

**Hysan Development Company Limited**

INTERIM REPORT 2022

# VISION

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

# MISSION

Provide our stakeholders with sustainable and outstanding returns from a property portfolio which is strategically planned and managed by passionate, responsible and forward-looking professionals.

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## Highlights

- **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

			<b>Six months ended 30 June</b>			
			Notes	<b>2022</b>	2021	Change
Turnover	HK\$ million	1		<b>1,777</b>	1,834	-3.1%
Recurring Underlying Profit	HK\$ million	2		<b>1,169</b>	1,177	-0.7%
Underlying Profit	HK\$ million	3		<b>1,235</b>	1,177	+4.9%
Reported Profit	HK\$ million	4		<b>71</b>	517	n/m
Basic Earnings per Share	HK cent			<b>7</b>	50	n/m
First Interim Dividend per Share	HK cent			<b>27</b>	27	±0%
				<b>As at 30 June 2022</b>	As at 31 December 2021	
Shareholders' Funds	HK\$ million	5		<b>72,365</b>	73,870	-2.0%
Net Asset Value per Share	HK\$	6		<b>70.3</b>	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	<b>1,777</b>	1,834	-3.1%
– Office	<b>805</b>	880	-8.5%
– Retail	<b>846</b>	820	+3.2%
– Residential	<b>126</b>	134	-6.0%
Recurring Underlying Profit	<b>1,169</b>	1,177	-0.7%
Underlying Profit	<b>1,235</b>	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	<b>71</b>	517
Change in fair value of properties	<b>958</b>	445
Investment properties	<b>985</b>	545
Less: Effect of other non-controlling interests	<b>(14)</b>	(28)
Share of associates (net of tax)	<b>(13)</b>	(72)
Imputed interest income on interest-free loan to a joint venture	<b>(8)</b>	(7)
Other gains and losses	<b>(16)</b>	(7)
Profit attributable to perpetual capital securities holders	<b>230</b>	229
Underlying Profit	<b>1,235</b>	1,177
One-off exchange gain	<b>(66)</b>	–
Recurring Underlying Profit	<b>1,169</b>	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%).

Hysan's office portfolio, which excels with its location, facilities and nearby retail offerings, is seen as a perfect destination for the wealth management segment. After the leasing of prominent spaces at Lee Gardens by HSBC and Standard Chartered, other banks have been looking into consolidating their operations in our portfolio to enjoy the benefits of having a presence in this prime area.

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 capitalized 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.

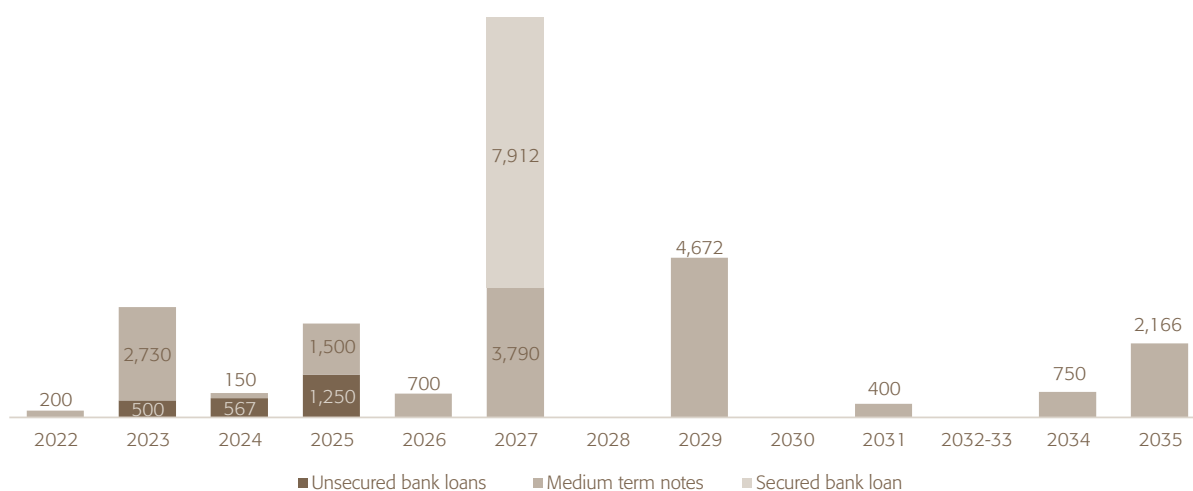
## Treasury Policy

### 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<sup>1</sup> 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):



<sup>1</sup> 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):

	<b>Available</b>	<b>Drawn</b>	<b>Undrawn</b>
Secured term loans <sup>1</sup>	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	–
<b>Total committed facilities</b>	<b>36,926</b>	<b>27,287</b>	<b>9,639</b>
Uncommitted revolving loans	2,680	–	2,680
<b>Total source of debts financing</b>	<b>39,606</b>	<b>27,287</b>	<b>12,319</b>

### **Gearing Ratio and Net Interest Coverage**

The Group's gearing ratio, as measured by Net Debt to Equity<sup>2</sup>, was 23.8% at interim period-end 2022 (31 December 2021: 11.7%). The Group's Net Interest Coverage<sup>3</sup> 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.

<sup>1</sup> Secured term loans represent the contractual principal payment obligations of the project financing of CHR project.

<sup>2</sup> Net Debt to Equity is defined as borrowings less time deposits, cash and cash equivalents divided by total equity.

<sup>3</sup> Net Interest Coverage is defined as gross profit less administrative expense before depreciation divided by net interest expenses.

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.

### **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.



**REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

希慎興業有限公司

*(Incorporated in Hong Kong with limited liability)*

**Introduction**

We have reviewed the condensed consolidated financial statements of Hysan Development Company Limited (the “Company”) and its subsidiaries set out on pages 18 to 48, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**

Certified Public Accountants  
Hong Kong

22 August 2022

# Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022 (unaudited)

		<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
		<b>HK\$ million</b>	HK\$ million
	Notes		
Turnover	3	<b>1,777</b>	1,834
Property expenses		<b>(248)</b>	(218)
Gross profit		<b>1,529</b>	1,616
Investment income		<b>135</b>	49
Other gains and losses		<b>16</b>	7
Administrative expenses		<b>(145)</b>	(121)
Finance costs	5	<b>(172)</b>	(275)
Change in fair value of investment properties		<b>(985)</b>	(545)
Share of results of:			
associates		<b>147</b>	212
joint venture		<b>(8)</b>	–
Profit before taxation		<b>517</b>	943
Taxation	6	<b>(182)</b>	(162)
<b>Profit for the period</b>	7	<b>335</b>	781
Profit for the period attributable to:			
Owners of the Company		<b>71</b>	517
Perpetual capital securities holders		<b>230</b>	229
Other non-controlling interests		<b>34</b>	35
		<b>335</b>	781
<b>Earnings per share</b> (expressed in HK cents)			
Basic	8	<b>7</b>	50
Diluted	8	<b>7</b>	50

