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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 THE FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

- The world was impacted by COVID-19, in its third year, and by macroeconomic factors that included geopolitical tensions, war, inflation, interest rate hikes, supply chain disruption, energy and food crisis
- Hong Kong was not immune to external volatility. The travel restrictions and other COVID-19 measures further dampened Hong Kong economic activity in 2022
- The recent reopening of the Hong Kong and Mainland China border and the relaxation of COVID-19 restrictions boosted consumption sentiment and market confidence
- An area-wide rejuvenation which include our core assets in Lee Gardens and Hysan Place has commenced, and together with the Caroline Hill development, will significantly expand our footprint and reach. Our continuous enhancement and dynamic curation will ensure Lee Gardens is one of the most important destinations in Hong Kong
- The Group continues to build its strategic pillars to complement our core portfolio
- Occupancies for Office and Retail portfolios were 90% and 99% respectively
- Turnover and Underlying Profit decreased year-on-year by 4.1% and 8.6% respectively
- Reported Loss arising from non-cash fair value change of investment properties was recorded in 2022
- The Group's core earnings remained resilient. A second interim dividend of HK117 cents per share was declared

## RESULTS

			Year ended 31 December		
			2022	2021	Change
			Notes		
Turnover	HK\$ million	1	<b>3,460</b>	3,608	-4.1%
Recurring Underlying Profit	HK\$ million	2	<b>2,063</b>	2,330	-11.5%
Underlying Profit	HK\$ million	3	<b>2,129</b>	2,330	-8.6%
Reported (Loss) Profit	HK\$ million	4	<b>(1,157)</b>	1,383	n/m
Basic (Loss) Earnings per Share	HK cent		<b>(112)</b>	133	n/m
Full-year Dividends per Share	HK cent		<b>144</b>	144	±0%
			As at 31 December		
			2022	2021	
Shareholders' Funds	HK\$ million	5	<b>70,200</b>	73,870	-5.0%
Net Asset Value per Share	HK\$	6	<b>68.4</b>	71.4	-4.2%

n/m: not meaningful

### Notes:

- 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 year.
- 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.
- Underlying Profit**, a non-HKFRS measure, is arrived at by adding (i) Reported (Loss) 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.
- Reported (Loss) Profit** is the (loss) 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.
- Shareholders' Funds** are the equity attributable to owners of the Company.
- Net Asset Value per Share** represents Shareholders' Funds divided by the number of issued shares at year-end.

## CHAIRMAN'S STATEMENT

### ***Global Economic, Social and Political Uncertainties in 2022***

The global economy was full of uncertainties throughout 2022. In large part, this was due to the lingering impact of COVID-19, especially in Mainland China, where restrictions curtailed social and economic activities in major cities whenever the virus was reported. An environment of high energy prices and increasing interest rates prevailed against a backdrop of war and geopolitical tensions. Many countries also had to contend with high inflation and supply chain bottlenecks.

### ***Hong Kong Was Not Immune***

As a comparatively small and outward-facing economy, Hong Kong was not immune to this external volatility. The impact of COVID-19 on Hong Kong for nearly the past three years has been profound, including significant changes in consumption habits. When the pandemic returned in full force during the first quarter of 2022 (the “fifth wave”), GDP fell by almost 3% from the last quarter of 2021.

### ***But Then Things Started to Look Up***

The moderation of the pandemic and gradual relaxation of the Hong Kong Government's quarantine measures had a positive effect on the economy from the second quarter of 2022 onwards. In the second half of the year, the city began to host major international events again, including the Global Financial Leaders' Investment Summit and the much-anticipated Hong Kong Rugby Sevens. Inbound tour groups were also welcomed, with some conditions attached. Towards the festive season at the end of the year, with far fewer COVID-19 restrictions, holiday shopping crowds also returned.

The reopening of Hong Kong's border with Mainland China in January 2023 is expected to bring tourists and businesses back to our southern city, albeit gradually. In recent surveys, tourists, including Mainland travellers still considered Hong Kong to be one of their top destinations for leisure and for business. We have every reason to believe Hong Kong will continue to be a favoured place to conduct business as one of the world's key financial centres.

During his first Policy Address, Hong Kong's new Chief Executive John Lee provided further positive news for the city in the medium and long term. Mr Lee emphasized the government's determination to improve the city's competitiveness as an attractive place for talent and business. His government has pledged to address social issues in Hong Kong, in particular the need to increase and speed up land supply for residential use. As a global financial and trading centre, Hong Kong's important role in connecting China to the world will be vital. Moreover, the city will also play a significant part as a member of the burgeoning Greater Bay Area.

### ***Hysan's Appeal***

As a property owner and operator with a core portfolio in the heart of commercial Hong Kong, Hysan has a solid asset base that contributes strong levels of revenue and liquidity.

The Company takes maximum advantage of the enduring appeal of Hong Kong, to China and to the world. Our iconic Lee Gardens precinct, in the unrivalled location of vibrant Causeway Bay, has become a destination for businesses that set up an office presence there as well as for consumers, both locals and visitors. Hysan's smart community-based business model, and our long-term commitment to green and sustainable growth, attract potential investors and business partners.

The Company's strategic direction reinforces our confidence in the long-term and sustainable development of our core portfolio and our strategy to build supporting investment pillars. Hysan is steered by an experienced board of directors. Operationally, it is run by a skilled and enthusiastic management team.

Looking ahead, we will continue to fine-tune our strategic execution with a focus on financial discipline, risk management and dynamic asset enhancement.

### ***Hysan's Core in 2022***

Hysan's 2022 earnings were affected by the strict quarantine rules put into place in Hong Kong and Mainland China during the fifth wave, as well as by gloomy global economic prospects and geopolitical tensions. Nevertheless, we were able to maintain the occupancy rate in our retail portfolio and, to an extent, our more challenging office portfolio, by extending support to our tenants throughout the worst of COVID-19. In the process, Hysan gained much goodwill from our stakeholders, further enhancing our reputation as a landlord who values partnership with their tenants and views business from a sustainable, long-term perspective.

As restrictions were gradually lifted in the second half of the year, we saw a general recovery in footfall and spending, especially during weekends. Our retail space attracted considerable interest from potential tenants. Pop-up stores were in demand, bringing in new and exciting concepts.

Our office portfolio faced structural headwinds as a result of a change in requirements by international and local businesses for more flexible office arrangements, thus less space, a trend accelerated by COVID-19; as well as an increase in supply. Hysan, however, continues to be an attractive office destination due to our convenient and lively Lee Gardens location which offers an integrated vibrant office and retail environment with an abundance of popular on-site retail offerings. Our extensive range of flex operators has proven to be an important feature for corporates who value the access to flexible space.

