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Hysan Development Company Limited 希慎興業有限公司

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

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

- Turnover and Recurring Underlying Profit decreased year-on-year by 7.4% and 12.6% respectively
- Occupancies for Office and Retail portfolios were 95% and 97% on a committed basis respectively
- Positive signs of recovery in the first half 2021 with COVID-19 vaccination boosting confidence in economic outlook, locally and globally

RESULTS

		Six months ended 30 June		Change	
		Notes	2021		2020
Turnover	HK\$ million	1	1,834	1,981	-7.4%
Recurring Underlying Profit	HK\$ million	2	1,177	1,346	-12.6%
Underlying Profit	HK\$ million	3	1,177	1,346	-12.6%
Reported Profit (Loss)	HK\$ million	4	517	(2,626)	n/m
Basic Earnings (Loss) per Share	HK cent		50	(252)	n/m
First Interim Dividend per Share	HK cent		27	27	±0%
			As at 30 June 2021	As at 31 December 2020	
Shareholders' Funds	HK\$ million	5	73,146	73,680	-0.7%
Net Asset Value per Share	HK\$	6	70.3	70.9	-0.8%

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 (Loss) 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 (Loss)** is the profit (loss) attributable to owners of the Company. It is prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance.
5. **Shareholders' Funds** are the equity attributable to owners of the Company.
6. **Net Asset Value per Share** represents Shareholders' Funds divided by the number of issued shares at period/year-end.

CHAIRMAN'S STATEMENT

In the first half of 2021, we began to see positive signs of recovery following the global roll-out of COVID-19 vaccines that slowed the spread of the pandemic and gave a boost of confidence to the world's major economies.

Hong Kong achieved year-on-year GDP growth of 7.5% in the second quarter of 2021. The labour market also improved, with the unemployment rate from April to June falling to 5.5%. The residential sales market was active again in 2021, helped by the ongoing low interest rate environment and strong end-user demand.

Nevertheless, the global economic recovery remained uncertain and uneven. External forces, especially geopolitical tensions, social distancing and travel restrictions continued to adversely affect Hong Kong.

An Active 2021 for Hysan

In May, we won the tender for the much-coveted Caroline Hill Road site. Our enlarged landholdings will further augment our neighbourhood and community vision for the benefit of our shareholders and wider stakeholders in the Lee Gardens area. We are supported by a like-minded partner, Chinachem Group, for this venture. The development project highlights our Company's confidence in Hong Kong as well as its role within China's Greater Bay Area ("GBA"). Moreover, it will complement our existing broader portfolio, which is already a top commercial destination for visitors and residents of Hong Kong. Our dual-engine office and retail tenant mix as well as other offerings in our portfolio will continue to create synergy for these two sectors.

Despite the persistence of the COVID-19 pandemic, our office portfolio benefited from demand by new economy tenants in the first half of the year. We saw expansion from individual tenants within the fintech, Flex/co-work, and wealth management sectors, as well as demand from those originally operating in other parts of the central business district. Lee Gardens is recognized as an attractive choice for its exceptional location, sustainability-focused office facilities, and its rich and dynamically-curated content in a thriving community.

Travel restrictions due to COVID-19 and the corresponding decline in tourist arrivals continued to affect Hong Kong's retail sector during the review period. Our loyal multi-generational customers continued to support Lee Gardens. A number of luxury and lifestyle brands took the opportunity to expand into Lee Gardens, which they view as a strategic location supported by a landlord who has demonstrated collaborative partnership with a long-term vision. Food and beverage operations also fared better as the public was keen to dine out in a safe environment, after months of strict social distancing. In all, our estimated tenant sales growth rate for the first half of 2021 significantly bettered Hong Kong's retail sales rate increase. We believe we are heading in the right direction.

Support for the Community

Hysan has been proactively contributing to the community's recovery throughout the past months. We have provided strong support for retail tenants since the start of the pandemic. Among the measures we have undertaken were the launch of creative, customized and collaborative marketing activities and events, enhanced health and safety measures across our portfolio, including the provision of air purifiers to our tenants for improved air quality. All of these initiatives have ensured that Lee Gardens is a safe and vibrant location that continues to attract customers for our tenants. With better business environment and with Hysan's support, our tenants have enjoyed a stronger business recovery.