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022 (unaudited)

	<b>Six months ended 30 June</b>	
	<b>2022</b> HK\$ million	2021 HK\$ million
<b>Profit for the period</b>	<b>335</b>	781
<b>Other comprehensive income (expenses)</b>		
<b><i>Items that will not be reclassified subsequently to profit or loss:</i></b>		
(Losses) gains on revaluation of properties held for own use (net of tax)	<b>(2)</b>	3
Change in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")	<b>21</b>	162
	<b>19</b>	165
<b><i>Items that may be reclassified subsequently to profit or loss:</i></b>		
Exchange difference on translation of subsidiaries	<b>(153)</b>	–
Net adjustments to hedging reserve	<b>139</b>	(65)
Share of translation reserve of an associate	<b>(270)</b>	64
	<b>(284)</b>	(1)
<b>Other comprehensive (expenses) income for the period (net of tax)</b>	<b>(265)</b>	164
<b>Total comprehensive income for the period</b>	<b>70</b>	945
Total comprehensive (expenses) income attributable to:		
Owners of the Company	<b>(194)</b>	681
Perpetual capital securities holders	<b>230</b>	229
Other non-controlling interests	<b>34</b>	35
	<b>70</b>	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)
<b>Non-current assets</b>			
Investment properties	10	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	11	371	1,835
		<b>113,884</b>	107,872
<b>Current assets</b>			
Accounts and other receivables	11	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
		<b>7,285</b>	9,501
<b>Current liabilities</b>			
Accounts payable and accruals	12	870	820
Deposits from tenants		347	372
Amounts due to non-controlling interest	13	214	214
Borrowings	14	2,553	531
Taxation payable		117	–
		<b>4,101</b>	1,937
<b>Net current assets</b>		<b>3,184</b>	7,564
<b>Total assets less current liabilities</b>		<b>117,068</b>	115,436

# Condensed Consolidated Statement of Financial Position *continued*

As at 30 June 2022 (unaudited)

	Notes	<b>As at 30 June 2022 HK\$ million</b>	As at 31 December 2021 HK\$ million (audited)
<b>Non-current liabilities</b>			
Amounts due to non-controlling interest	13	<b>4,571</b>	7,639
Borrowings	14	<b>24,571</b>	18,126
Other financial liabilities		<b>319</b>	149
Deposits from tenants		<b>537</b>	546
Deferred taxation		<b>1,123</b>	1,091
		<b>31,121</b>	27,551
<b>Net assets</b>		<b>85,947</b>	87,885
<b>Capital and reserves</b>			
Share capital		<b>7,723</b>	7,723
Reserves		<b>64,642</b>	66,147
<b>Equity attributable to owners of the Company</b>		<b>72,365</b>	73,870
<b>Perpetual capital securities</b>	15	<b>10,273</b>	10,657
<b>Other non-controlling interests</b>		<b>3,309</b>	3,358
<b>Total equity</b>		<b>85,947</b>	87,885

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022 (unaudited)

	Attributable to owners of the Company		
	Share capital HK\$ million	Share options reserve HK\$ million	General reserve HK\$ million
As at 1 January 2022 (audited)	7,723	31	96
Profit for the period	–	–	–
Exchange difference on translation of subsidiaries	–	–	–
Net gains arising from hedging instruments	–	–	–
Reclassification adjustments for net losses included in profit or loss	–	–	–
Loss on revaluation of properties held for own use (Note a)	–	–	–
Change in fair value of equity investment at FVTOCI	–	–	–
Share of translation reserve of an associate	–	–	–
Total comprehensive income (expenses) for the period	–	–	–
Recognition of equity-settled share-based payments	–	3	–
Forfeiture of share options	–	(2)	–
Repurchase of own shares	–	–	–
Dividends paid during the period (note 9)	–	–	–
Distribution to perpetual capital securities holders (note 15)	–	–	–
Repurchase of perpetual capital securities (note 15)	–	–	–
Deemed distribution to a non-controlling shareholder	–	–	–
<b>As at 30 June 2022 (unaudited)</b>	<b>7,723</b>	<b>32</b>	<b>96</b>
As at 1 January 2021 (audited)	7,722	27	96
Profit for the period	–	–	–
Net losses arising from hedging instruments	–	–	–
Reclassification adjustments for net gains included in profit or loss	–	–	–
Gain on revaluation of properties held for own use (Note a)	–	–	–
Change in fair value of equity investment at FVTOCI	–	–	–
Share of translation reserve of an associate	–	–	–
Total comprehensive income (expenses) for the period	–	–	–
Issue of shares under share option schemes	1	–	–
Recognition of equity-settled share-based payments	–	3	–
Repurchase of own shares	–	–	–
Dividends paid during the period (note 9)	–	–	–
Distribution to perpetual capital securities holders (note 15)	–	–	–
As at 30 June 2021 (unaudited)	7,723	30	96

Note:

- (a) The Group's leasehold land and buildings classified as property, plant and equipment were revalued as at 30 June 2022 and 2021 by Knight Frank Petty Limited, an independent qualified professional valuer, on market value basis. The valuation was derived from the basis of capitalisation of net income with due allowance for the reversionary income potential. The loss of HK\$2 million (2021: gain of HK\$3 million) arising on revaluation have been recognized and accumulated in properties revaluation reserve.



