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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 2024

- Turnover increased year-on-year by 5.1% while Recurring Underlying Profit decreased year-on-year by 0.7%.
- Retail turnover increased 10.8% year-on-year, as we see early results from the Lee Gardens Rejuvenation strategy. Further key openings will continue to be launched in the next 12 months.
- Office occupancy remained stable with continued efforts to diversify our tenant mix by leveraging our unique positioning. Rental pressure prevailed for the overall Hong Kong Grade A office market.
- Investments in the Pillars have started to contribute. Lee Gardens Shanghai made good progress, securing commitments for 70% of its office space by the end of the period.
- The Caroline Hill Road project is slated for completion in the second half of 2026. It features cutting-edge sustainability design, efficient floor plates, a 60,000 sq. ft. lifestyle park, and a performing arts and cultural centre designed to meet the evolving needs of corporate and commercial tenants.
- The Group maintained its first interim dividend of HK27 cents per share.

RESULTS

		Six months ended 30 June			
		Notes	2024	2023	Change
Turnover	HK\$ million	1	1,693	1,611	+5.1%
Recurring Underlying Profit	HK\$ million	2	1,019	1,026	-0.7%
Underlying Profit	HK\$ million	3	1,019	1,026	-0.7%
Reported Profit	HK\$ million	4	427	190	n/m
Basic Earnings per Share	HK cent		42	19	n/m
First Interim Dividend per Share	HK cent		27	27	±0%
			As at 30 June 2024	As at 31 December 2023	
Shareholders' Funds	HK\$ million	5	66,779	67,182	-0.6%
Net Asset Value per Share	HK\$	6	65.0	65.4	-0.6%

n/m: not meaningful

Notes:

1. **Turnover** comprises gross rental income from leasing of investment properties located in Hong Kong and Mainland 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 core property investment business of Hysan Development Company Limited (the "Company" or "Hysan") and its subsidiaries (the "Group") 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

The first half of 2024 saw a gradual improvement in Hong Kong's economy, following the resumption of normal travel last year. Hong Kong, a city known for its resilience and dynamism, is navigating a period of transition with evolving consumption patterns of tourists and residents. Nevertheless, we remain focused on addressing these complexities with strategic acumen and agility.

The Journey of Transformation

We are leveraging the strengths of our core businesses and contributions from our strategic pillars. As retail and office trends evolve, we are reinventing our offerings starting with the rejuvenation of the Lee Gardens precinct that began two years ago.

A critical milestone in this rejuvenation journey is the transformation of Lee Gardens on Hysan Avenue, which includes the expansion of major luxury brands' flagship stores. Slated for completion, the rejuvenated Lee Garden One, Two, Three and Five will welcome more than ten newly renovated and expanded maison flagships, taking up 40% more space. Lee Gardens will be firmly established as the home of luxury brands, a new absolute attraction for both locals and visitors.

The Caroline Hill Road development, on track for completion in the second half of 2026, is another strategic move to reinforce our leading position in the area. It will expand our Lee Gardens portfolio by almost 30% in terms of area and will enrich our portfolio with additional assets, including a performing arts and cultural centre, built to the highest sustainability standards. An integrated pedestrian walkway system will be in place in 2026, connecting the Lee Gardens area from Caroline Hill Road to Hysan Place and the Causeway Bay MTR station for a more seamless working, shopping, dining and leisure experience.

Our strategic pillars continue to serve as new engines of growth to support our core operations. The Lee Gardens Shanghai secured commitments for 70% of its office space by the end of the first half of 2024, with quality tenants spanning across reputable financial institutions, luxury retailers and professional firms.

The flex office sector in the Greater Bay Area achieved steady growth and maintained high occupancy. Growing demand for flexible office solutions, which is now an integral part of the office ecosystem, accelerated the performance of our joint venture with the world's leading flex operator, IWG.

New Frontier Group, our healthcare investment, had solid performance and maintained its momentum of business expansion in the first half of 2024. New Frontier Group is now one of the leading operators in the growing premium healthcare services sector in Mainland China.

Responding to Hong Kong's Retail Dynamics in the Post-Pandemic Era

Along with the growing number of visitor arrivals since the end of the pandemic, we have witnessed a significant shift in consumption patterns and spending behaviour among visitors to Hong Kong. Local consumers have also embraced new retail trends, and many have increased travel to Mainland China, attracted by appealing offerings.

With the reshaping of Hong Kong's retail landscape, industry players must innovate and deliver a more engaging experience that resonates with consumers' changing preferences.

We are continuously reinventing our offerings to cater to evolving needs of the youth of Hong Kong. Hot after the launch of the first indoor skateboard park at Hysan Place, our #URBANHOOD concept made its debut last Christmas, thus firmly establishing Hysan Place as the destination for young people, reinforcing our position as the trendsetter of urban culture.

Resilience in a Competitive Office Market

While Hong Kong's capital market continues to recover, the city's office sector has become increasingly competitive as a result of softer demand and the volume of new office supply.