### ***Time for Rejuvenation***

In our last Annual Report, we mentioned our plan for major enhancements within our core portfolio. This will be our first significant core portfolio-wide upgrade since Lee Garden One was completed in 1997. Hysan will put in place a planned area connectivity system throughout our Lee Gardens buildings, as well as linking Causeway Bay MTR station through to the Caroline Hill Road development. We also have plans to connect car parks with tunnels in the future, in a bid to reduce surface traffic, noise and pollution. With the linkages connecting our even more iconic offerings throughout the portfolio, Lee Gardens will be the premier walkable commercial destination in Hong Kong.

The demand for expansion by our key retail anchor tenants together with our plans to connect our buildings gave us the confidence and impetus to commence this important rejuvenation. This will also complement our own interior upgrades for Lee Garden One and Lee Garden Five. After the refurbishment, this cluster on Hysan Avenue will become an even more exclusive destination for top international brands, where each anchor tenant's store will occupy a space of around 10,000 square feet.

The commencement of the bulk of the rejuvenation project this year will coincide with the 100<sup>th</sup> anniversary of our founding Lee family's presence in Causeway Bay and the birth of our iconic Lee Gardens brand. By looking ahead and renewing our portfolio, a new century will be ushered in for the Company.

Hysan Place acts as the gateway to the rest of the Lee Gardens core portfolio, while providing a seamless vertical journey linked by a series of exciting destinations. It has been and will remain the trendsetter in our portfolio, with a high level of urban vibrancy that starts with its MTR-connected basement levels. In December 2022, we unveiled the Urban Park on the 4<sup>th</sup> floor, which is now home to skateboarders and other stylish urbanites in the city centre.

The Caroline Hill Road project started in September 2022 and will become the heart of our green-centric area. The overall project is progressing on schedule for completion in 2026. It will set new standards for premium offices, where state-of-the-art, sustainability-minded amenities will match or exceed the expectations of even the most demanding commercial tenants. There will also be a 60,000 square foot lifestyle park that serves as an urban oasis for the community, highlighted by a valuable, ancient Banyan Tree and other significant historical features that will be preserved.

### ***On Track with Our Strategic Diversification Pillars***

Our strategy to reduce concentration risk and to build new engines of growth will provide flexibility, risk management and at the same time complement and support our core operations. Asset-light investments were generally less affected by COVID-issues, and our pillars have been shown to provide good value for our diversification strategy.

Although the Lee Gardens Shanghai office portfolio was ready for leasing activities in early 2022, the city's COVID outbreak curtailed all activities for several weeks. We started our rental campaign upon the lifting of the restrictions, and the first tenant made its commitment in the fourth quarter of 2022 to move into the building.

Under the leadership of a highly capable management team, New Frontier Group, our healthcare investment, achieved solid financial performance amid a difficult operating environment in 2022.

The co-working industry in China also performed well during COVID, relative to traditional office leasing. We believe flexible requirements and hybrid work modes will continue to drive flex demand. This will benefit our joint venture with IWG in the Greater Bay Area over the medium and long term.

### ***Embedding sustainability for the future***

Our community business model is fundamental to our commitment to sustainability at Hysan. We are committed to inclusivity, diversity, social wellbeing, climate change preparedness and liveability within the communities we serve. Our actions include, rejuvenating our Lee Gardens neighbourhood as well as developing the new Caroline Hill Road project with the highest sustainability standards. To combat climate change, we completed a gap assessment on our carbon net-zero goals and made good progress with our decarbonization strategy.

We continued to provide strong support for the needs of our community. One example is the COVID-19 vaccination centres we set up at Leighton Centre and Caroline Hill during the pandemic's fifth wave, which showed our care and commitment to the community of Hong Kong. The ability to unveil the centres successfully within weeks after the initial proposals showcased public and private partnerships at their best.

Hysan has also contributed to different segments of society through its extensive corporate responsibility programmes. These range from sports (rugby academies) to art (rooftop art pieces celebrating traditional games), and from history (Cantonese Opera with a modern twist) to our support of new cutting-edge technology (manpower for Community Lab cohorts).

**Outlook**

In the year ahead, the economic uncertainties of today's world look set to continue. The after-effects of the pandemic and geopolitical tensions combined with rising inflation and higher interest rates will remain challenging.

For Hong Kong, the reopening of the border and the resumption of business and social activities will help to revive our city's status as a financial, trading and tourist hub.

Hysan's home base in Causeway Bay, and more specifically in Lee Gardens, has strong appeal to global and local visitors, businesses and investors. With the continuing development of our portfolio and expansion of our core and our pillars, we believe our long-term prospects remain positive.

**Lee Irene Yun-Lien**

*Chairman*

Hong Kong, 17 February 2023

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Strategy

Hysan continues to curate and expand its investment portfolio, which is predominantly located in Causeway Bay, one of Hong Kong's prime commercial districts. We also seek to complement our core business by investing in several strategic growth "pillars", with the aim of delivering a more balanced and diversified portfolio.

### Review of Results

In HK\$ million	2022	2021	Change
Turnover	<b>3,460</b>	3,608	-4.1%
- Office	<b>1,578</b>	1,728	-8.7%
- Retail	<b>1,643</b>	1,620	+1.4%
- Residential	<b>239</b>	260	-8.1%
Recurring Underlying Profit	<b>2,063</b>	2,330	-11.5%
Underlying Profit	<b>2,129</b>	2,330	-8.6%

Hysan's Hong Kong investment property portfolio comprises three sectors – office, retail and residential – covering a floor area of approximately 4.5 million square feet. As at 31 December 2022, office properties accounted for around 55% of the Group's investment portfolio by gross floor area, while retail properties made up around 30%. Our office and retail properties are located in Causeway Bay's Lee Gardens precinct. Approximately 15% of the Group's investment portfolio by gross floor area is residential, mainly comprising its Bamboo Grove apartments in Hong Kong's Mid-Levels. Lee Gardens Shanghai will add 0.7 million square feet commercial space when it commences operation in the first quarter of 2023.

Turnover, Recurring Underlying Profit and Underlying Profit saw year-on-year declines of 4.1%, 11.5% and 8.6% respectively. Structural changes, accelerated by COVID-19 related issues, continued to put pressure on the office sector. The retail sector improved in the second half of 2022 after a difficult first quarter, which was seriously affected by the pandemic.

Included in Underlying Profit, there is a one-off exchange gain of HK\$66 million that resulted from the settlement of a subsidiary acquired during the year.

The Board of Directors has declared a second interim dividend of HK117 cents per share (2021: HK117 cents) which will be payable in cash.

The reconciliation of Recurring Underlying Profit, Underlying Profit and Reported (Loss) Profit is as follows:

	<u>2022</u> HK\$ million	<u>2021</u> HK\$ million
Reported (loss) profit	(1,157)	1,383
Change in fair value of properties	2,858	493
Investment properties	3,213	720
Less: Effect of other non-controlling interests	(344)	(55)
Share of associates (net of tax)	(11)	(172)
Imputed interest income on interest-free loan to a joint venture	(24)	(13)
Other gains and losses	2	8
Profit attributable to perpetual capital securities holders	450	459
Underlying Profit	2,129	2,330
One-off exchange gain	(66)	-
Recurring Underlying Profit	2,063	2,330

### **Key Performance Indicators**

The Group's turnover growth and occupancy rates are the key measurements used for the assessment of our core leasing business performance. Cost effectiveness is assessed by the Group's management using the property expenses ratio (as a percentage of turnover).