Hysan strongly believes that vaccination is the best way to control the spread of COVID-19. To encourage vaccination, the Company is partnering with Adventist Medical to host Hong Kong's first mall-based vaccination promotion centre at our Leighton Centre. Health check packages are donated by us and our partner to the underprivileged and frontline workers so they can know more about their health status in preparation for vaccination. To encourage vaccination in the Lee Gardens area, Hysan will donate a fixed sum for each fully-vaccinated Lee Gardens area's office worker to Po Leung Kuk, one of Hong Kong's best known charities, for the benefit of families who have run into hard times during the pandemic.

Finally, to give encouragement to the general public, we will be launching a series of lucky draws to attract those who are fully-vaccinated as well as those spending their HK\$5,000 government consumption vouchers. By directing help to the community, Hysan and all of our stakeholders will benefit when the pandemic is under control and the economy recovers.

A New Venture in Flex

While our Lee Gardens portfolio will continue to be our core business, we are now well prepared to build for a future which will complement and extend our reach. We have formed a joint venture with IWG plc with the exclusive right to operate all IWG's flexible workspace brands in the GBA including Hong Kong. We believe flexible workspace, or Flex, especially after the emergence of the COVID-19 pandemic, with different and hybrid forms of office arrangements, will form part of the office ecosystem.

IWG is a proven global market leader in Flex and is already operating more than 30 centres in the GBA. Hysan, for its part, provides expertise from a mixed-use landlord's perspective, especially in the area of community building. With a longstanding tenancy partnership which dates back more than 20 years, Hysan and IWG are perfect partners to further develop the Flex business in the region.

Looking Ahead

As the major economies of China and the United States were well on the road to recovery in 2021, the global situation should improve in the months ahead. However, the development and containment of COVID-19 continues to be unpredictable. This is compounded by geopolitical tensions that could affect confidence among governments and individuals. As for Hong Kong, our economy can only make significant strides forward when the vast majority of the community is vaccinated and the virus is meaningfully contained.

Hysan has developed a comprehensive strategy covering both long and short-term targets, which we are implementing throughout the recovery period and beyond. In addition to strengthening our core business in Lee Gardens, we are also capturing the opportunities that are emerging in the new economy as well as exploring the enormous potential of the Mainland China market, particularly in the GBA. We look forward to sharing more news with you soon.

Lee Irene Yun-Lien

Chairman

Hong Kong, 11 August 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Review of Results

The Group's turnover for the 2021 interim period was HK\$1,834 million, down 7.4% from the same period in 2020 (2020: HK\$1,981 million). As at 30 June 2021, our office portfolio's and retail portfolio's occupancies were 93% (95% on committed basis) and 97% (97% on committed basis) respectively. The residential portfolio's occupancy was 73%.

Recurring Underlying Profit, our key leasing business performance indicator, and Underlying Profit both decreased by 12.6% to HK\$1,177 million (2020: HK\$1,346 million).

2021 interim period recorded a Reported Profit of HK\$517 million as compared to a Reported Loss of HK\$2,626 million in the same period last year, mainly due to fair value changes of investment properties of the Group and its associates between two periods. More details of the fair value loss are presented under the section "*Financial Review - Revaluation of Investment Properties*".

Shareholders' Fund as at 30 June 2021 decreased to HK\$73,146 million from HK\$73,680 million as at 31 December 2020. A reconciliation of Recurring Underlying Profit, Underlying Profit and Reported Profit (Loss) is as follows:

	Six months ended 30 June	
	<u>2021</u>	<u>2020</u>
	HK\$ million	HK\$ million
Reported profit (loss)	517	(2,626)
Change in fair value of investment properties	545	4,065
Effect of other non-controlling interests' share	(28)	(194)
Share of change in fair value of investment properties (net of deferred taxation) of associates	(72)	19
Imputed interest income on interest-free loan to a joint venture	(7)	(15)
Other (gains) loss	(7)	8
Profit attributable to perpetual capital securities holders	229	89
	<hr/>	<hr/>
Recurring Underlying Profit/Underlying Profit	1,177	1,346

Our financial position remains strong, with net interest coverage of 6.5 times (2020: 17.0 times) and net debt of HK\$7,135 million (31 December 2020: net cash position).

