HK$52 million (2021: HK$55 million). Retail occupancy was 98% as at 30 June 2022 (31 December 2021: 99%). The average rental reversion rate on renewals, rent review and new lettings remained negative during the first half of 2022.

In response to Hong Kong's COVID-19 fifth wave in early 2022, the government imposed strict restrictions on businesses. These, together with the lack of incoming visitors, had a serious impact on footfall in retail shops and restaurants. The situation began to improve in April with the drop in the number of COVID-19 cases and the start of the new round of Consumption Voucher Scheme, which boosted local short-term spending.

Hysan maintained a close relationship with our tenants and provided them with appropriate support especially during the first quarter of 2022. We also attracted new food and beverage tenants, as well as beauty, sports and kids' concept shops to our portfolio. Plans were also in motion to create an exclusive destination for luxury retail flagship stores at Lee Gardens, and to reinforce Hysan Place's trend-setting image.

Marketing Initiatives and Loyalty Programmes

In April, Hysan responded quickly to the recovering market, which was supported by relaxed COVID-19 measures and Consumption Voucher disbursements. The "Savour the Spring Sensations" campaign, with its focus on dining and hair and beauty services, achieved satisfactory sales for our tenants. This was followed by the iconic "Power Up" campaign which offered 30% discounts via e-vouchers by more than 110 merchants. Daily sales through our hy! Platform topped 10,000 transactions.

Through the strategic partnership with Hang Seng Bank, a renowned local banking brand, Hysan captured sales opportunities from their extensive customer base and amplified awareness of our own brand. In the “Power Up” campaign, Hang Seng Bank credit card holders were entitled to exclusive discount offers of up to 50% via e-vouchers.

In the first half of 2022, the support of our VIP Club Avenue and loyal Lee Gardens Club members remained resilient, despite the tough anti-pandemic measures. Through promotions and our much-appreciated personalised service, both the number of members who spent and the average transaction amounts achieved slight year-on-year increases. Proactive partnerships with third parties and brands have also strengthened our membership bases.

Harnessing Business Technology

The Business Technology team played a vital part in the successful launch of “hy!”, our digital engagement platform for both e-shopping and community programmes. Available 24/7 to different customer groups, it is exceptionally popular with younger consumers. More than 50,000 products have been sold through a series of festive promotions, flash sales and online pop-up limited-edition collectibles on the platform.

Another major project completed in the first half of 2022 was the enhancement of the remote access system to improve security in Hysan’s operations. This is of utmost importance as working away from the office has become something regular during the pandemic.

Cybersecurity awareness training was also improved through regular online sessions and simulation exercises.

Residential

Hysan’s residential leasing portfolio turnover saw a 6.0% decline to HK$126 million (2021: HK$134 million). Occupancy stood at 71% as at 30 June 2022 (31 December 2021: 71%). The average rental reversion in the sector was negative for renewals, rent review and new lettings.

While the luxury residential leasing market has remained quiet due to the macro-economic conditions, Hysan’s Bamboo Grove has been providing more flexible solutions for customers and more attractive terms to agents.

The city’s residential sales market, on the other hand, has weathered the latest wave of COVID-19, and become more active since the rules relaxation at the end of the fifth wave. Highlights of the latest developments at our Tai Po luxury residential project are outlined below.

Core Expansion & Strategic Pillars

Property Development – Caroline Hill Road Site and Tai Po Luxury Residential Project

In support of the Hong Kong Government's call to vaccinate against COVID-19, Hysan provided two venues as temporary vaccination centres. The Caroline Hill Road site ("CHR project") was the largest vaccination centre in a private property portfolio, and was set up in just 18 days. It ceased operating on 30 June 2022.

For our forthcoming premium commercial building with community facilities, the concept design was completed and the layout plan approved by the Planning Department. Foundation works for this project are expected to start on schedule in the third quarter of 2022, with project completion slated for 2026. A weatherproof pedestrian route connecting the CHR project with the rest of Lee Gardens also remained on schedule for its completion in 2026.