Key Performance Indicators	Definition	Business Performance		
		Sector	2022	2021
Turnover Growth	Rental revenue in current year vs that in last year	Office	-8.7%	-4.7%
		Retail	+1.4%	+1.3%
		Residential	-8.1%	-12.2%
Occupancy Rate	Percentage of total lettable area leased / total lettable area of each portfolio at year-end	Office	90%	94%
		Retail	99%	99%
		Residential	61%	71%
Property Expenses Ratio	Property expenses divided by turnover	N/A	16.4%	13.8%



## Review of Operations

### Office

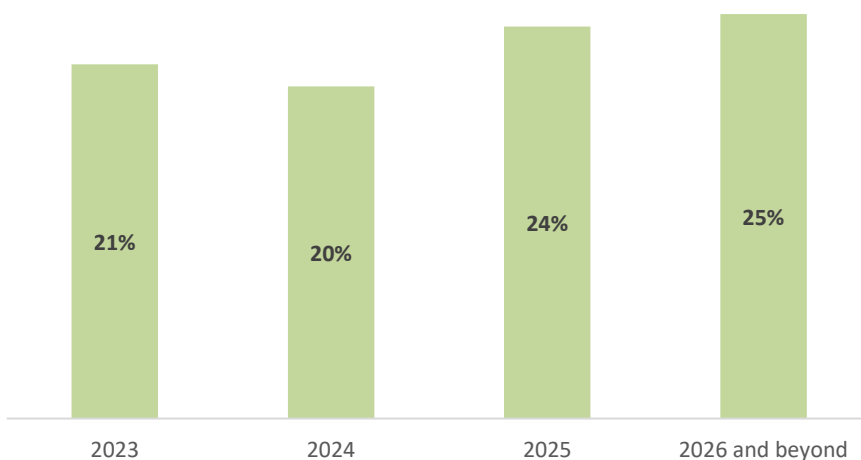
Turnover of the Group's office portfolio saw a decline of 8.7% to HK\$1,578 million (2021: HK\$1,728 million), including an improved turnover rent of HK\$11 million (2021: HK\$5 million).

Hong Kong's office market remained weak, with a city-wide vacancy rate of more than 12% as at the end of 2022. There was limited new demand for office space and an abundance of supply throughout the year. Global economic uncertainties, interest rate hikes and COVID-19 related travel restrictions were among the factors suppressing demand. Looking ahead, the relaxing of restrictions and the re-opening of the border with Mainland China will generally benefit the market.

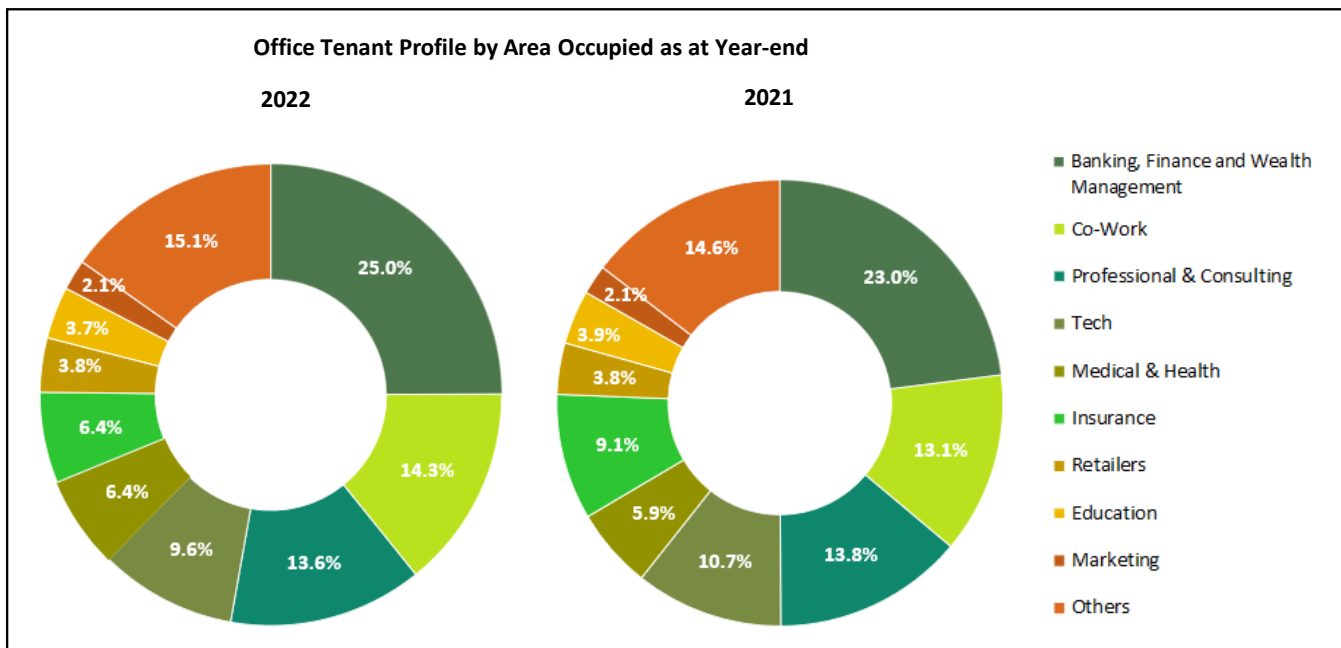
The average rental reversion rate on renewals, rent review and new lettings for Hysan's Lee Gardens portfolio remained negative. Occupancy was at 90% as at 31 December 2022 (2021: 94%).

Hysan's office portfolio continued to offer top-quality facilities, exceptional nearby retail amenities and a well-connected location that appeal to both multinational and local businesses alike. Wealth management firms, flexible workspace operators and new economy businesses are among those reaping the advantages of being based in Lee Gardens. Our fully-furnished office units, perfect for tenants who value efficiency in selecting office space, are also attracting significant attention.

### Office Lease Expiry Profile by Area Occupied (As at 31 December 2022)



As at the end of 2022, the Banking, Finance and Wealth Management sector continued to occupy the largest share 25.0% of our tenant portfolio by floor area. Co-Work surged to second 14.3%, while Professional and Consulting placed third 13.6%.