The Board of Directors has declared a first interim dividend of HK27 cents per share (2020: HK27 cents) which will be payable in cash.

Review of Operations

Office

In the first six months of 2021, turnover in the Group's office portfolio decreased 5.1% to HK\$880 million (2020: HK\$927 million), including turnover rent of HK\$2 million (2020: HK\$3 million).

Although Hong Kong's office rental market continued to be affected by COVID-19 during the first half of 2021, net absorption became positive for the first time since July 2019 by around 110,000 square feet. This was the result of some companies taking the opportunity to relocate or expand at a lower cost.

For Hysan's Lee Gardens portfolio, the average rental reversion rate on renewals, rent review and new lettings slipped into negative territory. Office occupancy was 93% (95% on a committed basis) as at 30 June 2021 (31 December 2020: 95% (95% on a committed basis)).

The banking and finance, professional and consulting, co-work and insurance segments maintained the top four slots in our office tenant portfolio. The prominence of these categories within our portfolio looks set to continue in the near future.

Retail

Turnover in the Group's retail portfolio decreased by 8.9% to HK\$820 million (2020: HK\$900 million), which included an increase in turnover rent to HK\$55 million (2020: HK\$20 million). Retail occupancy was 97% (97% on a committed basis) as at 30 June 2021 (31 December 2020: 96% (96% on a committed basis)). The overall reversion rate on rental renewals, rent review and new lettings remained negative during the period.

Our retail tenants' business improved in the first half of 2021 as compared with much of 2020. The year-on-year percentage increase in estimated tenant sales for the half year outperformed that for Hong Kong's overall retail sales. During the review period, our portfolio acquired new tenants, among which were a number of western food and beverage outlets, as well as luxury retail offerings, at Lee Gardens. At Hysan Place, new tenants included hobby and lifestyle shops and apparel stores. With the lack of inbound tourism due to COVID-19 travel restrictions, we look forward to the launch of the government's consumption voucher scheme to stimulate local consumer sentiment and spending.

Marketing Initiatives and Loyalty Programmes

Our marketing initiatives in the first half of 2021 provided plenty of cheer for our stakeholders during this challenging period of COVID-19, including the distribution of Chinese New Year promotional prizes via digital channels and improved online discount coupon buying experience under the second edition of the Power Up campaign. Club Avenue VIP members were treated to a number of private promotional and sales events, while Lee Gardens Club members enjoyed regular discounts and gifts.

Residential

Hysan's residential portfolio turnover decreased by 13.0% to HK\$134 million (2020: HK\$154 million) during the first half of the year. The occupancy for the sector stood at 73% as at 30 June 2021 (31 December 2020: 74%).

The luxury residential leasing market continued to be affected by COVID-19 travel restrictions, resulting in a significant reduction in expatriate demand. This is unlikely to change significantly until the COVID-19 situation improves and travel restrictions are relaxed and lifted.

Overall rental reversion in this sector during the period was negative with regard to renewals, rent review and new lettings.

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

Hysan successfully tendered for a commercial site at Caroline Hill Road, Causeway Bay, Hong Kong in May 2021. We plan to develop a premium commercial building with community facilities on the site in a joint venture with Chinachem Group. The project is seen as a strategic long-term investment that will contribute to the optimization of Hysan’s asset portfolio. It will also vastly expand the scale of the Lee Gardens portfolio and reinforce Hysan’s leading position in Hong Kong and the significance of Causeway Bay as a key destination. The potential value of the project will be enhanced by a proposed connectivity scheme, which will offer pedestrians a pleasant, weatherproof walking journey between Causeway Bay MTR station, Lee Gardens and the project site.