Lee Gardens continues to maintain a robust occupancy rate for its office portfolio during the period. This is due to our premium building specification across the portfolio, in particular our green and sustainable features, choices of high quality office facilities and the active curation of retail and dining offerings in the Lee Gardens ecosystem, supported by the quality property management services across our portfolio.

Tenants and customers find our commitment to sustainability and eco-friendly practices appealing. Our buildings in the Lee Gardens office portfolio, including Hysan Place — the first LEED Platinum-certified building in Hong Kong — have earned accolades under various renowned sustainability standards such as LEED, BEAM Plus and WELL. With our community business model emphasising “S”, the social element in ESG, we focus on placemaking, as well as physical, mental and social wellness.

We believe the market recognition of our brand, commitment and professional management will continue to draw new demand to our portfolio offerings in the years ahead. We are confident that the upcoming Caroline Hill Road Development, the Lee Gardens Rejuvenation programme and the new pedestrian walkway system will significantly strengthen our position as a favoured office destination in the heart of commercial Hong Kong.

Embracing the Future with Confidence

With a longstanding legacy spanning a century, Hysan has been an integral part of Hong Kong's growth story and a major contributor to its prosperity. Hysan has demonstrated continuous reinventions and creativity in how it curates our area with contrast and diversity. The Lee Gardens precincts lead as a trendy, vibrant and upmarket integrated shopping and commercial neighborhood in Hong Kong, and this has been a result of our strong and disciplined execution, driven by our vision. As we remain prudent steering our way through the ongoing market complexities, we are confident that our multi-pronged development and enhancement will not only future-proof our portfolio but will open a new chapter in our growth story which will reinforce and sustain our long-term prospects.

Looking ahead with optimism and determination, we will continue to shape the future of Lee Gardens and contribute to the sustainable development of Hong Kong.

Lee Irene Yun-Lien

Chairman

Hong Kong, 23 August 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Review of Results

In HK\$ million	Six months ended 30 June		Change
	2024	2023	
Turnover	1,693	1,611	+5.1%
- <i>Retail</i>	844	762	+10.8%
- <i>Office</i>	744	745	-0.1%
- <i>Residential</i>	105	104	+1.0%
Recurring Underlying Profit	1,019	1,026	-0.7%
Underlying Profit	1,019	1,026	-0.7%

Turnover saw a year-on-year increase of 5.1%. Recurring Underlying Profit and Underlying Profit experienced a year-on-year decline of 0.7%. Structural changes continued to put pressure on the office sector. With the completion of major enhancement works in Lee Garden One and basement of Hysan Place, our retail turnover saw a year-on-year improvement of 10.8%.

During the period, on average approximately 4% of our retail area were closed for the major enhancement works of Lee Gardens rejuvenation project. The corresponding impact has been reflected in our retail turnover.

The Board of Directors has declared a first interim dividend of HK27 cents per share (2023: 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	
	<u>2024</u> HK\$ million	<u>2023</u> HK\$ million
Reported profit	427	190
Change in fair value of properties	209	607
Investment properties	197	754
Less: Effect of other non-controlling interests	4	(144)
Share of associates (net of tax)	8	(3)
Impairment loss of a joint venture	170	-
Imputed interest income on interest-free loan to a joint venture	-	(24)
Other gains and losses	(1)	32
Profit attributable to perpetual capital securities holders	214	221
Recurring Underlying Profit / Underlying Profit	1,019	1,026

Review of Operations

Retail

Turnover in the Group's retail portfolio increased by 10.8% to HK\$844 million (2023: HK\$762 million). Turnover rent was HK\$72 million (2023: HK\$87 million). Retail occupancy was at 95% as at 30 June 2024 (31 December 2023: 97%). The rental reversion rate on renewals, rent reviews and new lettings was predominantly positive during the first half of 2024.

Retail sales in Hong Kong continued to face downward pressure during the period. Major contributing factors included changes in the consumption patterns of visitors and residents, coupled with strength of the Hong Kong dollar. Weak local consumption is expected to persist with challenges in attracting visitors, affected by competition from Japan with the weak yen and Hainan in Mainland China, coupled with the rising trend of Hong Kong residents heading north for shopping and leisure. Nonetheless, the government has been proactive in boosting retail market sentiment with promotional efforts, such as collaborating with us in the debut of the Urban Jam Festival in Causeway Bay during the period.

We strived for strengthened collaboration with our anchor tenants for better sales and shoppers' experience. The rejuvenation of Lee Gardens has made significant progress. Lee Garden One's transformation, which includes the expansion and renovation of major luxury brands' flagship stores, will be completed in stages with re-openings slated for the second half of 2024. The rejuvenation further positions Lee Gardens as home for luxury flagships and fine dining offerings, differentiating our uniqueness in the market to meet the evolving demand of locals and tourists.

Hysan Place's #URBANHOOD made its debut last Christmas. We have continued to refine our tenant mix and optimise store layouts to enhance the variety of our offerings. The transformation has reinforced Hysan Place's position as the trendsetter of urban culture.

Additionally, the forthcoming Caroline Hill Road Project, along with the pedestrian walkway system, will further the integration of Lee Gardens into a preferred destination of retail tenants.