### **Retail**

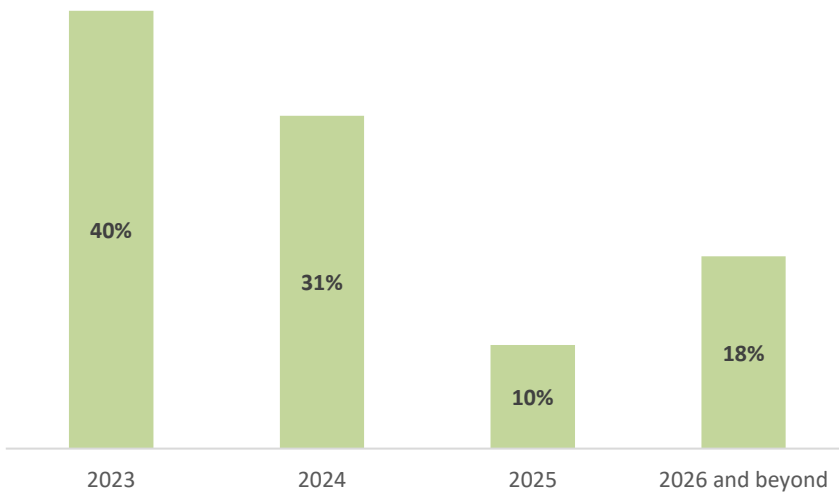
The Group's retail portfolio turnover increased by 1.4% to HK\$1,643 million (2021: HK\$1,620 million). This included turnover rent of \$106 million (2021: HK\$112 million). Retail occupancy stood at a robust 99% as at 31 December 2022 (2021: 99%). The average rental reversion rate on renewals, rent review and new lettings was negative during 2022.

After a weak first quarter followed by a stronger summer, Hong Kong retail sales saw a slight upward trend towards the end of 2022. Overall consumption demand was supported by a generally stable pandemic situation and a strong labour market. However, these positives were offset by a weakening wealth effect from residential property assets and the stock market.

Hysan's Lee Gardens retail portfolio continued to add new food and beverage outlets, as well as sports and children's concept stores. Several existing tenants also expanded their shops. Projects to further enhance Lee Gardens' reputation as a luxury retail destination kicked off in the second half of 2022. A number of our luxury retail anchor tenants also planned to start their expansion and enhancement programmes in 2023, with an aim to strengthen their presence and exposure in Lee Gardens. These improvement programmes are expected to reinforce Lee Gardens as the city's home of luxury retail. In the meantime, Hysan Place began its trend-setting transformation, starting with the unveiling of Urban Park and its hip skateboarding theme. Rejuvenation plans for Hysan's retail core were well received when unveiled to the media in December.

The easing of cross-border travel restrictions between Hong Kong and Mainland China is expected to attract more retail activity to the city. Hysan anticipates increased spending by both visitors and locals as Hong Kong moves along the path to economic recovery.

## Retail Lease Expiry Profile by Area Occupied (As at 31 December 2022)



### **Marketing Initiatives and Loyalty Programmes**

In 2022, Lee Gardens' thematic marketing campaigns focused on promoting food and beverage as well as beauty and personal care outlets. A diverse range of rewards attracted Club Avenue and Lee Gardens Club members with varied interests, with both membership channels generating significant tenant sales.

The iconic Power Up campaign, for example, has offered Lee Gardens Club members discounted merchant e-vouchers from more than 100 tenant businesses in recent years. This year, those who purchased vouchers were treated to a superior O2O experience from the hy!@Lee Gardens e-shop. More than 52,000 e-vouchers, including special 50%-off vouchers made exclusively for Hang Seng Bank Credit Card holders, sold out in just a few days.

Both the "Happy, Be!" summer campaign and the Christmas "Gnomes Orchestra" brought bold installations to the area. These were complemented by online games and family activities which attracted significant footfall and spending.

Hysan's new Relationship Management team, which caters to Club Avenue's top VIP tiers, has been providing a more personalized service to members than ever before. Their excellent work was part of a Group-wide drive that saw improvements in overall member spending in the second half of the year, due in large part to the more relaxed COVID-19 situation.

Hysan has also leveraged its resources to support the activities of other business units, such as curated events to introduce its quality Villa Lucca residential project to top VIPs, who responded with highly positive feedback.

### ***Harnessing Business Technology***

Consumers' payment preferences are shifting away from physical methods as online transactions become ever easier. In 2022, Hysan increased and diversified the digital payment options on its eCommerce hy! platform, which is gaining traction in its efforts to digitally promote tenants' offerings. The platform not only offers products for sale, but also provides experiences and workshops hosted by neighbouring businesses that can be purchased with loyalty club points as well as cash.

Hysan's office workflow automation system was unveiled in 2022, which has significantly improved property case management tools, increased work efficiency and realised operational cost savings. In addition, the Group enhanced the functions of its invoice submission and verification systems and facilitated the full digitalisation of Hysan's Shanghai office. An e-procurement system was also launched to simplify our property management processes and operations.

### ***Residential***

Hysan's residential leasing portfolio turnover experienced a decrease of 8.1% to HK\$239 million (2021: HK\$260 million). Occupancy was at 61% as at 31 December 2022 (2021: 71%). The average rental reversion in the sector was negative for renewals, rent review and new lettings.

The luxury residential leasing market remained quiet in 2022 due to macroeconomic conditions and travel restrictions, dampening demand from the expatriate population. Hysan offered rental agents enhanced incentives to help attract more interest in its Bamboo Grove units in Mid-Levels.

Hong Kong's luxury residential sales market also slowed significantly in the second half of the year, mainly due to rising interest rates and a fluctuating stock market. Despite poor market sentiment, however, 12 units were sold during the year at Villa Lucca, our luxury residential project in Tai Po, with buyers impressed by the high quality and reasonable pricing. Highlights of the latest developments are outlined below.

### **Core Expansion & Strategic Pillars**

#### ***Commercial Property Development – Caroline Hill Road Project***

Foundation works for the Caroline Hill Road project, a joint venture with Chinachem Group, commenced in September 2022 and are targeted for completion at the end of 2023. The overall project is progressing on schedule for completion in 2026. It aims to set a new standard for premium Grade A office space with regard to spatial efficiency, flexibility, sustainability and amenities.

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

#### ***Residential Property Development – Villa Lucca in Tai Po and To Kwa Wan Residential Project***

The construction of Villa Lucca, Hysan's luxury residential project in Tai Po, was completed during the year. Its occupation permit was issued in May 2022, and sales programme was rolled out in the third quarter. This development of 262 garden houses and apartments is the first luxury residential project in Tai Po's prestigious Lo Fai Road in recent years. We anticipate attracting more interest from local and cross-border buyers when COVID-19 restrictions are lifted further.

Hysan acquired a 25% stake in a joint venture to develop the Urban Renewal Authority's residential project at Bailey Street/Wing Kwong Street in Kowloon's To Kwa Wan district. The quality site is adjacent to the blossoming commercial and residential hub of Kai Tak and within a 5-minute walk to To Kwa Wan MTR station. Hysan will leverage its skillsets by overseeing the design and operations 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 consolidated statement of financial position.