On our Tai Po residential project, major building structure works had already been completed. During the reporting period, the façade, building services and fitting out works all made satisfactory progress towards our target completion date in early 2022. A sales strategy is currently being developed, targeting a sales launch in the early part of 2022.

Harnessing Business Technology

Our business technology team has been preparing for the launch of two major projects that will benefit our tenants and their customers, as well as our own staff.

The team is now ready to unveil an interactive e-community with an e-commerce platform that will provide a series of unique shopping and related experiences. The e-community aims to bring a wide variety of lively, colourful activities and events to people who frequent Lee Gardens; it will also act as a new channel for our tenants to engage their customers.

Hysan’s newly renovated headquarter office is a “smart” office equipped with advanced technology to drive efficiency and productivity. Connectivity will be enhanced by a 5G-enabled infrastructure supported by Wi-Fi 6 technology. The latest smart elements will also be incorporated for managing meetings and visitors, as well as for work collaboration, presentation and staff training.

Sustainability and Community Activities

As COVID-19 was still affecting the Hong Kong community during the review period, we at Hysan continued to make health, wellness and safety our top operational priority. At the start of the year, Hysan’s Board recommended purchasing air purifiers to be used by our food and beverage operators as well as some front-line service tenants. This forward-looking move actually preceded a Hong Kong Government directive for restaurants to improve air circulation. Hysan was also praised in the community for using Hong Kong-developed technologies, such as the purifiers mentioned above and monitoring/cleaning robots, as part of our effort to combat the spread of the virus.

Moreover, Hysan hosted a series of wellness talks that included a well-attended town hall meeting on the importance of COVID-19 vaccination by top specialist Dr Joseph Tsang. The Company is also working with Adventist Medical Center to set up Hong Kong’s first vaccination promotion centre in a shopping complex. Additionally, we are partnering with both Adventist and Po Leung Kuk to provide health checks to frontline workers and underprivileged members of the community, with the aim of encouraging vaccination.

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 maintained at around similar level as last year's corresponding period, at 18.5% (2020: 17.2%).

Finance Costs

Finance costs increased to HK\$275 million, compared to HK\$234 million in the first half of 2020, as the Group started to prepare funding for potential investment opportunities and other strategic initiatives. 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\$197 million (2020: HK\$116 million). The effective interest rate for the period was 2.9%, as compared to 3.1% in the same period 2020.

Revaluation of Investment Properties

As at 30 June 2021, the investment properties of the Group were valued at HK\$94,627 million, an increase of 26.2% from HK\$74,993 million as at 31 December 2020, mainly due to the successful tender of a commercial site at Caroline Hill Road, Causeway Bay, Hong Kong in May 2021 at land premium of HK\$19,778 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\$545 million (2020: fair value loss of HK\$4,065 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 increased to HK\$212 million (2020: HK\$92 million), mainly due to the Group's share of revaluation gain (net of deferred tax) amounting to HK\$72 million (2020: revaluation loss of HK\$19 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\$7 million (2020: HK\$15 million), like-for-like interest income decreased to HK\$42 million (2020: HK\$137 million) resulting from shorter-tenor bank deposits placed to provide flexibility to meet funding requirement from investment opportunities and other strategic initiatives.

The Group also extended its investments beyond its core geographical area and businesses. As at 30 June 2021, these investments totalling HK\$965 million (31 December 2020: HK\$789 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 increased to HK\$20,077 million during the interim period (2020: HK\$619 million). The increase was mainly due to the successful tender of the Caroline Hill Road commercial site, coupled with Group's commitment on enhancing the asset value of its investment property portfolio through selective enhancement and redevelopment.