**Attributable to owners of the Company**

<b>Investments revaluation reserve HK\$ million</b>	<b>Hedging reserve HK\$ million</b>	<b>Properties revaluation reserve HK\$ million</b>	<b>Translation reserve HK\$ million</b>	<b>Retained profits HK\$ million</b>	<b>Total HK\$ million</b>	<b>Perpetual capital securities HK\$ million</b>	<b>Other non- controlling interests HK\$ million</b>	<b>Total HK\$ million</b>
320	(161)	458	530	64,873	73,870	10,657	3,358	87,885
-	-	-	-	71	71	230	34	335
-	-	-	(153)	-	(153)	-	-	(153)
-	213	-	-	-	213	-	-	213
-	(74)	-	-	-	(74)	-	-	(74)
-	-	(2)	-	-	(2)	-	-	(2)
21	-	-	-	-	21	-	-	21
-	-	-	(270)	-	(270)	-	-	(270)
21	139	(2)	(423)	71	(194)	230	34	70
-	-	-	-	-	3	-	-	3
-	-	-	-	2	-	-	-	-
-	-	-	-	(125)	(125)	-	-	(125)
-	-	-	-	(1,209)	(1,209)	-	(61)	(1,270)
-	-	-	-	-	-	(235)	-	(235)
-	-	-	-	20	20	(379)	-	(359)
-	-	-	-	-	-	-	(22)	(22)
<b>341</b>	<b>(22)</b>	<b>456</b>	<b>107</b>	<b>63,632</b>	<b>72,365</b>	<b>10,273</b>	<b>3,309</b>	<b>85,947</b>
6	(141)	476	363	65,131	73,680	10,657	3,112	87,449
-	-	-	-	517	517	229	35	781
-	(52)	-	-	-	(52)	-	-	(52)
-	(13)	-	-	-	(13)	-	-	(13)
-	-	3	-	-	3	-	-	3
162	-	-	-	-	162	-	-	162
-	-	-	64	-	64	-	-	64
162	(65)	3	64	517	681	229	35	945
-	-	-	-	-	1	-	-	1
-	-	-	-	-	3	-	-	3
-	-	-	-	(3)	(3)	-	-	(3)
-	-	-	-	(1,216)	(1,216)	-	(60)	(1,276)
-	-	-	-	-	-	(229)	-	(229)
168	(206)	479	427	64,429	73,146	10,657	3,087	86,890

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022 (unaudited)

	<b>Six months ended 30 June</b>	
	<b>2022</b> HK\$ million	2021 HK\$ million
<b>Net cash from operating activities</b>	<b>1,228</b>	1,283
<b>Investing activities</b>		
Payments in respect of investment properties	(98)	(20,077)
Acquisition of investment properties through acquisition of subsidiaries	(2,523)	–
Purchases of property, plant and equipment	(11)	(28)
Interest received	21	49
Proceeds upon maturity of debt securities	140	–
Purchase of debt securities	(147)	(384)
Proceeds upon maturity of time deposits with original maturity over three months	2,503	12,676
Additions to time deposits with original maturity over three months	(6,675)	(7,273)
Payments in respect of other financial investments	(292)	(12)
Investment in a joint venture	(2)	–
Advances to joint ventures	(3,035)	(30)
<b>Net cash used in investing activities</b>	<b>(10,119)</b>	(15,079)
<b>Financing activities</b>		
Payment for finance costs	(341)	(281)
Advance from non-controlling interest	–	7,911
Issuance of fixed rate notes	149	–
New bank loans	8,742	–
Repayment of fixed rate notes	(331)	–
Repayment of bank loan	(80)	(800)
Repurchase of perpetual capital securities	(359)	–
Payment on repurchase of own shares	(125)	(3)
Repayment to non-controlling interests of a subsidiary	(3,164)	–
Proceeds on exercise of share options	–	1
Dividends paid	(1,209)	(1,216)
Distribution paid to perpetual capital securities holders	(235)	(229)
Dividends paid to non-controlling interests of a subsidiary	(61)	(60)
<b>Net cash from financing activities</b>	<b>2,986</b>	5,323
<b>Net decrease in cash and cash equivalents</b>	<b>(5,905)</b>	(8,473)
<b>Cash and cash equivalents as at 1 January</b>	<b>6,538</b>	14,389
<b>Effect of foreign exchange rate changes</b>	<b>30</b>	–
<b>Cash and cash equivalents as at 30 June</b>	<b>663</b>	5,916

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022 (unaudited)

## **1. BASIS OF PREPARATION**

The unaudited condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the year ended 31 December 2021 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements is as follows:

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

## **2. PRINCIPAL ACCOUNTING POLICIES**

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

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in 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.

## 2. PRINCIPAL ACCOUNTING POLICIES *continued*

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

## 3. TURNOVER

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

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

Contracts for property management services have various contractual periods for which the Group bills fixed amount of each month of service period. Substantially all of the revenue from provision of property management services is recognised at the amount to which the Group has right to invoice which reflect the progress towards complete satisfaction of performance obligations satisfied over time. The categories for disaggregation of revenue from provision of property management services recognised over time in Hong Kong are consistent with the segment disclosure under note 4.

#### 4. SEGMENT INFORMATION

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

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

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

Residential segment - leasing of luxury residential properties and related facilities

Property development segment – development of properties for sale or leasing

#### Segment turnover and results

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

	Office HK\$ million	Retail HK\$ million	Residential HK\$ million	Property development HK\$ million	Consolidated HK\$ million
<b>For the six months ended 30 June 2022 (unaudited)</b>					
<b>Turnover</b>					
Leasing of investment properties	702	756	112	-	1,570
Provision of property management services	103	90	14	-	207
<b>Segment revenue</b>	<b>805</b>	<b>846</b>	<b>126</b>	<b>-</b>	<b>1,777</b>
Property expenses	(109)	(112)	(27)	-	(248)
<b>Segment profit</b>	<b>696</b>	<b>734</b>	<b>99</b>	<b>-</b>	<b>1,529</b>
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

#### 4. SEGMENT INFORMATION *continued*

##### Segment turnover and results *continued*

	Office HK\$ million	Retail HK\$ million	Residential HK\$ million	Property development HK\$ million	Consolidated HK\$ million
<b>For the six months ended 30 June 2021 (unaudited)</b>					
<b>Turnover</b>					
Leasing of investment properties	775	734	120	–	1,629
Provision of property management services	105	86	14	–	205
<b>Segment revenue</b>	880	820	134	–	1,834
Property expenses	(85)	(104)	(29)	–	(218)
<b>Segment profit</b>	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.

#### 4. SEGMENT INFORMATION *continued*

##### Segment assets

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

	Office HK\$ million	Retail HK\$ million	Residential HK\$ million	Property development HK\$ million	Consolidated HK\$ million
<b>As at 30 June 2022 (unaudited)</b>					
<b>Segment assets</b>	<b>38,081</b>	<b>32,018</b>	<b>8,718</b>	<b>24,537</b>	<b>103,354</b>
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					<u>121,169</u>
<b>As at 31 December 2021 (audited)</b>					
<b>Segment assets</b>	<b>34,715</b>	<b>31,921</b>	<b>8,715</b>	<b>21,199</b>	<b>96,550</b>
Investments in and loans to associates					6,005
Investments in a joint venture					352
Other financial investments					1,780
Other assets					12,686
Consolidated assets					<u>117,373</u>

#### **4. SEGMENT INFORMATION** *continued*

##### **Segment assets** *continued*

Segment assets represented the investment properties and accounts receivable of each segment and investments in and loans to joint ventures engaged in property development business.

Unallocated assets include investments in and loans to associates, investment in a joint venture, other financial investments and other assets which include property, plant and equipment, debt securities, other financial assets, deferred tax asset, other receivables, time deposits and cash and cash equivalents.