***Shanghai Investment Property – Lee Gardens Shanghai***

Pre-leasing activities for Lee Gardens Shanghai started in early 2022, but had to be suspended during the pandemic wave in the second quarter that curtailed social and economic activities. Activities resumed immediately after the lifting of restrictions, with the first tenant making a commitment in the fourth quarter of 2022. The project’s gross floor area for commercial activities is around 0.7 million square feet, with 375 parking spaces available.

The investment is included under “investment properties” in our consolidated statement of financial position.

***Shanghai Investment Property - Grand Gateway 66***

This investment property, in which Hysan owns a 26% stake, demonstrated resilient performance despite the impact of COVID-19 measures in Shanghai. The investment is included under “investments in associates” under our consolidated statement of financial position.

***Greater Bay Area Flex - Joint Venture with IWG plc***

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

During the pandemic, flexible workspaces generally outperformed traditional offices in Mainland China, both in terms of rental yields and occupancy rates. Advantages include “hybrid working” applications, unparalleled flexibility in lease terms, locations and services, as well as reduced capital expenditure for clients.

Through our partnership with one of the world’s largest flexible workspace platforms, we are confident that our Greater Bay Area Flex business will remain on a positive and sustainable trend as demand grows in the future.

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

***Medical and Health - New Frontier Group***

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

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

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

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

## Financial Review

A review of the Group's results and operations is featured in the preceding sections. This section deals with other significant financial matters.

### **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 comprising payroll related costs of management and head office staff).

The Group's operating costs to turnover ratio was 26.0% (2021: 21.4%), mainly due to pre-operating expenses of Lee Gardens Shanghai as well as increased marketing, leasing and epidemic related property management expenses to mitigate the COVID-19 fifth wave impact of our operations.

### **Finance Costs**

Finance costs increased to HK\$423 million, as compared with HK\$393 million in 2021, contributed by the interest rate hike during the year. The Group raised approximately HK\$7 billion from new issuance via its medium term note programme in 2020, taking advantage of ample market liquidity and a low interest rate environment. During 2022, finance costs related to such funding exercises amounted to HK\$346 million (2021: HK\$394 million). The effective interest rate for the year was 2.8%, as compared with 2.9% in 2021.

Further explanation of the Group's treasury activities and policy, including debt and interest rate management, is set out in the "Treasury Policy" section.

### **Revaluation of Investment Properties**

As at 31 December 2022, the Group's investment real estate portfolio was valued at HK\$96,787 million, an increase of 1.8% from the HK\$95,107 million recorded at the prior year-end.

The valuation was carried out by Knight Frank Petty Limited, an independent professional valuer, on the basis of market value. A fair value loss on investment properties (after considering capital expenditure spent on the Group's investment properties) of HK\$3,213 million (2021: fair value loss of HK\$720 million) was recognized in the Group's consolidated statement of profit or loss for the year. The loss mainly reflects heightened market risk in a challenged retail sector, coupled with an office sector weakened by continued global economic uncertainty.

The following shows the property valuation of each portfolio at year-end.

	2022 HK\$ million	2021 HK\$ million	Change
Office	36,906	34,707	+6.3%
Retail	31,517	31,868	-1.1%
Residential	8,724	8,712	+0.1%
Property under development	19,640	19,820	-0.9%
	<b>96,787</b>	<b>95,107</b>	<b>+1.8%</b>

### ***Investments in Associates and Joint Ventures***

The Group's investments in associates are primarily represented by its interest in Grand Gateway 66, a retail, office and residential complex in Shanghai, China. The share of results of associates decreased to HK\$274 million (2021: HK\$458 million), mainly due to the Group's share of the revaluation gain (net of deferred tax) amounting to HK\$11 million (2021: revaluation gain of HK\$172 million). The properties at Grand Gateway 66 were revalued at fair value by an independent professional valuer for both years ended 31 December 2021 and 2022.

The Group's investment in joint ventures comprises interests in a Tai Po residential project, To Kwa Wan residential project and the IWG Flex business.

### ***Other Financial Investments***

During the year, 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 Mainland China. As at 31 December 2022, other financial investments totalled HK\$2,035 million (2021: HK\$1,780 million).

### ***Bank Deposits***

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

Excluding imputed interest income recognized on an interest-free loan of HK\$24 million (2021: HK\$13 million) to a joint venture company for a residential site development in Tai Po, like-for-like interest income increased to HK\$121 million (2021: HK\$79 million) resulting from higher deposit rate on the bank deposits placed.

## Cash Flow

Cash flow of the Group during the year is summarized below. Cash includes liquid cash and bank deposits with less than 3 months' tenor.

	2022 HK\$ million	2021 HK\$ million
Cash generated from operations	<b>2,591</b>	2,845
Net investment and advance to joint ventures and other financial investments	<b>(2,530)</b>	(1,126)
Net borrowings	<b>5,516</b>	7,507
Repurchase and distribution of perpetual capital securities	<b>(857)</b>	(459)
Bank deposits	<b>(3,100)</b>	8,340
Interest and taxation	<b>(833)</b>	(861)
Dividends paid	<b>(1,593)</b>	(1,617)
Considerations for share repurchase	<b>(162)</b>	(146)
Capital expenditure	<b>(3,081)</b>	(22,334)
<b>Net cash outflow</b>	<b>(4,049)</b>	(7,851)

The Group's cash generated from operations was HK\$2,591 million (2021: HK\$2,845 million), HK\$254 million lower than that in 2021, reflecting lower Recurring Underlying Profit from our core leasing business.

Net investment and advance to joint ventures and other financial investments, amounted to HK\$2,530 million (2021: HK\$1,126 million) in 2022 related to the investment in the To Kwa Wan residential project, an advance to the residential site development in Tai Po and investment in New Frontier Group.

Net borrowings amounted to HK\$5,516 million, reflecting issuance and repayment of fixed rate notes, drawdown and repayment of bank loans and repayment to loan from non-controlling interest. In 2021, total net borrowings were HK\$7,507 million.

In 2020, the Group through a wholly owned subsidiary of the Company (the "Issuer") issued US\$850 million (equivalent to approximately HK\$6,604 million) 4.10% subordinated perpetual capital securities, which are unconditionally and irrevocably guaranteed by the Company. Further, the Issuer issued US\$500 million (equivalent to approximately HK\$3,875 million) 4.85% senior perpetual capital securities, which are unconditionally and irrevocably guaranteed by the Company. The proceeds of the capital securities are for general corporate purposes and the capital securities are listed on The Stock Exchange of Hong Kong Limited. In 2022, the distribution paid to perpetual capital securities holders amounted to HK\$458 million.

In 2022, the Group repurchased perpetual capital securities with principal amount of HK\$425 million with cash consideration at HK\$399 million.

Cash placed in bank deposits was HK\$3,100 million (2021: cash from bank deposits: HK\$8,340 million), which was mainly attributable to additional deposits with a longer tenor.