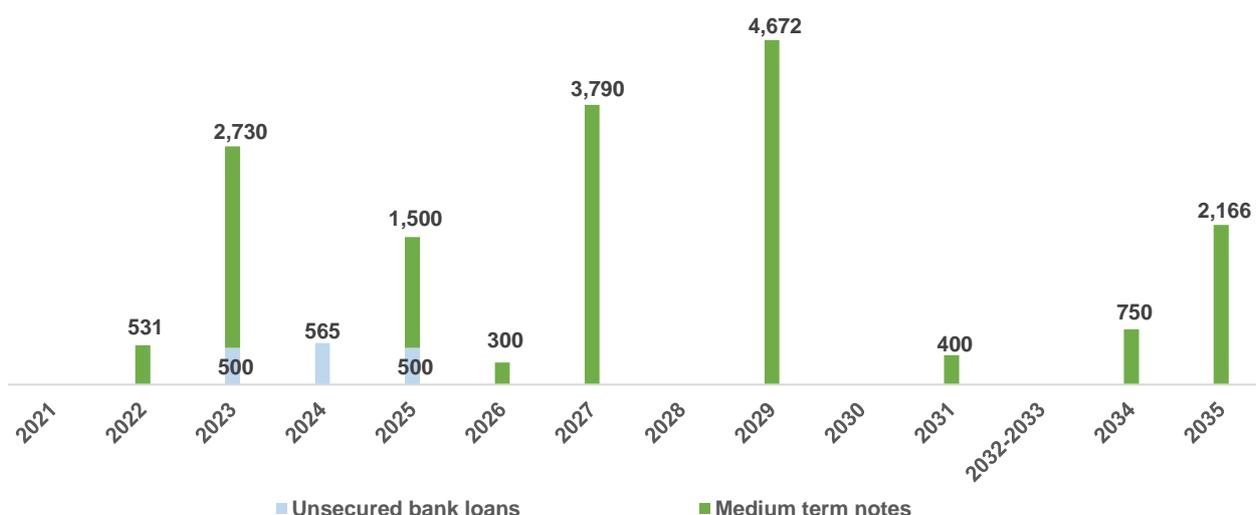
Treasury Policy

Capital Structure Management

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

The Group's total Gross Debt¹ level as at 30 June 2021 decreased to HK\$18,404 million (31 December 2020: HK\$19,204 million), mainly resulting from the early repayment of HK\$800 million bank loans in 2021. The Group's average debt maturity was at 6.6 years as at 30 June 2021 (31 December 2020: 6.8 years).

The following shows the debts maturity profile of the Group at 2021 interim period-end (in HK\$ million):



As at 30 June 2021, bank loans accounted for approximately 9% of the Group's total Gross Debt, with the remaining 91% from capital market financing (31 December 2020: 12%:88%). All the Group's debts are unsecured and on a committed basis.

¹ Gross Debt represents the contractual principal payment obligations as at 30 June 2021. 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 2021, the book value of the outstanding debt of the Group was HK\$18,201 million (31 December 2020: HK\$18,970 million).

Gearing Ratio and Net Interest Coverage

The Group's gearing ratio, as measured by Net Debt to Equity¹, was 8.2% at interim period-end 2021 (31 December 2020: net cash position). The Group's Net Interest Coverage² decreased to 6.5 times for interim period-end 2021 (2020: 17.0 times).

Credit Ratings

As at 30 June 2021, the Group's credit ratings were maintained at A3 from Moody's and A- from Fitch.

Liquidity Management

As at 30 June 2021, the Group has cash and bank deposits totalling about HK\$11,066 million (31 December 2020: HK\$24,935 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\$840 million (2020: HK\$454 million) in investment-grade debt securities.

Further liquidity, if needed, is available from the undrawn committed facilities offered by the Group's relationship banks. These facilities amounted to HK\$5,200 million at interim period-end 2021 (31 December 2020: HK\$5,450 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. Therefore, the Group monitors its interest rate exposure closely and adopts an appropriate hedging strategy in light of market conditions. The fixed rate debt ratio slightly increases to 91% at interim period-end 2021. The effective interest rate decreased slightly to 2.9% at interim period-end 2021 from 3.0% at year-end 2020.

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.

¹ Net Debt to Equity is defined as borrowings less time deposits, cash and cash equivalents divided by total equity.