This is the measure reported to the chief operating decision maker of the Group for the purpose of monitoring segment performances and allocating resources between segments. The investment properties are included in segment assets at their fair values whilst the change in fair value of investment properties is not included in segment results.

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

Included in the Retail and Office segment is an investment property located in Mainland 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.



## 5. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$ million</b>	HK\$ million
Finance costs comprise:		
Interest on bank loans	<b>86</b>	11
Interest on fixed rate notes	<b>259</b>	260
Imputed interest on amounts due to non-controlling interest	<b>24</b>	4
Total interest expenses	<b>369</b>	275
Other finance costs	<b>32</b>	19
Less: amounts capitalized (Note)	<b>(227)</b>	(24)
	<b>174</b>	270
Net exchange losses on borrowings	<b>71</b>	17
Reclassification of net gains from hedging reserve on financial instruments designated as cash flow hedges	<b>(74)</b>	(13)
Medium Term Note Programme expenses	<b>1</b>	1
	<b>172</b>	275

Note:

During the period, interest expenses have been capitalized to investment properties at an average capitalization rate of 1.0% (2021: 2.9%) per annum.

## 6. TAXATION

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Current tax		
Hong Kong Profits Tax – current period	156	167
Deferred tax	26	(5)
	<b>182</b>	162

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

## 7. PROFIT FOR THE PERIOD

	<b>Six months ended 30 June</b>	
	<b>2022</b> <b>HK\$ million</b>	2021 HK\$ million
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	<b>16</b>	14
Gross rental income from investment properties including rentals received with reference to turnover of tenants of HK\$57 million (2021: HK\$57 million)	<b>(1,514)</b>	(1,629)
Interest income (included in investment income)	<b>(61)</b>	(42)
Imputed interest income on interest-free loan to a joint venture (included in investment income)	<b>(8)</b>	(7)
Staff costs (including directors' emoluments)	<b>149</b>	132
Share of income tax of associates (included in share of results of associates)	<b>67</b>	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:

	<b>Earnings</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$ million</b>	HK\$ million
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	<b>71</b>	517
	<b>Number of shares</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>1,036,062,547</b>	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	<b>1,036,062,547</b>	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 HK\$ million	2021 HK\$ million
2021 second interim dividend paid – HK117 cents per share	1,209	–
2020 second interim dividend paid – HK117 cents per share	–	1,216
	<b>1,209</b>	<b>1,216</b>

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

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
First interim dividend declared – 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. INVESTMENT PROPERTIES

	<b>Fair value HK\$ million</b>
As at 1 January 2022	95,107
Additions	4,887
Transfer to property, plant and equipment	(74)
Change in fair value recognized in profit or loss - unrealized	(985)
Exchange difference	(195)
<b>As at 30 June 2022</b>	<b>98,740</b>

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties as at 30 June 2022 and 31 December 2021 and as at the date of transfer to property, plant and equipment from investment properties has been arrived at on the basis of a valuation carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuer not connected with the Group. The Group's investment properties have been valued individually, on market value basis, which conforms to The Hong Kong Institute of Surveyors Valuation Standards. In estimating the fair value of the investment properties, the management of the Group has considered the highest and best use of the investment properties.

## **10. INVESTMENT PROPERTIES** *continued*

### **Investment properties in Hong Kong**

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

For investment properties under development, residual method of valuation was adopted. The value is based on the development potential of the properties as if they were completed in accordance with the existing development proposal at the date of valuation. The value has also taken into consideration all costs of development and allowance of profit required for the development, which duly reflected the risks associated with the development.

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

As at 30 June 2022, the aggregate fair value of certain investment properties in Hong Kong pledged as securities for the Group's borrowings amounted to HK\$20,100 million.

### **Investment properties in Mainland China**

During the period, the Group acquired entire equity interests in Scorecity Investments Limited ("Scorecity"), being an indirect holder of a commercial complex located at Nos. 668 and 688 Xinzha Road, Shanghai, the PRC, from an independent third party for an aggregate cash consideration of approximately RMB3,500 million (equivalent to approximately HK\$4,235 million) (the "Acquisition"). The major assets of these Scorecity and its subsidiaries are completed investment properties in Mainland China. The Directors of the Company are of the opinion that the subsidiaries acquired do not constitute a business as defined in HKFRS 3 Business Combination, therefore, the Acquisition has been accounted for as acquisitions of assets rather than business combination.

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

## 11. ACCOUNTS AND OTHER RECEIVABLES

	<b>As at 30 June 2022 HK\$ million</b>	As at 31 December 2021 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
<b>Total</b>	<b>904</b>	<b>2,722</b>
Analysed for reporting purposes as:		
Current assets	533	887
Non-current assets	371	1,835
	<b>904</b>	<b>2,722</b>

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.

	<b>As at 30 June 2022 HK\$ million</b>	As at 31 December 2021 HK\$ million
Less than 30 days	144	28
31-90 days	23	30
Over 90 days	10	6
	<b>177</b>	<b>64</b>



## 12. ACCOUNTS PAYABLE AND ACCRUALS

	<b>As at 30 June 2022 HK\$ million</b>	As at 31 December 2021 HK\$ million
Accounts payable	171	193
Interest payable	172	155
Other payables	527	472
	<b>870</b>	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.

## 13. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

	<b>As at 30 June 2022 HK\$ million</b>	As at 31 December 2021 HK\$ million
Current (Note a)	214	214
Non-current (Note b)	4,571	7,639
	<b>4,785</b>	7,853

Notes:

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

## 14. BORROWINGS

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

	Current		Non-Current	
	As at 30 June 2022 HK\$ million	As at 31 December 2021 HK\$ million	As at 30 June 2022 HK\$ million	As at 31 December 2021 HK\$ million
Secured bank loan	–	–	7,822	–
Unsecured bank loans	–	–	2,309	1,561
Fixed rate notes	2,553	531	14,440	16,565
	<b>2,553</b>	531	<b>24,571</b>	18,126

## 15. PERPETUAL CAPITAL SECURITIES

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

During the period, the Group had repurchased US\$49 million (approximately HK\$379 million) nominal amount of Senior Securities.

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

## 16. COMMITMENTS

As at 30 June 2022 and 31 December 2021, the Group had the following commitments in respect of its investment properties, property, plant and equipment and subscription to a fund investment as a limited partner:

	<b>As at 30 June 2022 HK\$ million</b>	As at 31 December 2021 HK\$ million
(a) Capital commitment: Contracted but not provided for investment properties and property, plant and equipment	<b>598</b>	2,933
(b) Other commitment: Subscription to a fund investment as a limited partner	<b>51</b>	65

## 17. RELATED PARTY TRANSACTIONS AND BALANCES

### (a) Transactions and balances with related parties

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

The Group has entered into the escrow agreement with The Hongkong and Shanghai Banking Corporation Limited on 17 September 2021, an intermediate holding company of Imenson Limited ("Imenson"), with an escrowed amount of HK\$1,370 million. As at 31 December 2021, the outstanding amounts held under such escrow agreement has been included under the other receivables and prepayments and deposit for acquisition of a subsidiary as set out under note 11. The amount has been utilized upon the completion on acquisition of a subsidiary during the period.