The sales programme for the award-winning Villa Lucca project began in August 2022 and received extensive press attention during on-site media gatherings. The project provides 262 garden houses and apartments, including 36 houses/mansions, 66 special apartments and 160 typical units. Unit sizes range from 1,010 square feet to 8,030 square feet in saleable area. There is also a 34,000 square foot clubhouse complementing the residential units. The development, which is the first luxury project to be unveiled in Tai Po's prestigious Lo Fai Road area in recent years, commands spectacular views of the Plover Cove Reservoir and Tolo Harbour.

The CHR project and Tai Po Luxury Residential Project are included in investment properties and investments in joint ventures under condensed consolidated statement of financial position respectively.

Shanghai Investment Property – Lee Gardens Shanghai

The project site was officially handed over by the vendor to Hysan in January 2022, with leasing activities and the publication of promotional materials starting immediately afterwards. As Shanghai experienced a wave of COVID-19 in Q2 2022, social and economic activities were severely curtailed. Once restrictions were relaxed, Lee Gardens Shanghai restarted its rental campaign and is expected to welcome the first tenant by the second half of the year. Lee Gardens Shanghai is also exploring different concepts for the retail space and design as further asset enhancement work gets underway. The investment is included in investment properties under 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-19 measures in Shanghai. The investment is included in investments in associates under condensed consolidated statement of financial position.

Greater Bay Area Flex – Joint Venture with IWG plc

The Hysan-IWG joint venture operates all IWG brands in Hong Kong and the Greater Bay Area on an exclusive basis. As a result, Hysan has been able to expand its footprint in the Greater Bay Area and into the flexible workspace business.

IWG is one of the world's largest flexible workspace platforms with millions of customers worldwide offering a wide range of flexible workspace solutions under globally recognised brands including Regus, Spaces and Signature. IWG has been at the global forefront of the flexible workspace revolution for more than 30 years.

With the addition of 2 new centres at Tower 535 and 8 QRE in Hong Kong during the reporting period, the joint venture now operates in 34 locations across the Greater Bay Area and will continue to expand IWG's brands within the region's vast and growing flexible workspace market.

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

Medical and Health – New Frontier Group

New Frontier Group is a leading private healthcare services provider based in China which 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. It continued its rapid development in the first half of 2022.

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

Opened in May 2022, Shenzhen New Frontier United Family Hospital is a comprehensive hospital dedicated to serving affluent and middle-class families in Shenzhen and the Greater Bay Area. With a gross floor area of 65,000 sqm., the hospital provides inpatient as well as outpatient care in family medicine, internal medicine, surgery, OB-GYN, paediatrics, ophthalmology, ENT, dentistry and more.

The investment is included as part of the other financial investments under 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). The Group's operating costs to turnover ratio increased compared to last year's corresponding period, at 22.1% (2021: 18.5%), mainly due to pre-operating expenses of Lee Gardens Shanghai as well as increased marketing, leasing and epidemic related property management expenses to mitigate the COVID-19 fifth wave impact of our operations.

Finance Costs
Finance costs decreased to HK$172 million, compared to HK$275 million in the first half of 2021, as the Group capitalised part of finance cost to investment properties under development. The Group has raised approximately HK$7 billion from new issuance via MTN program since 2020 to take advantage of market liquidity and low interest rate environment. During the period, finance costs relating to such funding exercise amounted to HK$201 million (2021: HK$197 million). The effective interest rate for the period was 2.4%, as compared to 2.9% in the same period 2021.

Revaluation of Investment Properties
As at 30 June 2022, the investment properties of the Group were valued at HK$98,740 million, an increase of 3.8% from HK$95,107 million as at 31 December 2021, mainly due to completion of acquisition of a commercial complex located at Nos. 668 and 688 Xinzha Road, Shanghai, the PRC in January 2022 at consideration of approximately RMB3,500 million (equivalent to approximately HK$4,235 million).

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$985 million (2021: fair value loss of HK$545 million) was recognized in the condensed consolidated statement of profit or loss for the period. This loss mainly reflects the increasing market risk of the retail and office sectors impacted by global economic uncertainties.

Investments in Associates and a Joint Venture
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 shared results decreased to HK$147 million (2021: HK$212 million), mainly due to the Group's share of revaluation gain (net of deferred tax) amounting to HK$13 million (2021: revaluation gain of HK$72 million).

The Group's investment in a joint venture represents its interest in the Tai Po residential project.