Marketing Initiatives and Loyalty Programmes

Under a challenging retail market, locals and tourists tend to be more price-conscious and see experiences of customer relationship management as decisive factors when shopping in Hong Kong. With various initiatives we have been undertaking at Lee Gardens, we are forging closer engagement with shoppers and providing better support to our tenants.

In the first half of 2024, Hysan implemented a variety of thematic marketing campaigns at the Lee Gardens Area. The five-day Urban Jam Festival in Causeway Bay was a vibrant celebration of cultural diversity. The event served as a convergence of the old and the new, blending local and international cultures to offer a range of captivating experiences, including cultural exhibitions, live barbering demonstrations, and artistic performances. The Lee Gardens Coffee Fest 2024 was another highlight of ours during the period, turning Pak Sha Road to a 20-stall market showcasing local and international brewers and serving as a gathering space for coffee lovers. Leveraging public spaces in the Lee Gardens Area, the two marketing campaigns have driven over half a million of organic traffic to the area.

During the Hong Kong Sevens, Hysan partnered with Cathay Pacific to organise the "Cathay x Hysan Place - HK7s" event zone on Kai Chiu Road featuring interactive games, live performances and enticing dining options, with successful traffic driven to our portfolio offerings.

The "Artistry in Bloom" Lunar New Year campaign, partnered with renowned floral illustrator Jess Phoenix to curate an enchanting installation inspired by symbolic festive flowers, provided visitors with a captivating experience. Targeting families with kids, the ten-day Easter ARTventure campaign offered a variety of workshops, where we introduced "Messy ARTventure", the first-ever giant messy play initiative in Lee Gardens which had gained positive response from participants.

Apart from all the happenings on street level, our nearby hubs such as Hysan Place also served as an extension of the events and successfully drove sales. These events have effectively showcased the diverse nature of Lee Gardens to a wider range of audiences, positioning Lee Gardens as a must-visit destination for both locals and tourists.

With the launch of our new member App in the second quarter of 2024, we have been enhancing digital engagement with our members. Positive results were generated with sales from our Club Avenue members maintaining stable in the first half of the year, coupled with significant improvement in sales from our hy! members (the former Lee Gardens Club). We optimised welcoming offers with promotional campaigns to activate members' first spendings, which have successfully secured 60,000+ members registering to our database in 6 weeks.

Office

In the first six months of 2024, turnover of the Group's office portfolio experienced a decline of 0.1% to HK\$744 million (2023: HK\$745 million).

In HK\$ million	Six months ended 30 June		
	2024	2023	Change
Office	744	745	-0.1%
- Hong Kong	720	741	-2.8%
- Mainland	24	4	n/m

Hong Kong

During the first half of 2024, the turnover decreased by 2.8% to HK\$720 million, compared to HK\$741 million in 2023. This includes a turnover rent of HK\$4 million (2023: HK\$2 million).

Office leasing demand remained weak in Hong Kong during the first half of 2024. With abundant office supply and significant rental reduction, tenants have options among quality buildings in core districts at affordable rents. Landlords compete aggressively by rental or capital subsidies and other flexible terms.

The average rental reversion rate on renewals, rent reviews and new lettings for Hysan's Lee Gardens portfolio remained negative. Nevertheless, occupancy was maintained at a stable rate of 89% as at 30 June 2024 (31 December 2023: 89%).

As at 30 June 2024, the Banking, Finance and Wealth Management sector continued to occupy the largest share 22.1% (31 December 2023: 21.4%) of our tenant portfolio by floor area. The Co-work sector and Professional and Consulting sectors were second and third. Office demand from the medical and health sector has increased, which now occupies 8.6% (31 December 2023: 8.2%) of our floor area at the end of the period.

The completed renovation at the common area of Lee Garden One, Lee Garden Five and Lee Garden Six will enhance the image of Hysan's office portfolio, which we believe will continue to appeal to both multinational and local businesses alike.

Mainland

Turnover of Mainland's office portfolio increased to HK\$24 million (2023: HK\$4 million), contributed by the improvement in occupancy to 34% (31 December 2023: 24%). Further details of our Mainland's office portfolio are disclosed in the Core Expansion & Strategic Pillars – Shanghai Investment Property – Lee Gardens Shanghai section.

Residential

The increased demand from an influx of young professionals and graduates through various talent schemes had a positive impact on Hong Kong's mass residential leasing market. The luxury residential leasing market, however, continued to face challenges due to the lack of demand from expatriates.

Hysan's residential leasing portfolio turnover saw a 1.0% increase to HK\$105 million (2023: HK\$104 million). Occupancy was at 68% as at 30 June 2024 (31 December 2023: 60%). The average rental reversion in the sector was negative for renewals, rent reviews and new lettings.

Core Expansion & Strategic Pillars

Commercial Property Development – Caroline Hill Road Site

Superstructure works for the strategic Caroline Hill Road Project, a joint venture with Chinachem Group, are in satisfactory progress. The project is progressing on schedule for completion in 2026. This is an important milestone in our long-term growth plans and will reinforce the Lee Gardens precinct as one of Hong Kong's most unique destinations.