The Group paid dividends of HK\$1,486 million (2021: HK\$1,497 million), via a 2021 second interim dividend of HK117 cents per share (2021: HK117 cents) and a 2022 first interim dividend of HK27 cents per share (2021: HK27 cents).

During the year, the Group repurchased 7.3 million of its own shares as part of its capital management programme for an aggregate consideration of approximately HK\$162 million.

### **Capital Expenditure and Management**

Total cash outlay of capital expenditure decreased to HK\$3,081 million during the year (2021: HK\$22,334 million), mainly contributed by the completion of acquisition of a commercial complex located at Nos. 668 and 688 Xinzha Road, Shanghai, the PRC in January 2022 at consideration of approximately RMB3,500 million (equivalent to approximately HK\$4,235 million). The Group is committed to enhancing the asset value of its investment property portfolio through selective enhancement and redevelopment.

### **Treasury Policy**

#### **Capital Structure Management**

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

#### **Funding Sources**

The Group's total Gross Debt<sup>1</sup> level as at 31 December 2022 increased to HK\$27,487 million (31 December 2021: HK\$18,807 million), mainly result from the bank loans drawn down for our Caroline Hill Road project financing.

As at 31 December 2022, bank loans accounted for approximately 39% of the Group's total Gross Debt with the remaining 61% from capital market financing (31 December 2021: 8% : 92%).

The following table shows the Group's sources of debt financing as at 31 December 2022 (in HK\$ million):

	<b>Available</b>	<b>Drawn</b>	<b>Undrawn</b>
Secured term loans <sup>2</sup>	12,951	7,912	5,039
Unsecured term loans	2,717	2,717	-
Committed revolving loans	4,900	-	4,900
Capital market issuances	16,858	16,858	-
<b>Total committed facilities</b>	<b>37,426</b>	<b>27,487</b>	<b>9,939</b>
Uncommitted revolving loans	2,680	-	2,680
<b>Total source of debts financing</b>	<b>40,106</b>	<b>27,487</b>	<b>12,619</b>

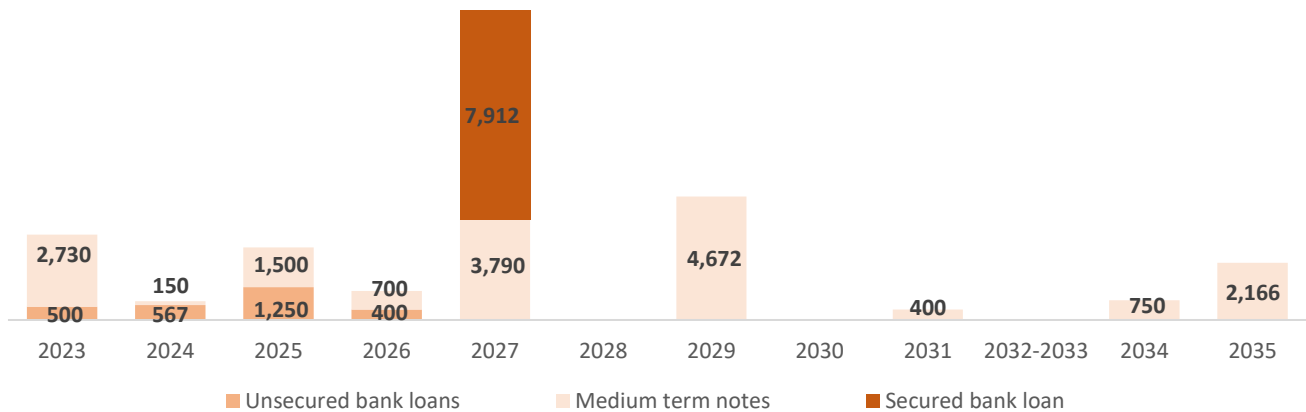
<sup>1</sup> The Gross Debt represents the contractual principal payment obligations as at 31 December 2022. However, in accordance with the Group's accounting policies, the debt is measured at amortized costs, using the effective interest method. As disclosed in the Group's consolidated statement of financial position as at 31 December 2022, the book value of the outstanding debt of the Group was HK\$27,277 million (31 December 2021: HK\$18,657 million).

<sup>2</sup> Secured term loans represent the contractual principal payment obligations of the project financing of Caroline Hill Road project.

### Maturity Profile

The Group maintains a well-staggered debt maturities in the coming 12 years to match with the nature of our assets and operations. As at 31 December 2022, the average maturity of debt portfolio was about 4.8 years (2021: 6.1 years) and have approximately HK\$3,230 million debts maturing in 2023.

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



### Gearing ratio and net interest coverage

The Group's gearing ratio, as measured by Net Debt to Equity ratio<sup>3</sup>, was 23.4% at year-end 2022 (31 December 2021: 11.7%). The Group's Net Interest Coverage<sup>4</sup> increased to 13.1 times for 2022 (2021: 9.1 times).

### Credit Rating

The Group keeps an active dialogue with credit rating agencies and aims at maintaining investment-grade credit ratings. As at 31 December 2022, the Group's credit ratings were maintained at A3 from Moody's and A- from Fitch, reflecting the Group's strong financial position and prudent capital management strategy.

### Liquidity Management

As at 31 December 2022, the Group has cash and bank deposits totalling about HK\$7,771 million (31 December 2021: HK\$8,404 million). In order to preserve liquidity and for yields enhancement, the Group invested HK\$992 million (2021: HK\$1,014 million) in investment-grade debts securities.

Further liquidity, if needed, is available from the undrawn committed facilities offered by the Group's relationship banks. These facilities, amounted to HK\$4,900 million at the year-end of 2022 (31 December 2021: HK\$5,550 million), essentially allowing the Group to obtain additional liquidity as the need arose.

<sup>3</sup> Net Debt to Equity is defined as borrowings less time deposits, cash and cash equivalents divided by total equity.

<sup>4</sup> Net Interest Coverage is defined as gross profit less administrative expenses before depreciation divided by net interest expenses.

### ***Interest Rate Management***

Interest expenses represent one of the key cost drivers of the Group's business. The Group monitors its interest rate exposure closely and adopts an appropriate hedging strategy in light of market conditions. The fixed rate debt ratio (after taking into account interest rate swap) as at 31 December 2022 was 61% (31 December 2021: 75%). The effective interest rate decreased slightly to 2.8% at year-end 2022 from 2.9% at year-end 2021.

### ***Foreign Exchange Management***

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

All USD fixed rate notes were hedged by entering cross-currency swaps to effectively converted the debts into HKD. A USD bank loan has also been drawn down as a natural hedge against the Group's outstanding foreign currency balances in the investment in debts securities.

### ***Use of Derivatives***

As at 31 December 2022, outstanding derivatives were all related to the hedging of foreign exchange exposures and interest rates. Strict internal guidelines have been established to ensure derivatives are used to manage volatility or to adjust the appropriate risk profile of the Group's treasury assets and liabilities.

### ***Counterparty Credit Risk***

All deposits are placed with banks with strong credit ratings and counterparty risk is monitored on a regular basis.