Bank Deposits and Other Investments
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$8 million (2021: HK$7 million), like-for-like interest income increased to HK$61 million (2021: HK$42 million) resulting from higher deposit rate on the bank deposits placed.

The Group also extended its investments beyond its core geographical area and businesses. As at 30 June 2022, these investments totalling HK$2,109 million (31 December 2021: HK$1,780 million) expanded our reach to Mainland China and other areas in Asia with a view to generating new sources of income and capital.

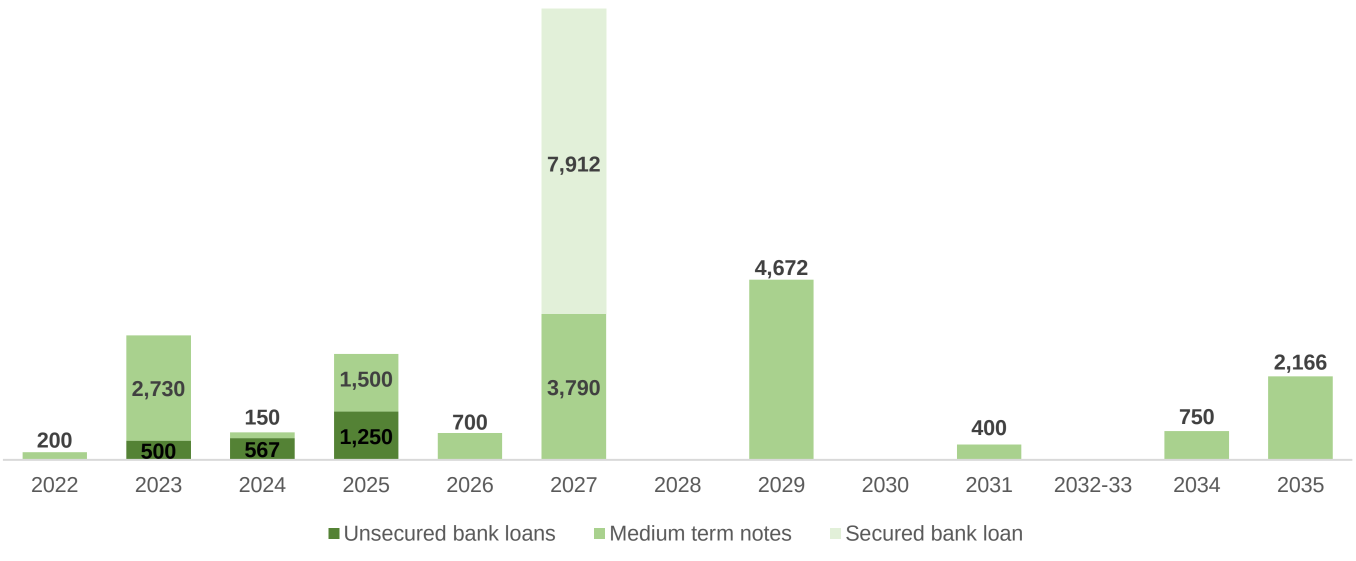
Capital Expenditure
Total cash outlay of capital expenditure decreased to HK$2,621 million during the interim period (2021: HK$20,077 million). The Group is committed to enhancing the asset value of its investment property portfolio through selective enhancement and redevelopment.

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 2022 increased to HK$27,287 million (31 December 2021: HK$18,807 million), mainly resulting from the bank loans drawn down for our CHR project financing. The Group's average debt maturity was at 5.3 years as at 30 June 2022 (31 December 2021: 6.1 years).

The following shows the debts maturity profile of the Group at 2022 interim period-end (in HK$ million):



[1] The Gross Debt represents the contractual principal payment obligations as at 30 June 2022. 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 2022, the book value of the outstanding debt of the Group was HK$27,124 million (31 December 2021: HK$18,657 million).

As at 30 June 2022, bank loans accounted for approximately 37% of the Group's total Gross Debt, with the remaining 63% from capital market financing (31 December 2021: 8%: 92%).