Adhering to our commitment to technological advancements, our Caroline Hill Road Project has won the prestigious Grand Award in the Construction for Building Project category at the Hong Kong openBIM/openGIS Awards 2024 organised by the Hong Kong Alliance of Built Asset & Environment Information Management Associations and the Hong Kong Chapter of buildingSMART International. It is a testament to our utilisation of innovative technologies to enhance efficiency and productivity in projects.

The Caroline Hill Road project is included under "investment properties" in our condensed consolidated statement of financial position.

Residential Property Development – VILLA LUCCA in Tai Po and To Kwa Wan Residential Project

VILLA LUCCA, our joint-venture luxury residential development in Tai Po, consists of 262 garden houses and apartments. As at 30 June 2024, a total of 102 units of the project have been contracted.

Following the lifting of property cooling measures in late February 2024, the residential sales market in Hong Kong experienced a surge in activity promptly after the government's move. As a result, 41 units of VILLA LUCCA were sold and leased in the first half of 2024, with approximately half of the transactions recorded in March 2024. However, the enthusiasm began to wane in May this year, hampered by a sluggish economy and high interest rates. The market continues to remain highly competitive with increasing supply. Despite market uncertainties, we will continue to adopt our competitive pricing strategy to boost transactions.

Hysan owns a 25% stake in a joint venture to develop the Urban Renewal Authority's residential project at Bailey Street/Wing Kwong Street in Kowloon's To Kwa Wan district for the mass residential market. With the approval of development plan in 2023, the foundation, excavation lateral support and pile caps works are in progress and slated for completion in the third quarter of 2024, followed by commencement of basement and superstructure construction.

The quality site will be redeveloped into three 24-storey buildings covering a total area of over 700,000 square feet. Hysan will apply our expertise to oversee the design and operation of the retail portion of the project.

The Villa Lucca Project and To Kwa Wan Residential Project are included under "investments in joint ventures" in our condensed consolidated statement of financial position.

Shanghai Investment Property – Lee Gardens Shanghai

Lee Gardens Shanghai features approximately 0.7 million square feet of gross floor area for commercial activities, with 375 parking spaces available.

Enhancement work of the office tower completed in 2023, with tenants moving in since the first quarter of 2023. Enhancement work of the retail space is expected to be completed in 2024. With ongoing pre-leasing activities, tenants have been moving in since the first quarter of 2024. Opening of the retail space is slated for this year.

The investment is included under "investment properties" in our condensed consolidated statement of financial position.

Shanghai Investment Property – Grand Gateway 66

This investment property, in which Hysan owns a 26% stake, demonstrated resilient performance despite impact in the post-COVID era. The investment is included in "investments in associates" under our condensed consolidated statement of financial position.

Greater Bay Area Flex – Joint Venture with IWG plc

All IWG's flexible workspace brands in Hong Kong and the Greater Bay Area are exclusively operated by a Hysan-IWG joint venture.

Increased demand for hybrid working has accelerated the performance and occupancy growth of our flexible workspace business. Our partnership with the world's leading flexible workspace platform has given us confidence and optimism about our Greater Bay Area Flex.

The joint venture operates 36 centres across the Greater Bay Area. We are confident that our Greater Bay Area Flex will remain on a sustainable trend and continue to create value for the local communities.

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

Medical and Health – New Frontier Group

New Frontier Group is a leading private healthcare services provider based in Mainland China that operates a system of acute hospitals, an online hospital, rehabilitation and geriatric hospitals, oncology centres, ambulatory centres, outpatient clinics, a home health network, doctor groups, training centres and health insurance services across the country.

It has seen steady business development with growth momentum, with two new hospitals opened in Beijing and Shanghai, respectively in the first quarter of 2024.

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

The investment is included as part of the “other financial investments” in our condensed consolidated statement of financial position.

Financial Review

Operating Costs

The Group's operating costs are generally classified as property expenses (direct costs and front-line staff wages and benefits) and administrative expenses (indirect costs largely representing payroll related costs of management and head office staff). The Group's operating costs to turnover ratio decreased compared to last year's corresponding period, at 25.0% (2023: 25.4%).

Finance Costs

Finance costs decreased to HK\$213 million, compared to HK\$231 million in the first half of 2023, as the Group capitalized the interest expense of funds used to finance its property development activities. The effective interest rate for the period was 4.4%, as compared to 3.9% in the same period 2023.

Revaluation of Investment Properties

As at 30 June 2024, the investment properties of the Group were valued at HK\$96,535 million, an increase of 0.6% from HK\$96,005 million as at 31 December 2023.

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\$197 million (2023: HK\$754 million) was recognized in the condensed consolidated statement of profit or loss for the period. This loss mainly reflects heightened market risk in the office sector weakened by continued global economic uncertainties.

Investments in Associates and Joint Ventures

The Group's investments in associates are substantially represented by its interest in Shanghai Grand Gateway 66, a retail, office and residential complex, in Shanghai, China. The share of results of associates decreased to HK\$117 million (2023: HK\$146 million).