Before entering into any hedging transaction, the Group will ensure that its counterparty possesses strong investment-grade ratings to control credit risk. As part of our risk management, a limit on maximum risk-adjusted credit exposure is assigned to each counterparty, which basically reflects the credit quality of the counterparty.

### ***Sustainable Finance Initiatives***

The Group continued to expand its sustainable finance activities in 2022. On 25 January 2022, the Group has executed a HK\$12,951 million 5-year green loan facility with six leading banks for our Caroline Hill Road project financing, the largest ever green loan in Hong Kong. The facility has received a Green Finance Certificate (pre-issuance stage) from the Hong Kong Quality Assurance Agency in December 2021.

During the year, the Group has executed HK\$2,500 million sustainability-linked loans with several financial institutions, with financing arrangements directly linked to Hysan's sustainability targets. Upon achieving mutually agreed sustainability performance targets, Hysan will receive an interest savings on the loan interest rate per year.

The sustainable finance transactions at year-end were approximately HK\$19,300 million, representing around 49% of the Group's total debts and facilities. We aim to increase gradually of the sustainable finance portion of the Group's total debts and facilities portfolio.

## **FINANCIAL INFORMATION**

The final results of the Group for the year ended 31 December 2022 have been reviewed by the Audit and Risk Management Committee and the Board of the Company. The financial information relating to the years ended 31 December 2022 and 2021 in this announcement does not constitute the Company's statutory consolidated financial statements for those years, but represents an extract from those consolidated financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows.

The Company has delivered the consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2022 in due course. The Company's auditor has reported on the consolidated financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

### **Scope of Work of Messrs. Deloitte Touche Tohmatsu**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 17 February 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	<u>Notes</u>	<u>2022</u> <i>HK\$ million</i>	<u>2021</u> <i>HK\$ million</i>
Turnover	3	3,460	3,608
Property expenses		(567)	(499)
Gross profit		2,893	3,109
Investment income		248	92
Other gains and losses		(2)	(8)
Administrative expenses		(332)	(274)
Finance costs		(423)	(393)
Change in fair value of investment properties		(3,213)	(720)
Share of results of:			
associates		274	458
joint ventures		(52)	(3)
(Loss) profit before taxation		(607)	2,261
Taxation	5	(342)	(358)
<b>(Loss) profit for the year</b>	6	<b>(949)</b>	<b>1,903</b>
(Loss) profit for the year attributable to:			
Owners of the Company		(1,157)	1,383
Perpetual capital securities holders		450	459
Other non-controlling interests		(242)	61
		<b>(949)</b>	<b>1,903</b>
<b>(Loss) earnings per share</b> (expressed in HK cents)	7		
Basic		(112)	133
Diluted		(112)	133

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<u>2022</u> HK\$ million	<u>2021</u> HK\$ million
<b>(Loss) profit for the year</b>	<b>(949)</b>	1,903
<b>Other comprehensive (expenses) income</b>		
<b><i>Items that will not be reclassified subsequently to profit or loss:</i></b>		
Loss on revaluation of properties held for own use (net of tax)	(6)	(18)
Change in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")	(42)	314
	<b>(48)</b>	296
<b><i>Items that may be reclassified subsequently to profit or loss:</i></b>		
Exchange difference on translation of subsidiaries	(311)	-
Net adjustments to hedging reserve	17	(20)
Share of translation reserve of an associate	(557)	167
	<b>(851)</b>	147
Other comprehensive (expenses) income for the year (net of tax)	<b>(899)</b>	443
<b>Total comprehensive (expenses) income for the year</b>	<b>(1,848)</b>	2,346
Total comprehensive (expenses) income attributable to:		
Owners of the Company	(2,056)	1,826
Perpetual capital securities holders	450	459
Other non-controlling interests	(242)	61
	<b>(1,848)</b>	2,346

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<u>Notes</u>	<u>2022</u> <i>HK\$ million</i>	<u>2021</u> <i>HK\$ million</i>
<b>Non-current assets</b>			
Investment properties		96,787	95,107
Property, plant and equipment		623	472
Investments in associates		5,491	5,995
Loans to associates		10	10
Investments in joint ventures		473	475
Loans to joint ventures		3,485	1,256
Other financial investments		2,035	1,780
Debt securities		992	843
Deferred tax assets		96	90
Other financial assets		383	9
Other receivables	9	442	1,835
		<u>110,817</u>	<u>107,872</u>
<b>Current assets</b>			
Accounts and other receivables	9	562	887
Debt securities		-	171
Other financial assets		15	-
Tax recoverable		-	39
Time deposits		5,211	1,866
Cash and cash equivalents		2,560	6,538
		<u>8,348</u>	<u>9,501</u>
<b>Current liabilities</b>			
Accounts payable and accruals	10	1,026	820
Deposits from tenants		387	372
Amounts due to non-controlling interests		214	214
Borrowings		3,244	531
Taxation payable		32	-
		<u>4,903</u>	<u>1,937</u>
<b>Net current assets</b>		<u>3,445</u>	<u>7,564</u>
<b>Total assets less current liabilities</b>		<u>114,262</u>	<u>115,436</u>
<b>Non-current liabilities</b>			
Amounts due to non-controlling interests		4,635	7,639
Borrowings		24,033	18,126
Other financial liabilities		514	149
Deposits from tenants		498	546
Deferred tax liabilities		1,171	1,091
		<u>30,851</u>	<u>27,551</u>
<b>Net assets</b>		<u>83,411</u>	<u>87,885</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued

As at 31 December 2022

	<u>Notes</u>	<u>2022</u> <i>HK\$ million</i>	<u>2021</u> <i>HK\$ million</i>
<b>Capital and reserves</b>			
Share capital		7,723	7,723
Reserves		62,477	66,147
<b>Equity attributable to owners of the Company</b>		<b>70,200</b>	73,870
<b>Perpetual capital securities</b>		<b>10,224</b>	10,657
<b>Other non-controlling interests</b>		<b>2,987</b>	3,358
<b>Total equity</b>		<b>83,411</b>	87,885

Notes:

### 1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

### 2. Principal Accounting Policies

In the current year, the Group has applied all of the new and amendments to HKFRSs issued by the HKICPA that are relevant to its operations and effective for the Group’s financial year beginning on 1 January 2022. The application of these new and amendments to HKFRSs had no material effect on the results and financial position of the Group for the current and/or prior accounting years.

### 3. Turnover

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

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.

For revenue from provision of property management services recognized over time in Hong Kong, the categories for disaggregation of revenue are consistent with the segment information disclosed in note 4.