² Net Interest Coverage is defined as gross profit less administrative expense before depreciation divided by net interest expenses.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period ended 30 June 2021 (unaudited)

	<u>Notes</u>	Six months ended 30 June	
		<u>2021</u>	<u>2020</u>
		HK\$ million	HK\$ million
Turnover	4	1,834	1,981
Property expenses		(218)	(219)
Gross profit		1,616	1,762
Investment income		49	152
Other gains and losses		7	(8)
Administrative expenses		(121)	(121)
Finance costs		(275)	(234)
Change in fair value of investment properties		(545)	(4,065)
Share of results of associates		212	92
Profit (loss) before taxation		943	(2,422)
Taxation	6	(162)	(236)
Profit (loss) for the period	7	781	(2,658)
Profit (loss) for the period attributable to:			
Owners of the Company		517	(2,626)
Perpetual capital securities holders		229	89
Other non-controlling interests		35	(121)
		781	(2,658)
Earnings (loss) per share (expressed in HK cents)	8		
Basic		50	(252)
Diluted		50	(252)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2021 (unaudited)

	Six months ended 30 June	
	<u>2021</u>	<u>2020</u>
	HK\$ million	HK\$ million
Profit (loss) for the period	781	(2,658)
Other comprehensive income (expenses)		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Gains on revaluation of properties held for own use (net of tax)	3	2
Change in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")	162	(42)
	165	(40)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net adjustments to hedging reserve	(65)	106
Share of translation reserve of an associate	64	(102)
	(1)	4
Other comprehensive income (expenses) for the period (net of tax)	164	(36)
Total comprehensive income (expenses) for the period	945	(2,694)
Total comprehensive income (expenses) attributable to:		
Owners of the Company	681	(2,662)
Perpetual capital securities holders	229	89
Other non-controlling interests	35	(121)
	945	(2,694)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021 (unaudited)

	<u>Notes</u>	As at 30 June 2021 HK\$ million	As at 31 December 2020 HK\$ million (audited)
Non-current assets			
Investment properties		94,627	74,993
Property, plant and equipment		782	834
Investments in associates		5,853	5,577
Loans to associates		11	11
Investment in a joint venture		124	125
Loans to a joint venture		1,191	1,153
Other financial investments		965	789
Debt securities		700	454
Deferred tax asset		97	55
Other financial assets		1	1
Other receivables	10	307	361
		<u>104,658</u>	<u>84,353</u>
Current assets			
Accounts and other receivables	10	462	467
Debt securities		140	-
Time deposits		5,150	10,546
Cash and cash equivalents		5,916	14,389
		<u>11,668</u>	<u>25,402</u>
Current liabilities			
Accounts payable and accruals	11	780	931
Deposits from tenants		422	377
Amounts due to non-controlling interest		217	217
Borrowings		331	-
Taxation payable		94	27
		<u>1,844</u>	<u>1,552</u>
Net current assets		<u>9,824</u>	<u>23,850</u>
Total assets less current liabilities		<u>114,482</u>	<u>108,203</u>
Non-current liabilities			
Amounts due to non-controlling interest		7,929	-
Borrowings		17,870	18,970
Other financial liabilities		231	183
Deposits from tenants		521	597
Deferred taxation		1,041	1,004
		<u>27,592</u>	<u>20,754</u>
Net assets		<u>86,890</u>	<u>87,449</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued*As at 30 June 2021 (unaudited)*

	<u>Notes</u>	As at 30 June 2021 HK\$ million	As at 31 December 2020 HK\$ million (audited)
Capital and reserves			
Share capital		7,723	7,722
Reserves		65,423	65,958
		<hr/>	<hr/>
Equity attributable to owners of the Company		73,146	73,680
Perpetual capital securities		10,657	10,657
Other non-controlling interests		3,087	3,112
		<hr/>	<hr/>
Total equity		86,890	87,449
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. Independent Review

The interim results for the six months ended 30 June 2021 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), by Deloitte Touche Tohmatsu, whose report on review of condensed consolidated financial statements is included in the interim report to be sent to shareholders. The interim results have also been reviewed by the Group's Audit and Risk Management Committee.

2. Basis of Preparation

The unaudited condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA.