The Group's investment in joint venture represents interests in VILLA LUCCA in Tai Po, the To Kwa Wan residential project and the IWG Flex business. The share of losses in joint ventures was HK\$197 million, compared to share of profit of HK\$17 million in 2023. The loss mainly reflects impairment loss on properties held for development for sale in VILLA LICCA in Tai Po.

Other Financial Investments

The Group extended its geographical and business reach through certain strategic minority stake investments. Investment in New Frontier Group was one of the key initiatives which provides strategic exposure for the Group in the fast-growing healthcare sector in the Mainland. As at 30 June 2024, other financial investments totalled HK\$1,633 million (31 December 2023: HK\$1,557 million).

Bank Deposits

In addition to placing surplus funds as time deposits in banks with strong credit ratings, the Group also invested in investment grade debt securities.

The interest income decreased to HK\$95 million (2023: HK\$111 million), due to a decrease in the bank deposits placed.

Capital Expenditure

Total cash outlay of capital expenditure increased to HK\$645 million during the interim period (2023: HK\$624 million). The capital expenditure during the period was mainly related to Caroline Hill Road project and enhancement works in Lee Gardens area. The Group is committed to enhancing the asset value of its investment property portfolio through continuous enhancement and redevelopment.

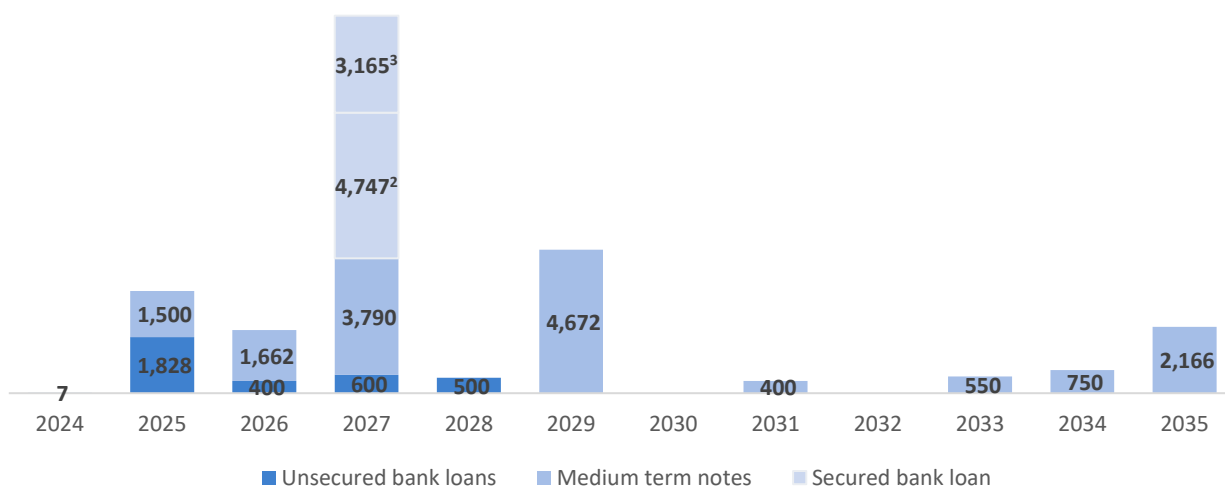
Treasury Policy

Capital Structure Management

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

The Group's total Gross Debt¹ level as at 30 June 2024 was HK\$26,737 million (31 December 2023: HK\$25,717 million). The Group's average debt maturity as at 30 June 2024 was 3.9 years (31 December 2023: 4.5 years) and well spread over the coming 11 years. With the tremendous support from the banking community, the Group arranged a HK\$8,000 million 4-year syndicated loan in July 2024. Thus, the Group has adequate financing resources for its future funding requirements.

The following shows the debts maturity profile of the Group at 2024 interim period-end (in HK\$ million):



¹ The Gross Debt represents the contractual principal payment obligations as at 30 June 2024. 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 2024, the book value of the outstanding debt of the Group was HK\$26,560 million (31 December 2023: HK\$25,564 million).

² 60% secured term loans of Caroline Hill Road project (guaranteed by Hysan).

³ 40% secured term loans of Caroline Hill Road project (guaranteed by Chinachem Group).

As at 30 June 2024, bank loans accounted for approximately 42% of the Group's total Gross Debt, with the remaining 58% from capital market financing (31 December 2023: 39%: 61%).

The following table shows the Group's source of debt financing as at 30 June 2024 (in HK\$ million):

	Available	Drawn	Undrawn
Secured term loans ⁴	12,951	7,912	5,039
Unsecured term loans	2,150	2,150	-
Committed revolving loans	6,969	1,100	5,869
Capital market issuances	15,491	15,491	-
Total committed facilities	37,561	26,653	10,908
Uncommitted revolving loans	2,694	84	2,610
Total source of debts financing	40,255	26,737	13,518

Gearing Ratio and Net Interest Coverage

The Group's gearing ratio, as measured by Net Debt to Equity⁵, was 29.9% at interim period-end 2024 (31 December 2023: 27.2%). The Group's Net Interest Coverage⁶ increased to 10.8 times for interim period-end 2024 (2023: 10.3 times).