## 17. RELATED PARTY TRANSACTIONS AND BALANCES *continued*

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

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

	Gross rental income received from		Amount due to non-controlling interests	
	Six months ended 30 June 2022 HK\$ million	Six months ended 30 June 2021 HK\$ million	As at 30 June 2022 HK\$ million	As at 31 December 2021 HK\$ million
Related companies controlled by the Directors of the Company (Note a(i) & (ii))	27	21	61	61
Non-controlling shareholder of subsidiaries (Note b(i) & (ii))	13	3	4,724	7,792
Joint venture and associate (Note c)	30	–	–	–

Notes:

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

## 17. RELATED PARTY TRANSACTIONS AND BALANCES *continued*

### (b) Compensation of key management personnel

The remuneration of Directors and other members of senior management of the Group are as follows:

	Six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million
Directors' fees, salaries and other short-term employee benefits	25	25
Share-based payments	3	2
Retirement benefits scheme contributions	–	–
	<b>28</b>	<b>27</b>

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

## 18. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

### (a) Financial risk management

The Group's financial risk management objectives and policies are the same as those disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2021.

### (b) Fair value measurements

#### (i) *Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)*

The fair values of financial assets and financial liabilities measured at amortized cost are determined in accordance with generally accepted pricing models based on discounted cash flow methodology taking into account the market interest rate and credit risk of the counterparties and of the Group as appropriate.

## 18. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

*continued*

### (b) Fair value measurements *continued*

#### ***(i) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required) continued***

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortized cost in the condensed consolidated financial statements approximate their fair values, except for the carrying amount of HK\$16,993 million (31 December 2021: HK\$17,096 million) unsecured fixed rate notes (including interest payable) with fair value of HK\$16,010 million (31 December 2021: HK\$17,830 million).

The fair value of HK\$10,449 million (31 December 2021: HK\$11,453 million) of the unsecured fixed rate notes is categorized into Level 1 of the fair value hierarchy, in which the fair value was quoted prices in an active market translated at the spot foreign exchange rate of the respective currency at period end.

The fair value of HK\$5,561 million (31 December 2021: HK\$6,377 million) of the unsecured fixed rate notes is categorized into Level 2 of the fair value hierarchy, in which the fair value was measured using discounted cash flow methodology based on observable yield curves of the respective currency taking into account the credit margin of the Group as appropriate.

#### ***(ii) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis***

The following table provides an analysis of financial instruments that are measured at fair value on a recurring basis, grouped into Levels 1 to 3 based on the degree to which the inputs to the fair value measurements are observable.

- Level 1: fair value measurements are based on quoted prices (unadjusted) in active market for identical assets and liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

**(b) Fair value measurements** *continued*

**(ii) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis** *continued*

	As at 30 June 2022			
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
<b>Financial assets</b>				
<b><i>Derivatives under hedge accounting</i></b>				
Cross currency swaps	–	388	–	388
<b><i>Financial assets at FVTPL</i></b>				
Unlisted club debenture	–	1	–	1
Fund investment	–	–	338	338
<b><i>Financial assets at FVTOCI</i></b>				
Unlisted investment in equity securities	–	–	1,771	1,771
<b>Total</b>	<b>–</b>	<b>389</b>	<b>2,109</b>	<b>2,498</b>
<b>Financial liabilities</b>				
<b><i>Derivatives under hedge accounting</i></b>				
Cross currency swaps	–	1	–	1
Interest rate swaps	–	318	–	318
<b>Total</b>	<b>–</b>	<b>319</b>	<b>–</b>	<b>319</b>

## 18. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

*continued*

### (b) Fair value measurements *continued*

#### (ii) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis *continued*

	As at 31 December 2021			Total HK\$ million
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	
<b>Financial assets</b>				
<b><i>Financial assets at FVTPL</i></b>				
Unlisted club debenture	–	1	–	1
Fund investment	–	–	307	307
<b><i>Financial assets at FVTOCI</i></b>				
Listed investment in equity security	268	–	–	268
Unlisted investment in equity securities	–	–	1,205	1,205
<b><i>Derivatives under hedge accounting</i></b>				
Cross currency swaps	–	8	–	8
<b>Total</b>	<b>268</b>	<b>9</b>	<b>1,512</b>	<b>1,789</b>
<b>Financial liabilities</b>				
<b><i>Derivatives under hedge accounting</i></b>				
Cross currency swaps	–	79	–	79
Interest rate swaps	–	70	–	70
	–	149	–	149



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

**(b) Fair value measurements** *continued*

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

	<b>Fund investment HK\$ million</b>	<b>Unlisted investments in equity securities HK\$ million</b>
As at 1 January 2022	<b>307</b>	<b>1,205</b>
Addition	<b>15</b>	<b>277</b>
Transfers into level 3	<b>–</b>	<b>268</b>
Fair value gain recognized in profit or loss	<b>16</b>	<b>–</b>
Fair value gain recognized in other comprehensive income	<b>–</b>	<b>21</b>
As at 30 June 2022	<b>338</b>	<b>1,771</b>

There was no transfer among Levels 1, 2 and 3 during the six months ended 30 June 2022 except for an unlisted investment in equity security. The Group invested in an equity security listed overseas as at 31 December 2021. The fair value of such investment as at 31 December 2021 was measured based on published price quotation available on the overseas stock exchange. Such equity security has become unlisted upon privatization exercise since 26 January 2022. Therefore, the fair value of the investment as at 30 June 2022 was determined based on recent transaction price and was classified as Level 3 of the fair value hierarchy.

During the period, the unrealized fair value gain of approximately HK\$16 million relating to fund investment at fair value through profit or loss is included in 'other gains and losses'.

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

*continued*

### **(b) Fair value measurements *continued***

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

Cross currency swaps are measured using discounted cash flow methodology based on observable spot and forward exchange rates as well as the yield curves of the respective currencies taking into account the credit risk of the counterparties and of the Group as appropriate.

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

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

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

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

# Corporate Governance

## **Compliance with Corporate Governance Code**

During the six months ended 30 June 2022, Hysan Development Company Limited (the “Company” or “Hysan”, together with its subsidiaries, the “Group”) continued to comply fully with the requirements of the code provisions of the Corporate Governance Code (the “Corporate Governance Code”) as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Further information on Hysan’s corporate governance practices is available at the Company’s website: [www.hysan.com.hk/governance](http://www.hysan.com.hk/governance).