The financial information relating to the year ended 31 December 2020 that is included in this result announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.
- The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

3. Principal Accounting Policies

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

The accounting policies and methods of computations followed in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

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

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards that are relevant to its operations and effective for the Group's financial year beginning on 1 January 2021. The applications of the Amendments to References to the Conceptual Framework in HKFRS Standards has no material impact on the condensed consolidated financial statements in the current and prior periods.

4. Turnover

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

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

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

5. Segment Information

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

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

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

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.

	<u>Retail</u> HK\$ million	<u>Office</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Property</u> <u>Development</u> HK\$ million	<u>Consolidated</u> HK\$ million
For the six months ended					
30 June 2021 (unaudited)					
Turnover					
Leasing of investment properties	734	775	120	-	1,629
Provision of property management services	86	105	14	-	205
Segment revenue	820	880	134	-	1,834
Property expenses	(104)	(85)	(29)	-	(218)
Segment profit	716	795	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

	<u>Retail</u> HK\$ million	<u>Office</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Property</u> <u>Development</u> HK\$ million	<u>Consolidated</u> HK\$ million
For the six months ended					
30 June 2020 (unaudited)					
Turnover					
Leasing of investment properties	815	819	138	-	1,772
Provision of property management services	85	108	16	-	209
Segment revenue	900	927	154	-	1,981
Property expenses	(106)	(87)	(26)	-	(219)
Segment profit	794	840	128	-	1,762
Investment income					152
Other gains and losses					(8)
Administrative expenses					(121)
Finance costs					(234)
Change in fair value of investment properties					(4,065)
Share of results of associates					92
Loss before taxation					(2,422)

All the segment turnover reported above is from external customers.

Segment profit represents the profit earned by each segment without allocation of investment income, other gains and losses, administrative expenses (including central administration costs and directors' emoluments), finance costs, change in fair value of investment properties and share of results of associates. This is the measure reported to the chief operating decision maker of the Group for the purpose of resource allocation and performance assessment.

Segment assets

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

	<u>Retail</u> HK\$ million	<u>Office</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Property</u> <u>Development</u> HK\$ million	<u>Consolidated</u> HK\$ million
<i>As at 30 June 2021 (unaudited)</i>					
Segment assets	31,725	34,420	8,716	21,135	95,996
Investments in and loans to associates					5,864
Other financial investments					965
Other assets					<u>13,501</u>
Consolidated assets					<u><u>116,326</u></u>
<i>As at 31 December 2020 (audited)</i>					
Segment assets	31,727	34,602	8,731	1,278	76,338
Investments in and loans to associates					5,588
Other financial investments					789
Other assets					<u>27,040</u>
Consolidated assets					<u><u>109,755</u></u>

Segment assets represented the investment properties and accounts receivable of each segment and investment in and loans to a joint venture under property development segment, without allocation of property, plant and equipment, investments in and loans to associates, other financial investments, 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 segment upon completion of the development.

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

6. Taxation

	Six months ended 30 June	
	<u>2021</u>	<u>2020</u>
	HK\$ million	HK\$ million
Current tax		
Hong Kong Profits Tax		
- current period	167	204
Deferred tax	(5)	32
	<u>162</u>	<u>236</u>

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

7. Profit (Loss) for the Period

	Six months ended 30 June	
	<u>2021</u>	<u>2020</u>
	HK\$ million	HK\$ million
Profit (loss) for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	<u>14</u>	<u>11</u>
Gross rental income from investment properties including rentals received with reference to turnover of tenants of HK\$57 million (2020: HK\$23 million)	<u>(1,629)</u>	<u>(1,772)</u>
Staff costs (including directors' emoluments)	<u>132</u>	<u>139</u>
Share of income tax of associates (included in share of results of associates)	<u>83</u>	<u>39</u>

8. Earnings (Loss) Per Share

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

	Earnings (loss)	
	Six months ended 30 June	
	<u>2021</u>	<u>2020</u>
	HK\$ million	HK\$ million
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share:		
Profit (loss) for the period attributable to owners of the Company	517	(2,626)
	<hr/>	<hr/>
	Number of shares	
	Six months ended 30 June	
	<u>2021</u>	<u>2020</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	1,039,711,082	1,042,562,017
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	-	-
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings (loss) per share	1,039,711,082	1,042,562,017
	<hr/>	<hr/>