The following table shows the Group's source of debt financing as at 30 June 2022 (in HK$ million):

	Available	Drawn	Undrawn
Secured term loans[1]	12,951	7,912	5,039
Unsecured term loans	2,317	2,317	-
Committed revolving loans	4,600	-	4,600
Capital market issuances	17,058	17,058	-
Total committed facilities	**36,926**	**27,287**	**9,639**
Uncommitted revolving loans	2,680	-	2,680
Total source of debts financing	**39,606**	**27,287**	**12,319**

Gearing Ratio and Net Interest Coverage

The Group's gearing ratio, as measured by Net Debt to Equity[2], was 23.8% at interim period-end 2022 (31 December 2021: 11.7%). The Group's Net Interest Coverage[3] decreased to 5.4 times for interim period-end 2022 (2021: 9.1 times).

Credit Ratings

As at 30 June 2022, the Group's credit ratings were maintained at A3 from Moody's and A- from Fitch.

Liquidity Management

As at 30 June 2022, the Group has cash and bank deposits totalling about HK$6,701 million (31 December 2021: HK$8,404 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$1,029 million (2021: HK$1,014 million) in investment-grade debt securities.

The Group has also secured reasonable undrawn committed facilities, most of which are arranged on a medium-term basis, to help minimize refinancing risk and strengthen the Group's financing flexibility. These facilities amounted to HK$9,639 million at 2022 interim period-end (31 December 2021: HK$5,550 million), allowing the Group to obtain additional liquidity as the need arises.

[1] Secured term loans represent the contractual principal payment obligations of the project financing of CHR project.

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

[3] Net Interest Coverage is defined as gross profit less administrative expense before depreciation divided by net interest expenses.

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 2022 was 60% (31 December 2021: 75%). The effective interest rate decreased to 2.4% at interim period-end 2022 from 2.9% at year-end 2021.

Foreign Exchange Management
The Group aims to achieve minimal currency exposure and does not speculate in currency movements for asset and liability management. The majority of the Group's borrowings are denominated or hedged to HKD with the remainder predominately in USD with limited exposure to foreign exchange risk.

Capital management
During the interim period, the Group has repurchased approximately US$49 million (2021: nil) 4.85% senior perpetual capital securities for a total consideration of HK$364 million (2021: nil).

Sustainable finance initiatives
During the interim period, the Group has executed several sustainable finance transactions including one of the largest green loan facilities in Hong Kong amounting to HK$12,951 million for our CHR project development as well as HK$1,500 million sustainability-linked loans.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period ended 30 June 2022 (unaudited)

	Notes	Six months ended 30 June 2022 HK$ million	2021 HK$ million
Turnover	4	**1,777**	1,834
Property expenses		**(248)**	(218)
Gross profit		**1,529**	1,616
Investment income		**135**	49
Other gains and losses		**16**	7
Administrative expenses		**(145)**	(121)
Finance costs		**(172)**	(275)
Change in fair value of investment properties		**(985)**	(545)
Share of results of:			
associates		**147**	212
joint venture		**(8)**	-
Profit before taxation		**517**	943
Taxation	6	**(182)**	(162)
Profit for the period	7	**335**	781
Profit for the period attributable to:			
Owners of the Company		**71**	517
Perpetual capital securities holders		**230**	229
Other non-controlling interests		**34**	35
		335	781
Earnings per share (expressed in HK cents)	8		
Basic		**7**	50
Diluted		**7**	50

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2022 (unaudited)

	Six months ended 30 June	
	2022	2021
	HK$ million	HK$ million
Profit for the period	**335**	781
Other comprehensive income (expenses)		
Items that will not be reclassified subsequently to profit or loss:		
(Losses) gains on revaluation of properties held for own use (net of tax)	**(2)**	3
Change in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")	**21**	162
	19	165
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of subsidiaries	**(153)**	-
Net adjustments to hedging reserve	**139**	(65)
Share of translation reserve of an associate	**(270)**	64
	(284)	(1)
Other comprehensive (expenses) income for the period (net of tax)	**(265)**	164
Total comprehensive income for the period	**70**	945
Total comprehensive (expenses) income attributable to:		
Owners of the Company	**(194)**	681
Perpetual capital securities holders	**230**	229
Other non-controlling interests	**34**	35
	70	945

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022 (unaudited)