## **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 the securities transactions of the directors of the Company (the “Directors”). All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2022.

## **Highlights for the first half of 2022**

Hysan embraces good corporate governance as one of its core values, and the foundation of achieving consistent and sustainable performance. During the review period for the six months ended 30 June 2022 (the “Review Period”):

- The audit and risk management committee of the Company (the “ARC”) held two meetings: one in February 2022 focusing on the annual financial reporting; and the second one in May 2022 focusing on risk management agendas. In May 2022 meeting, the ARC deep-dived into Hong Kong’s property market trend.
- The ARC reviewed and discussed with management and the external auditors the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022.
- The remuneration committee of the Company (the “RC”) considered and approved the compensation package for the executive Directors (“Executive Directors”). It also reviewed remuneration for the non-executive Directors (“Non-Executive Directors”), board committee members and senior management of the Company (see pages 81 to 86 of the Company’s 2021 Annual Report).

## **Highlights for the first half of 2022** *continued*

- The sustainability committee of the Company (the “SC”) held one meeting in February 2022 and had a progress update in May 2022. The SC reviewed the existing sustainability strategy and discussed approaches to achieve environmental, social and governance (the “ESG”) goals, to communicate the culture inheritance of Hysan and uniqueness of Lee Gardens, and to build the ESG branding through various engagement channels.
- The Group has established the Data Privacy Management Group, a new data privacy governance structure, to oversee the data privacy control system of the Group. New data privacy management procedures have also been introduced to ensure sufficiency of control and enhance privacy risks monitoring system.
- To enhance the data privacy management framework, the Group has also updated its “Procedure for Handling and Reporting a Data Breach” to introduce a new communication protocol.

## **Our Board and Board Committees**

### **Board**

As at 30 June 2022, the composition of the board of Directors (the “Board”) was as follows:

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 B.B.S.\* (Yang Chi Hsin Trevor as his alternate)

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

Lee Chien\*

Lee Tze Hau Michael\*

\* Non-Executive Director

\*\* Independent Non-Executive Director

### **Board Committees**

During the Review Period, Young Elaine Carole has been appointed as a member of the SC with effect from 9 March 2022. The composition of our Board committees as at 30 June 2022 is set out in the section “Corporate Information” of this Interim Report.

## **Risk Management and Internal Control**

Details of Hysan's risk management and internal control systems were set out in the "Risk Management and Internal Control Report" on pages 70 to 76 of the Company's 2021 Annual Report.

The ARC continued to review the Company's risk management and internal control systems, as well as the internal audit reports for the six months ended 30 June 2022 as submitted by the Internal Audit Department of the Company.

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

### **Directors' Updated Biographical Details**

Save for the changes to the Directors' other major offices as set out below, since the Company's 2021 Annual Report there has been no change in the information of the Directors that is required to be disclosed under Rule 13.51B(1) to the Listing Rules:

Wong Ching Ying Belinda has been appointed as an independent non-executive director of Canada Goose Holdings Inc. with effect from 17 March 2022.

Fan Yan Hok Philip resigned as an independent non-executive director of PFC Device Inc. with effect from 24 March 2022. He has also been appointed as an external director of Sumida Corporation with effect from 25 March 2022.

Lee Irene Yun-Lien retired as an independent non-executive director of HSBC Holdings plc with effect from 29 April 2022. She has also been appointed as an independent director of Alibaba Group Holding Limited with effect from 4 August 2022.

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

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

The Group's remuneration policy aims to provide remuneration at fair market level to attract, retain and motivate talent of high caliber, at the same time, in alignment with the interests of the shareholders of the Company (the "Shareholders").

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

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

The remuneration payable to the Executive Directors and senior management of the Company are subject to annual review with an emphasis on performance, comprising the following components:

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

In January 2022, the RC held a meeting to consider the remuneration of Lee Irene Yun-Lien and Lui Kon Wai, and concluded that their 2022 annual fixed base salaries are HK\$8,240,000, and HK\$5,600,000 respectively and their 2021 performance-based bonus would be HK\$15,200,000 and HK\$4,400,000 respectively (see pages 81 to 86 and 131 of the Company's 2021 Annual Report).

Share options were also granted to Lee Irene Yun-Lien and Lui Kon Wai on 28 February 2022 pursuant to the Company's share option scheme adopted on 15 May 2015 (the “New Scheme”), details of which are set out in the section “Long-term incentives: Share Option Schemes” below.

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

### Non-Executive Directors

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

In January 2022, the RC decided that the annual fees payable to the Non-Executive Directors shall remain unchanged as follows (see pages 81 to 86 of the Company's 2021 Annual Report):

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

## Directors' Interests in Shares

As at 30 June 2022, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

### Aggregate Long Positions in Shares and Underlying Shares of the Company

Name	Number of ordinary shares held					% of the total no. of issued shares (Note a)
	Personal interests	Family interests	Corporate interests	Other interests	Total	
Jebsen Hans Michael	60,984	–	2,473,316 (Note b)	–	2,534,300	0.246
Lee Chien	970,000	–	–	–	970,000	0.094
Lee Irene Yun-Lien	449,000	–	–	–	449,000	0.044

Notes:

- (a) The percentages were computed based on the total number of issued shares of the Company as at 30 June 2022 (i.e. 1,028,958,223 ordinary shares).
- (b) Such shares were held through a corporation in which Jebsen Hans Michael was a member entitled to exercise no less than one-third of the voting power at general meetings.

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



## Directors' Interests in Shares *continued*

### Aggregate Long Positions in Shares of Associated Corporations

Listed below is a Director's interest in the shares of Barrowgate Limited ("Barrowgate"), a 65.36% owned subsidiary of the Company:

Name	Number of ordinary shares held			% of the total no. of issued shares
	Corporate interests	Other interests	Total	
Jebsen Hans Michael	1,000	—	1,000	10 (Note)

Note:

Jebsen and Company Limited ("Jebsen and Company") held 10% interest in Barrowgate through a wholly-owned subsidiary. Jebsen Hans Michael was deemed to be interested in the shares of Barrowgate by virtue of him being a controlling shareholder of Jebsen and Company.

Apart from the above, as at 30 June 2022, no other interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations as defined in the SFO were recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Long-term incentives: Share Option Schemes

The Company may grant options under executive share option schemes as adopted from time to time. The purpose of such schemes is to strengthen the connection between individual employees and Shareholders' interests. The power to grant options to the Executive Directors is vested in the RC, with endorsement by all independent non-executive Directors ("Independent Non-Executive Directors") as required under the Listing Rules. The chairman of the Board or the chief executive officer of the Company may grant options to management staff below the Executive Director level.