The computation of diluted earnings (loss) per share does not assume the exercise of all (2020: 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	
	<u>2021</u>	<u>2020</u>
	HK\$ million	HK\$ million
2020 second interim dividend paid – HK117 cents per share	1,216	-
2019 second interim dividend paid – HK117 cents per share	-	1,221
	1,216	1,221

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

	Six months ended 30 June	
	<u>2021</u>	<u>2020</u>
	HK\$ million	HK\$ million
First interim dividend		
- HK27 cents per share (2020: HK27 cents per share)	281	281

The first interim dividend for 2021 is not recognized as a liability as at 30 June 2021 because it has been declared after the end of the reporting period. It will be payable in cash.

10. Accounts and Other Receivables

	As at	As at
	30 June	31 December
	<u>2021</u>	<u>2020</u>
	HK\$ million	HK\$ million
Accounts receivable	54	67
Interest receivable	100	109
Prepayments in respect of investment properties	149	149
Other receivables and prepayments	466	503
Total	769	828
Analysed for reporting purposes as:		
Current assets	462	467
Non-current assets	307	361
	769	828

The following is an ageing analysis of accounts receivable (net of allowance for credit losses) at the end of the reporting period. Accounts receivable mainly includes rents from leasing of investment properties, which are normally received in advance.

	As at 30 June <u>2021</u> HK\$ million	As at 31 December <u>2020</u> HK\$ million
Less than 30 days	15	34
31-90 days	26	23
Over 90 days	13	10
	<u>54</u>	<u>67</u>

11. Accounts Payable and Accruals

	As at 30 June <u>2021</u> HK\$ million	As at 31 December <u>2020</u> HK\$ million
Accounts payable	167	277
Interest payable	154	161
Other payables	459	493
	<u>780</u>	<u>931</u>

As at 30 June 2021, accounts payable of the Group with carrying amount of HK\$98 million (31 December 2020: HK\$160 million) were aged less than 90 days.

ADDITIONAL INFORMATION

Corporate Governance

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

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

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

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

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

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

During the review period, the Company repurchased an aggregate of 100,000 ordinary shares for a total consideration of approximately HK\$3 million on the Stock Exchange. The repurchased shares were cancelled in July 2021. Details of the shares repurchased are as follows:

Month of repurchase in 2021	Number of ordinary shares repurchased	Consideration per share		Aggregate consideration paid HK\$ million
		Highest HK\$	Lowest HK\$	
June	100,000	29.95	29.95	3
	100,000			3

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 2021 was 467.

There has been no material change to the human resources, training and development programmes as set out in the “Sustainability Report 2020”.

Closure of Register of Members

The first interim dividend will be paid to shareholders whose names appear on the register of members on Thursday, 26 August 2021 and the payment date will be on or about Monday, 6 September 2021. The register of members will be closed on Thursday, 26 August 2021, on which date no transfer of shares will be registered. The ex-dividend date will be Tuesday, 24 August 2021. In order to qualify for the first interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 25 August 2021.

By Order of the Board

Lee Irene Yun-Lien

Chairman

Hong Kong, 11 August 2021

*As at the date of this announcement, the Board comprises: Lee Irene Yun-Lien (Chairman), Churchouse Frederick Peter**, Fan Yan Hok Philip**, Poon Chung Yin Joseph**, Wong Ching Ying Belinda**, Jebesen Hans Michael* (Yang Chi Hsin Trevor as his alternate), Lee Anthony Hsien Pin* (Lee Irene Yun-Lien as his alternate), Lee Chien* and Lee Tze Hau Michael*.*

* *Non-Executive Directors*

** *Independent Non-Executive Directors*

This interim results announcement is published on the websites of the Company (www.hysan.com.hk) and the Stock Exchange (www.hkexnews.hk). The Interim Report 2021 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites around end of August 2021.