	Notes	**As at 30 June 2022 HK$ million**	As at 31 December 2021 HK$ million *(audited)*
Non-current assets			
Investment properties		**98,740**	95,107
Property, plant and equipment		**539**	472
Investments in associates		**5,872**	5,995
Loans to associates		**10**	10
Investments in joint ventures		**520**	475
Loans to joint ventures		**4,260**	1,256
Other financial investments		**2,109**	1,780
Debt securities		**998**	843
Deferred tax asset		**96**	90
Other financial assets		**369**	9
Other receivables	10	**371**	1,835
		113,884	107,872
Current assets			
Accounts and other receivables	10	**533**	887
Debt securities		**31**	171
Other financial assets		**20**	-
Tax recoverable		**-**	39
Time deposits		**6,038**	1,866
Cash and cash equivalents		**663**	6,538
		7,285	9,501
Current liabilities			
Accounts payable and accruals	11	**870**	820
Deposits from tenants		**347**	372
Amounts due to non-controlling interest		**214**	214
Borrowings		**2,553**	531
Taxation payable		**117**	-
		4,101	1,937
Net current assets		**3,184**	7,564
Total assets less current liabilities		**117,068**	115,436
Non-current liabilities			
Amounts due to non-controlling interest		**4,571**	7,639
Borrowings		**24,571**	18,126
Other financial liabilities		**319**	149
Deposits from tenants		**537**	546
Deferred taxation		**1,123**	1,091
		31,121	27,551
Net assets		**85,947**	87,885

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued

As at 30 June 2022 (unaudited)

	Notes	**As at 30 June 2022 HK$ million**	As at 31 December 2021 HK$ million *(audited)*
Capital and reserves			
Share capital		**7,723**	7,723
Reserves		**64,642**	66,147
Equity attributable to owners of the Company		**72,365**	73,870
Perpetual capital securities		**10,273**	10,657
Other non-controlling interests		**3,309**	3,358
Total equity		**85,947**	87,885

Notes:

1. Independent Review

The interim results for the six months ended 30 June 2022 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 2022 have been prepared in accordance with 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”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA.

The financial information relating to the year ended 31 December 2021 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 2021 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 computations followed in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021.

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

Application of 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 2022. 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	Retail	Residential	Property Development	Consolidated
	HK$ million	HK$ million	HK$ million	HK$ million	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**
For the six months ended 30 June 2021 (unaudited)					
Turnover					
Leasing of investment properties	775	734	120	-	1,629
Provision of property management services	105	86	14	-	205
Segment revenue	880	820	134	-	1,834
Property expenses	(85)	(104)	(29)	-	(218)
Segment profit	795	716	105	-	1,616
Investment income					49
Other gains and losses					7
Administrative expenses					(121)
Finance costs					(275)
Change in fair value of investment properties					(545)
Share of results of associates					212
Profit before taxation					943

All the segment turnover reported above is from external customers.

Segment profit represents the profit earned by each segment without allocation of 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. 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 2022 (unaudited)					
Segment assets	**38,081**	**32,018**	**8,718**	**24,537**	**103,354**
Investments in and loans to associates					**5,882**
Investments in a joint venture					**343**
Other financial investments					**2,109**
Other assets					**9,481**
Consolidated assets					**121,169**
As at 31 December 2021 (audited)					
Segment assets	34,715	31,921	8,715	21,199	96,550
Investments in and loans to associates					6,005
Investment in a joint venture					352
Other financial investments					1,780
Other assets					12,686
Consolidated assets					117,373

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 profit.

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

Included in the Retail and Office segment is an investment property located in Mainland China of HK$703 million and HK$3,747 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	
	2022	2021
	HK$ million	HK$ million
Current tax		
Hong Kong Profits Tax		
- current period	**156**	167
Deferred tax	**26**	(5)
	182	162

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	
	2022	2021
	HK$ million	HK$ million
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**16**	14
Gross rental income from investment properties including rentals received with reference to turnover of tenants of HK$57 million (2021: HK$57 million)	**(1,514)**	(1,629)
Interest income (included in investment income)	**(61)**	(42)
Imputed interest income on interest-free loan to a joint venture (included in investment income)	**(8)**	(7)
Staff costs (including directors' emoluments)	**149**	132
Share of income tax of associates (included in share of results of associates)	**67**	83