## **Directors' Interests in Shares** *continued*

### **Long-term incentives: Share Option Schemes** *continued*

#### ***The 2005 Scheme***

The Company adopted the 2005 Scheme at its Annual General Meeting ("AGM") held on 10 May 2005, which had a term of 10 years and expired on 9 May 2015. All outstanding options granted under the 2005 Scheme continue to be valid and exercisable in accordance with the provisions of the 2005 Scheme. No further option will be granted under the 2005 Scheme.

#### ***The New Scheme***

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

#### ***Movements of share options during the Review Period***

During the Review Period, a total of 2,084,000 share options were granted under the New Scheme. The 2005 Scheme expired on 9 May 2015 and no further option has been granted under the 2005 Scheme.

As at 30 June 2022:

- (i) share options exercisable into a total of 1,082,000 ordinary shares of the Company granted and fully-vested under the 2005 Scheme remained outstanding, representing approximately 0.11% of the total number of issued shares of the Company;
- (ii) share options exercisable into a total of 7,928,067 ordinary shares of the Company granted (including fully-vested share options exercisable into 4,093,715 ordinary shares of the Company) under the New Scheme remained outstanding, representing approximately 0.77% of the total number of issued shares of the Company; and
- (iii) share options issuable into a total of 98,037,673 ordinary shares of the Company upon exercise of all share options to be granted under the New Scheme, representing approximately 9.53% of the total number of issued shares of the Company.

## Directors' Interests in Shares *continued*

### Long-term incentives: Share Option Schemes *continued*

#### *Movements of share options during the Review Period continued*

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

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2022	Changes during the Review Period			Balance as at 30.06.2022
					Granted	Exercised	Cancelled/ lapsed (Note b)	
<b>2005 Scheme</b>								
<b>Executive Director</b>								
Lee Irene Yun-Lien	14.5.2012	33.50	14.5.2013 – 13.5.2022	87,000	–	–	(87,000)	–
	7.3.2013	39.92	7.3.2014 – 6.3.2023	265,000	–	–	–	265,000
	10.3.2014	32.84	10.3.2015 – 9.3.2024	325,000	–	–	–	325,000
	12.3.2015	36.27	12.3.2016 – 11.3.2025	300,000	–	–	–	300,000
<b>Eligible employees</b> (Note c)	30.3.2012	31.61	30.3.2013 – 29.3.2022	70,000	–	–	(70,000)	–
	28.3.2013	39.20	28.3.2014 – 27.3.2023	85,000	–	–	–	85,000
	31.3.2014	33.75	31.3.2015 – 30.3.2024	46,000	–	–	–	46,000
	31.3.2015	34.00	31.3.2016 – 30.3.2025	61,000	–	–	–	61,000
				1,239,000	–	–	(157,000)	1,082,000

## Directors' Interests in Shares *continued*

### Long-term incentives: Share Option Schemes *continued*

#### Movements of share options during the Review Period *continued*

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2022	Changes during the Review Period			Balance as at 30.06.2022
					Granted	Exercised	Cancelled/lapsed (Note b)	
<b><u>New Scheme</u></b>								
<b>Executive Directors</b>								
Lee Irene Yun-Lien	9.3.2016	33.15	9.3.2017 – 8.3.2026	375,000	–	–	–	375,000
	23.2.2017	36.25	23.2.2018 – 22.2.2027	300,000	–	–	–	300,000
	1.3.2018	44.60	1.3.2019 – 29.2.2028	373,200	–	–	–	373,200
	22.2.2019	42.40	22.2.2020 – 21.2.2029	494,200	–	–	–	494,200
	21.2.2020	29.73	21.2.2021 – 20.2.2030	650,000	–	–	–	650,000
	26.2.2021	33.05	26.2.2022 – 25.2.2031	664,000	–	–	–	664,000
	28.2.2022	23.25 (Note d)	28.2.2023 – 27.2.2032	–	819,000	–	–	819,000
Lui Kon Wai	29.3.2018	41.50	29.3.2019 – 28.3.2028	179,000	–	–	–	179,000
	29.3.2019	42.05	29.3.2020 – 28.3.2029	203,000	–	–	–	203,000
	31.3.2020	25.20	31.3.2021 – 30.3.2030	262,000	–	–	–	262,000
	31.3.2021	30.40	31.3.2022 – 30.3-2031	267,000	–	–	–	267,000
	28.2.2022	23.25 (Note d)	28.2.2023 – 27.2.2032	–	400,000	–	–	400,000

**Directors' Interests in Shares** *continued*

**Long-term incentives: Share Option Schemes** *continued*

**Movements of share options during the Review Period** *continued*

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2022	Changes during the Review Period			Balance as at 30.06.2022
					Granted	Exercised	Cancelled/ lapsed (Note b)	
<b>Eligible employees</b> (Note c)	31.3.2016	33.05	31.3.2017 – 30.3.2026	106,000	–	–	–	106,000
	31.3.2017	35.33	31.3.2018 – 30.3.2027	208,667	–	–	–	208,667
	29.3.2018	41.50	29.3.2019 – 28.3.2028	260,000	–	–	–	260,000
	29.3.2019	42.05	29.3.2020 – 28.3.2029	393,000	–	–	–	393,000
	31.3.2020	25.20	31.3.2021 – 30.3.2030	498,000	–	–	–	498,000
	31.3.2021	30.40	31.3.2022 – 30.3.2031	611,000	–	–	–	611,000
	31.3.2022	23.36 (Note e)	31.3.2023 – 30.3.2032	–	865,000	–	–	865,000
				5,844,067	2,084,000	–	–	7,928,067

## **Directors' Interests in Shares** *continued*

### **Long-term incentives: Share Option Schemes** *continued*

#### **Movements of share options during the Review Period** *continued*

Notes:

- (a) All options granted have a vesting period of three years in equal proportions starting from the first anniversary of the grant and becoming fully vested on the third anniversary. "Exercise period" accordingly begins with the first anniversary of the date of grant.
- (b) Options lapsed during the Review Period in accordance with the rules of the 2005 Scheme and the New Scheme.
- (c) Eligible employees are those working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.
- (d) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 25 February 2022) was HK\$23.10.
- (e) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2022) was HK\$23.30.

Save as disclosed above, no other share options has been granted under the 2005 Scheme and the New Scheme during the Review Period that are required to be disclosed under Rule 17.07 of the Listing Rules.

## Directors' Interests in Shares *continued*

### Long-term incentives: Share Option Schemes *continued*

#### *Value of share options*

Pursuant to Rule 17.08 of the Listing Rules, the value of the share options granted during the Review Period is to be expensed through the Group's statement of profit or loss over the three-year vesting period of the options.