Credit Ratings

As at 30 June 2024, the Group's credit ratings were BBB+ from Fitch and Baa1 from Moody's respectively. The Group always keeps an active dialogue with credit rating agencies and aims at maintaining investment-grade credit ratings.

Liquidity Management

As at 30 June 2024, the Group has cash and bank deposits totalling about HK\$3,057 million (31 December 2023: HK\$3,854 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\$900 million (31 December 2023: HK\$994 million) in investment-grade debt securities.

Further liquidity, if needed, is available from the undrawn committed revolving facilities offered by the Group's relationship banks. These facilities amounted to HK\$5,869 million at 2024 interim period-end (31 December 2023: HK\$6,369 million), essentially allowing the Group to obtain additional liquidity as the need arose.

⁴ Secured term loans represent the contractual principal payment obligations of the project financing of Caroline Hill Road project.

⁵ Net Debt to Equity is defined as borrowings less time deposits, cash and cash equivalents divided by total equity.

⁶ Net Interest Coverage is defined as gross profit less administrative expense before depreciation divided by net interest expenses after interest capitalization.

Interest Rate Management

Interest expenses represent one of the key cost drivers of the Group's business. The Group monitors its interest rate exposure closely and adopts an appropriate hedging strategy in light of market conditions. The fixed rate debt ratio (after taking into account interest rate swap) at interim period-end 2024 was 58% (31 December 2023: 62%). The effective interest rate slightly increased to 4.4% at interim period-end 2024 from 4.2% at year-end 2023 which was mainly due to the increase of HIBOR.

Foreign Exchange Management

The Group aims to achieve minimal currency exposure and does not speculate in currency movements for asset and liability management. The Group monitors and manages its foreign currency exposure, including USD and RMB, where appropriate, by applying systematic measures to mitigate foreign currency risk.

Majority of the Group's borrowings are denominated or hedged to HKD with limited exposure to foreign exchange risk.

Capital Management

During the interim period of 2024, the Group had repurchased approximately US\$100 million subordinated guaranteed perpetual capital securities for a total consideration of HK\$728 million. (2023: Nil)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024 (unaudited)

	Notes	Six months ended 30 June	
		2024 HK\$ million	2023 HK\$ million
Turnover	4	1,693	1,611
Property expenses		(286)	(264)
Gross profit		1,407	1,347
Investment income		94	138
Other gains and losses		1	(32)
Administrative expenses		(137)	(145)
Finance costs		(213)	(231)
Change in fair value of investment properties		(197)	(754)
Share of results (include impairment loss) of:			
associates		117	146
joint ventures		(197)	17
Profit before taxation		875	486
Taxation	6	(158)	(153)
Profit for the period	7	717	333
Profit (loss) for the period attributable to:			
Owners of the Company		427	190
Perpetual capital securities holders		214	221
Other non-controlling interests		76	(78)
		717	333
Earnings per share (expressed in HK cents)	8		
Basic		42	19
Diluted		42	19

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024 (unaudited)

	Six months ended 30 June	
	<u>2024</u>	<u>2023</u>
	HK\$ million	HK\$ million
Profit for the period	<u>717</u>	<u>333</u>
Other comprehensive income (expenses)		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
(Losses) gains on revaluation of properties held for own use (net of tax)	(12)	2
Change in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")	<u>69</u>	<u>(94)</u>
	<u>57</u>	<u>(92)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of subsidiaries	(91)	(164)
Net adjustments to hedging reserve	24	(65)
Share of translation reserve of an associate	<u>(39)</u>	<u>(141)</u>
	<u>(106)</u>	<u>(370)</u>
Other comprehensive expenses for the period (net of tax)	<u>(49)</u>	<u>(462)</u>
Total comprehensive income (expenses) for the period	<u><u>668</u></u>	<u><u>(129)</u></u>
Total comprehensive income (expenses) attributable to:		
Owners of the Company	378	(272)
Perpetual capital securities holders	214	221
Other non-controlling interests	<u>76</u>	<u>(78)</u>
	<u><u>668</u></u>	<u><u>(129)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024 (unaudited)

	<u>Notes</u>	As at 30 June <u>2024</u> HK\$ million	As at 31 December <u>2023</u> HK\$ million (audited)
Non-current assets			
Investment properties		96,535	96,005
Property, plant and equipment		645	594
Investments in associates		5,566	5,488
Loans to associates		8	8
Investments in joint ventures		333	445
Loans to joint ventures		4,212	4,029
Other financial investments		1,633	1,557
Debt securities		580	900
Deferred tax assets		95	96
Other financial assets		195	198
Other receivables	10	1,132	954
		<u>110,934</u>	<u>110,274</u>
Current assets			
Accounts and other receivables	10	342	304
Debt securities		320	94
Other financial assets		8	-
Time deposits		1,351	1,271
Cash and cash equivalents		1,706	2,583
		<u>3,727</u>	<u>4,252</u>
Current liabilities			
Accounts payable and accruals	11	989	1,097
Deposits from tenants		360	352
Amounts due to non-controlling interests		199	199
Borrowings		2,030	158
Taxation payable		57	1
		<u>3,635</u>	<u>1,807</u>
Net current assets		<u>92</u>	<u>2,445</u>
Total assets less current liabilities		<u>111,026</u>	<u>112,719</u>
Non-current liabilities			
Amounts due to non-controlling interests		5,606	5,264
Borrowings		24,530	25,406
Other financial liabilities		558	576
Deposits from tenants		502	511
Deferred tax liabilities		1,305	1,271
		<u>32,501</u>	<u>33,028</u>
Net assets		<u>78,525</u>	<u>79,691</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued

As at 30 June 2024 (unaudited)

	<u>Notes</u>	As at 30 June <u>2024</u> HK\$ million	As at 31 December <u>2023</u> HK\$ million (audited)
Capital and reserves			
Share capital		7,723	7,723
Reserves		59,056	59,459
Equity attributable to owners of the Company		66,779	67,182
Perpetual capital securities		9,437	10,224
Other non-controlling interests		2,309	2,285
Total equity		78,525	79,691

Notes:

1. Independent Review

The interim results for the six months ended 30 June 2024 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 2024 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by HKICPA as well as the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The financial information relating to the year ended 31 December 2023 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 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.
- The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

3. Principal Accounting Policies

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

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2023.

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

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards that are relevant to its operations and effective for the Group's financial year beginning on 1 January 2024. 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 and Mainland.

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 and Mainland 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
<i>For the six months ended</i>					
<i>30 June 2024 (unaudited)</i>					
Turnover					
Leasing of investment properties	759	635	92	-	1,486
Provision of property management services	85	109	13	-	207
Segment revenue	844	744	105	-	1,693
Property expenses	(132)	(123)	(31)	-	(286)
Segment gross profit	712	621	74	-	1,407
Share of results of a joint venture	-	-	-	(30)	(30)
Segment profit (loss)	712	621	74	(30)	1,377
Investment income					94
Other gains and losses					1
Administrative expenses					(137)
Finance costs					(213)
Change in fair value of investment properties					(197)
Impairment loss of a joint venture					(170)
Share of results of associates					117
a joint venture					3
Profit before taxation					875

	<u>Retail</u> HK\$ million	<u>Office</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Property Development</u> HK\$ million	<u>Consolidated</u> HK\$ million
<i>For the six months ended 30 June 2023 (unaudited)</i>					
Turnover					
Leasing of investment properties	682	645	92	-	1,419
Provision of property management services	80	100	12	-	192
Segment revenue	762	745	104	-	1,611
Property expenses	(121)	(115)	(28)	-	(264)
Segment gross profit	641	630	76	-	1,347
Share of results of a joint venture	-	-	-	25	25
Segment profit	641	630	76	25	1,372
Investment income					138
Other gains and losses					(32)
Administrative expenses					(145)
Finance costs					(231)
Change in fair value of investment properties					(754)
Share of results of associates a joint venture					146 (8)
Profit before taxation					486

All the segment turnover reported above is from external customers.

Segment profit represents the profit earned by each segment including share of results of a joint venture for investment in Tai Po residential project. Segment profit is reported without allocation of items not specifically attributed to individual reportable segments including investment income, other gains and losses, administrative expenses (including central administration costs and directors' emoluments), finance costs, change in fair value of investment properties, impairment loss of a joint venture and share of results of associates and a joint venture. This is the measure reported to the chief operating decision maker of the Group for the purpose of resource allocation and performance assessment.

Segment assets

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

	<u>Retail</u> HK\$ million	<u>Office</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Property development</u> HK\$ million	<u>Consolidated</u> HK\$ million
<i>As at 30 June 2024 (unaudited)</i>					
Segment assets	33,125	34,844	8,669	24,174	100,812
Investments in and loans to associates					5,574
Investment in a joint venture					331
Other financial investments					1,633
Other assets					6,311
Consolidated assets					114,661

	<u>Retail</u> HK\$ million	<u>Office</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Property development</u> HK\$ million	<u>Consolidated</u> HK\$ million
<i>As at 31 December 2023 (audited)</i>					
Segment assets	32,520	35,695	8,658	23,336	100,209
Investments in and loans to associates					5,496
Investment in a joint venture					328
Other financial investments					1,557
Other assets					6,936
Consolidated assets					<u>114,526</u>

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

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

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

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

Included in the retail and office segment is an investment property located in the Mainland of HK\$580 million (31 December 2023: HK\$602 million) and HK\$2,820 million (31 December 2023: HK\$2,962 million) respectively.