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	
	2022	2021
	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	**71**	517

	Number of shares	
	Six months ended 30 June	
	2022	2021
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,036,062,547**	1,039,711,082
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	**1,036,062,547**	1,039,711,082

The computation of diluted earnings per share does not assume the exercise of all (2021: 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	
	2022	2021
	HK$ million	HK$ million
2021 second interim dividend paid – HK117 cents per share	**1,209**	-
2020 second interim dividend paid – HK117 cents per share	**-**	1,216
	1,209	1,216

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

	Six months ended 30 June	
	2022	2021
	HK$ million	HK$ million
First interim dividend - HK27 cents per share (2021: HK27 cents per share)	**278**	281

The first interim dividend for 2022 is not recognized as a liability as at 30 June 2022 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 2022	As at 31 December 2021
	HK$ million	HK$ million
Accounts receivable	**177**	64
Interest receivable	**127**	111
Prepayments in respect of investment properties	**163**	132
Deposit for acquisition of a subsidiary	**-**	1,520
Other receivables and prepayments	**437**	895
Total	**904**	2,722
Analysed for reporting purposes as:		
Current assets	**533**	887
Non-current assets	**371**	1,835
	904	2,722

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 2022 HK$ million	As at 31 December 2021 HK$ million
Less than 30 days	**144**	28
31-90 days	**23**	30
Over 90 days	**10**	6
	177	64

11. Accounts Payable and Accruals

	As at 30 June 2022 HK$ million	As at 31 December 2021 HK$ million
Accounts payable	**171**	193
Interest payable	**172**	155
Other payables	**527**	472
	870	820

As at 30 June 2022, accounts payable of the Group with carrying amount of HK$104 million (31 December 2021: HK$143 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 which provides 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 complied with the code provisions 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

(i) Repurchase of ordinary shares

The Directors were authorized by the shareholders of the Company at the Company's annual general meetings to effect repurchase of the Company's ordinary shares not exceeding 10% of the total number of the Company's issued shares as at the dates of the resolutions being passed. During the review period, the Company repurchased its ordinary shares on the Stock Exchange when they were trading at a significant discount to the Company's net asset value in order to enhance shareholder value.

During the review period, the Company repurchased an aggregate of 5,400,000 ordinary shares for a total consideration of approximately HK$125 million on the Stock Exchange, out of which 5,300,000 shares were cancelled during the review period and the remaining 100,000 shares were subsequently cancelled in July 2022. Details of the shares repurchased are as follows:

Month of repurchase in 2022	Number of ordinary shares repurchased	Consideration per share		Aggregate consideration paid
		Highest HK$	Lowest HK$	HK$ million
February	1,050,000	23.40	22.80	24
March	950,000	23.45	20.15	21
April	1,500,000	23.55	23.00	36
May	500,000	23.25	22.70	11
June	1,400,000	23.95	22.45	33
	5,400,000			125

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

(ii) Repurchase of senior perpetual capital securities

During the review period, the Group through a wholly owned subsidiary of the Company repurchased 4.85% senior perpetual capital securities in the nominal amount of US$49 million (approximately HK$379 million) on the Stock Exchange, which were issued in 2020 and listed on the Stock Exchange, for an aggregate consideration of approximately HK$364 million.

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any 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 2022 was 476. 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 2021".

Closure of Register of Members

The first interim dividend will be paid to shareholders whose names appear on the register of members on Tuesday, 6 September 2022 and the payment date will be on or about Friday, 16 September 2022. The register of members will be closed on Tuesday, 6 September 2022, on which date no transfer of shares will be registered. The ex-dividend date will be Friday, 2 September 2022. 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 Monday, 5 September 2022.

By Order of the Board
Lee Irene Yun-Lien
Chairman

Hong Kong, 22 August 2022

*As at the date of this announcement, the Board comprises: Lee Irene Yun-Lien (Chairman), Lui Kon Wai (Executive Director and Chief Operating Officer), Churchouse Frederick Peter**, Fan Yan Hok Philip**, Poon Chung Yin Joseph**, Wong Ching Ying Belinda**, Young Elaine Carole**, Jebsen Hans Michael* (Yang Chi Hsin Trevor as his alternate), 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 2022 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites around early September 2022.