The fair values of share options granted by the Company were determined by using the Black-Scholes option pricing model (the "Model"), a commonly-used models for estimating the fair value of an option. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option is determined by different variables based on a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

The inputs into the Model were as follows:

<b>Date of grant</b>	<b>31.3.2022</b>	<b>28.2.2022</b>
Closing share price at the date of grant	HK\$22.900	HK\$23.000
Exercise price	HK\$23.360	HK\$23.250
Risk free rate (Note a)	2.010%	1.451%
Expected life of option (Note b)	5 years	5 years
Expected volatility (Note c)	27.636%	27.722%
Expected dividend per annum (Note d)	HK\$1.426	HK\$1.426
Estimated fair values per share option	HK\$3.400	HK\$3.370

Notes:

- (a) Risk free rate: the approximate yields of 5-year Exchange Fund Notes traded on the date of grant, matching the expected life of each option.
- (b) Expected life of option: the period of five years commencing on the date of grant, based on management's best estimates for the effects of non-transferability, exercise restriction and behavioural consideration.
- (c) Expected volatility: the approximate historical volatility of the closing prices of the shares of the Company over the past five years immediately before the date of grant.
- (d) Expected dividend per annum: the approximate average annual cash dividend over the past five financial years.

## Substantial Shareholders' and Other Persons' Interests in Shares

As at 30 June 2022, the interests or short positions of substantial Shareholders and other persons, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company, were as follows:

### Aggregate long positions in shares and underlying shares of the Company

Name	Capacity	Number of ordinary shares held	% of the total no. of issued shares (Note)
Lee Hysan Company Limited	Beneficial owner	433,130,735	42.09
Silchester International Investors LLP	Investment manager	83,647,000	8.13
First Eagle Investment Management, LLC	Investment manager	52,460,214	5.10

Note:

The percentages were computed based on the total number of issued shares of the Company as at 30 June 2022 (i.e. 1,028,958,223 ordinary shares).

Apart from the above, no other interest or short position in the shares or underlying shares of the Company were recorded in the register that is required to be kept under section 336 of the SFO as at 30 June 2022.

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

### (i) Repurchase of ordinary shares

The Directors were authorized by the Shareholders at the Company's AGMs 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 Shareholders' value.



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

### (i) Repurchase of ordinary shares *continued*

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 HK\$ million
		Highest HK\$	Lowest HK\$	
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
	<u>5,400,000</u>			<u>125</u>

### (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 Shareholders' value and achieve growth.

There has been no material change to the human resources practices, training and development programmes as set out in the "Sustainability Report 2021".

# Shareholder Information

## FINANCIAL CALENDAR

Interim results announced	22 August 2022
Ex-dividend date for first interim dividend	2 September 2022
Closure of register of members and record date for first interim dividend	6 September 2022
Dispatch of first interim dividend warrants	(on or about) 16 September 2022

## FIRST INTERIM DIVIDEND

The Board declares the payment of a first interim dividend of HK27 cents per share. The first interim dividend will be payable in cash to Shareholders whose names appear on the register of members as at Tuesday, 6 September 2022.

The register of members will be closed on Tuesday, 6 September 2022, for the purpose of determining Shareholders' entitlement to the first interim dividend, on which date no transfer of shares will be registered. In order to qualify for the first interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar not later than 4:00 p.m. on Monday, 5 September 2022.

Dividend warrants will be dispatched to Shareholders on or about Friday, 16 September 2022.

## SHAREHOLDER SERVICES

For enquiries about share transfer and registration, please contact the Company's registrar, Tricor Standard Limited (the "Registrar"):

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

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

The interim report of the Company (the "Interim Report") (English and Chinese versions) is available on our website at [www.hysan.com.hk](http://www.hysan.com.hk). Shareholders may at any time choose to receive the Interim Report in printed form in either English or Chinese language or both or by electronic means. Shareholders who have chosen to receive the Interim Report using electronic means and who for any reason have difficulty in receiving or gaining access to the Interim Report will promptly upon request be sent a printed copy free of charge.

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

## INVESTOR RELATIONS

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

Investor Relations  
Hysan Development Company Limited  
50/F Lee Garden One  
33 Hysan Avenue  
Hong Kong  
Telephone: (852) 2895 5777  
Facsimile: (852) 2577 5153

# Corporate Information

## **BOARD OF DIRECTORS**

Lee Irene Yun-Lien (*Chairman*)

Lui Kon Wai

(*Executive Director and Chief Operating Officer*)

Churchouse Frederick Peter\*\*

Fan Yan Hok Philip\*\*

Poon Chung Yin Joseph\*\*

Wong Ching Ying Belinda\*\*

Young Elaine Carole\*\*

Jebsen Hans Michael B.B.S.\*

(*Yang Chi Hsin Trevor as his alternate*)

Lee Anthony Hsien Pin\*

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

Lee Chien\*

Lee Tze Hau Michael\*

## **AUDIT AND RISK**

### **MANAGEMENT COMMITTEE**

Poon Chung Yin Joseph\*\* (*Chairman*)

Churchouse Frederick Peter\*\*

Fan Yan Hok Philip\*\*

Lee Anthony Hsien Pin\*

### **REMUNERATION COMMITTEE**

Fan Yan Hok Philip\*\* (*Chairman*)

Poon Chung Yin Joseph\*\*

Lee Tze Hau Michael\*

### **NOMINATION COMMITTEE**

Lee Irene Yun-Lien (*Chairman*)

Churchouse Frederick Peter\*\*

Fan Yan Hok Philip\*\*

Poon Chung Yin Joseph\*\*

Lee Chien\*

\* Non-Executive Director

\*\* Independent Non-Executive Director

## **SUSTAINABILITY COMMITTEE**

Jebsen Hans Michael B.B.S.\* (*Chairman*)

Fan Yan Hok Philip\*\*

Wong Ching Ying Belinda\*\*

Young Elaine Carole\*\*

## **COMPANY SECRETARY**

Hao Shu Yan

## **REGISTERED OFFICE**

50/F Lee Garden One

33 Hysan Avenue

Hong Kong

## **OUR WEBSITE**

Press releases and other information of the Group can be found at our website: [www.hysan.com.hk](http://www.hysan.com.hk).

## **SHARE LISTING**

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

## **STOCK CODE**

Stock Exchange: 00014

Bloomberg: 14HK

Reuters: 0014.HK

Ticker Symbol for ADR Code: HYSNY

CUSIP reference number: 449162304

## **AUDITOR**

Deloitte Touche Tohmatsu

Certified Public Accountants and

Registered Public Interest Entity Auditors

35/F, One Pacific Place

88 Queensway

Hong Kong

**Hysan Development Company Limited**

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

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