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

6. Taxation

	Six months ended 30 June	
	<u>2024</u> HK\$ million	<u>2023</u> HK\$ million
Current tax		
Hong Kong Profits Tax		
- current period	121	115
Deferred tax	37	38
	<u>158</u>	<u>153</u>

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

7. Profit for the Period

	Six months ended 30 June	
	<u>2024</u>	<u>2023</u>
	HK\$ million	HK\$ million
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	17	17
Gross rental income from investment properties including rentals received with reference to turnover of tenants of HK\$76 million (2023: HK\$89 million)	(1,486)	(1,419)
Interest income (included in investment income)	(95)	(111)
Imputed interest income on interest-free loan to a joint venture (included in investment income)	-	(24)
Staff costs (including directors' emoluments)	164	165
Share of income tax of associates (included in share of results of associates)	51	60

8. Earnings Per Share

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

	Earnings	
	Six months ended 30 June	
	<u>2024</u>	<u>2023</u>
	HK\$ million	HK\$ million
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	427	190
	<hr/> <hr/>	<hr/> <hr/>
	Number of shares	
	Six months ended 30 June	
	<u>2024</u>	<u>2023</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,027,008,223	1,027,008,223
Effect of dilutive potential ordinary shares: Share options issued by the Company	<hr/> - <hr/>	<hr/> - <hr/>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,027,008,223	1,027,008,223
	<hr/> <hr/>	<hr/> <hr/>

The computation of diluted earnings per share does not assume the exercise of all (2023: 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>2024</u>	<u>2023</u>
	HK\$ million	HK\$ million
2023 second interim dividend paid – HK81 cents per share	832	-
2022 second interim dividend paid – HK117 cents per share	-	1,202
	832	1,202

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

	Six months ended 30 June	
	<u>2024</u>	<u>2023</u>
	HK\$ million	HK\$ million
First interim dividend declared		
- HK27 cents per share (2023: HK27 cents per share)	277	277

The first interim dividend for 2024 is not recognized as a liability as at 30 June 2024 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>2024</u>	<u>2023</u>
	HK\$ million	HK\$ million
Accounts receivable	63	58
Interest receivable	47	55
Prepayments in respect of investment properties	821	721
Other receivables and prepayments	543	424
Total	1,474	1,258
Analysed for reporting purposes as:		
Current assets	342	304
Non-current assets	1,132	954
	1,474	1,258

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>2024</u> HK\$ million	As at 31 December <u>2023</u> HK\$ million
Less than 30 days	34	31
31-90 days	13	16
Over 90 days	16	11
	<u>63</u>	<u>58</u>

11. Accounts Payable and Accruals

	As at 30 June <u>2024</u> HK\$ million	As at 31 December <u>2023</u> HK\$ million
Accounts payable	254	289
Interest payable	68	80
Other payables	667	728
	<u>989</u>	<u>1,097</u>

As at 30 June 2024, accounts payable of the Group with carrying amount of HK\$126 million (31 December 2023: HK\$168 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 Corporate Governance Guideline to provide guidance on how corporate governance principles are applied in the Company. In addition to complying with applicable statutory requirements, the Company aims to continually review and enhance corporate governance practices of the Company in the light of local and international best practices.

During the six months ended 30 June 2024 (the “Review Period”), the Company fully complied with the code provision of the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules. 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 C3 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. 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 Review Period.

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

During the Review Period, the Group repurchased and cancelled part of the US\$850,000,000 Subordinated Guaranteed Perpetual Capital Securities (the “Securities”) in the aggregate principal amount of US\$99,995,000 (approximately HK\$777 million), representing approximately 11.76% of the aggregate principal amount of the Securities initially issued. The Securities were issued in 2020 and are listed on the Stock Exchange, and the repurchase was carried out by way of a tender offer to purchase for cash with an aggregate purchase price of approximately HK\$728 million paid by the Group.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company’s listed securities during the review period.

Human Resources Practices

The Group aims to attract, retain and develop high-calibre individuals who are committed to attaining our objectives and achieving our corporate culture and core values. The total number of employees as at 30 June 2024 was 510. The Group’s human resources practices are aligned with our corporate objectives in order to maximize shareholder value and achieve sustainable growth. Details on our human resources practices, training and development programmes are set out in the “Sustainability Report 2023”.

Closure of Register of Members

The first interim dividend will be paid to shareholders whose names appear on the register of members on Monday, 9 September 2024 and the payment date will be on or about Friday, 20 September 2024. The register of members will be closed on Monday, 9 September 2024, on which date no transfer of shares will be registered. The ex-dividend date will be Thursday, 5 September 2024. In order to qualify for the first interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:00 p.m. on Friday, 6 September 2024.

By Order of the Board

Lee Irene Yun-Lien

Chairman

Hong Kong, 23 August 2024

*As at the date of this announcement, the Board comprises: Lee Irene Yun-Lien (Chairman), Lui Kon Wai (Executive Director and Chief Operating Officer), Chung Cordelia**, Churchouse Frederick Peter**, Poon Chung Yin Joseph**, Wong Ching Ying Belinda**, Young Elaine Carole**, Lee Anthony Hsien Pin* (Lee Irene Yun-Lien as his alternate), Lee Chien* and Lee Tze Hau Michael*.*

* *Non-Executive Directors*

** *Independent Non-Executive Directors*

This interim results announcement is published on the websites of the Company (www.hysan.com.hk) and the Stock Exchange (www.hkexnews.hk). The Interim Report 2024 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites around early September 2024.