#### 4. Segment Information

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

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
<b>For the year ended</b>					
<b>31 December 2022</b>					
<b>Turnover</b>					
Leasing of investment properties	1,468	1,373	212	-	3,053
Provision of property management services	175	205	27	-	407
<b>Segment revenue</b>	<b>1,643</b>	<b>1,578</b>	<b>239</b>	<b>-</b>	<b>3,460</b>
Property expenses	(276)	(229)	(62)	-	(567)
<b>Segment profit</b>	<b>1,367</b>	<b>1,349</b>	<b>177</b>	<b>-</b>	<b>2,893</b>
Investment income					248
Other gains and losses					(2)
Administrative expenses					(332)
Finance costs					(423)
Change in fair value of investment properties					(3,213)
Share of results of:					
associates					274
joint ventures					(52)
<b>Loss before taxation</b>					<b>(607)</b>

	<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
<b>For the year ended</b>					
<b>31 December 2021</b>					
<b>Turnover</b>					
Leasing of investment properties	1,447	1,519	233	-	3,199
Provision of property management services	173	209	27	-	409
<b>Segment revenue</b>	<u>1,620</u>	<u>1,728</u>	<u>260</u>	<u>-</u>	<u>3,608</u>
Property expenses	(265)	(178)	(56)	-	(499)
<b>Segment profit</b>	<u><u>1,355</u></u>	<u><u>1,550</u></u>	<u><u>204</u></u>	<u><u>-</u></u>	<u><u>3,109</u></u>
Investment income					92
Other gains and losses					(8)
Administrative expenses					(274)
Finance costs					(393)
Change in fair value of investment properties					(720)
Share of results of:					
associates					458
a joint venture					(3)
<b>Profit before taxation</b>					<u><u>2,261</u></u>

All of the segment turnover reported above is from external customers.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of investment income, other gains and losses, administrative expenses (including central administrative costs and directors' emoluments), finance costs, change in fair value of investment properties and share of results of associates and joint ventures. 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
<b>As at 31 December 2022</b>					
<b>Segment assets</b>	<b>31,549</b>	<b>36,919</b>	<b>8,725</b>	<b>23,264</b>	<b>100,457</b>
Investments in and loans to associates					5,501
Investment in joint ventures					334
Other financial investments					2,035
Other assets					10,838
Consolidated assets					<u>119,165</u>
<b>As at 31 December 2021</b>					
<b>Segment assets</b>	<b>31,921</b>	<b>34,715</b>	<b>8,715</b>	<b>21,199</b>	<b>96,550</b>
Investments in and loans to associates					6,005
Investment in joint ventures					352
Other financial investments					1,780
Other assets					12,686
Consolidated assets					<u>117,373</u>

Segment assets represented the investment properties and accounts receivable of each segment, and investment in and loans to joint ventures under property development segment without allocation of property, plant and equipment, investments in and loans to associates, investment in joint ventures, other financial investments, debt securities, other financial assets, deferred tax assets, other receivables, time deposits and cash and cash equivalents. This is the measure reported to the chief operating decision maker of the Group for the purpose of monitoring segment performances and allocating resources between segments. The investment properties are included in segment assets at their fair values whilst the change in fair value of investment properties is not included in segment profit.

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

Included in the Retail and Office segment is an investment property located in the People Republic of China (the "PRC") accounting of HK\$642 million and HK\$3,370 million respectively.

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

All the Group's non-current assets excluding financial instruments and deferred tax assets are located in Hong Kong, except for those assets with carrying amounts of HK\$9,510 million (2021: HK\$7,522 million) which operate in Mainland China.

**Other segment information**

	<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
<b>For the year ended</b> <b>31 December 2022</b>					
Additions to non-current assets	<b>853</b>	<b>3,952</b>	<b>9</b>	<b>597</b>	<b>5,411</b>
<b>For the year ended</b> <b>31 December 2021</b>					
Additions to non-current assets	320	102	8	20,020	20,450

**5. Taxation**

	<u>2022</u> HK\$ million	<u>2021</u> HK\$ million
Current tax		
Hong Kong Profits Tax		
- current year	<b>264</b>	306
- under-provision in prior years	<b>5</b>	3
Deferred tax	<b>73</b>	49
	<b>342</b>	358

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

## 6. (Loss) Profit for The Year

	<u>2022</u> <i>HK\$ million</i>	<u>2021</u> <i>HK\$ million</i>
(Loss) profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	<u>3</u>	<u>3</u>
Depreciation of property, plant and equipment	<u>32</u>	<u>29</u>
Gross rental income from investment properties including rentals received with reference to turnover of tenants of HK\$117 million (2021: HK\$118 million)	<b>(3,053)</b>	(3,199)
Less:		
- Direct operating expenses arising from leasing of investment properties	<u>177</u>	<u>167</u>
	<u><b>(2,876)</b></u>	<u>(3,032)</u>
Interest income from loans to joint ventures (included in investment income)	<u>(55)</u>	<u>(14)</u>
Other interest income (included in investment income)	<u>(118)</u>	<u>(78)</u>
Staff costs (including directors' emoluments)	<u>310</u>	<u>274</u>
Share of income tax of associates (included in share of results of associates)	<u>123</u>	<u>180</u>

## 7. (Loss) Earnings Per Share

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

	<u>(Loss) earnings</u> <u>2022</u> <i>HK\$ million</i>	<u>2021</u> <i>HK\$ million</i>
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share:		
(Loss) profit for the year attributable to owners of the Company	<u><b>(1,157)</b></u>	<u>1,383</u>

	<u>Number of shares</u>	
	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>1,029,856,659</b>	1,038,238,085
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	-	95,159
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<b>1,029,856,659</b>	1,038,333,244

During the year ended 31 December 2022, the computation of diluted loss per share does not assume the exercise of all of the Company's outstanding share options as their assumed exercise would result in a decrease in loss per share. During the year ended 31 December 2021, the computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices of those options were higher than the average market price for shares.

## 8. Dividends

(a) Dividends recognized as distribution during the year:

	<u>2022</u> <i>HK\$ million</i>	<u>2021</u> <i>HK\$ million</i>
2022 first interim dividend paid - HK27 cents per share	<b>277</b>	-
2021 first interim dividend paid - HK27 cents per share	-	281
2021 second interim dividend paid - HK117 cents per share	<b>1,209</b>	-
2020 second interim dividend paid - HK117 cents per share	-	1,216
	<b>1,486</b>	1,497

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

	<u>2022</u> <i>HK\$ million</i>	<u>2021</u> <i>HK\$ million</i>
Second interim dividend (in lieu of a final dividend) - HK117 cents per share (2021: HK117 cents per share)	1,202	1,210

The second interim dividend is not recognized as a liability as at 31 December 2022 because it has been declared after the end of the reporting period. It will be payable in cash.

## 9. Accounts and Other Receivables

	<u>2022</u> <i>HK\$ million</i>	<u>2021</u> <i>HK\$ million</i>
Accounts receivable	46	64
Interest receivable	175	111
Prepayments in respect of investment properties	235	132
Deposits of acquisition of a subsidiary	-	1,520
Other receivables and prepayments	548	895
	<hr/>	<hr/>
Total	<b>1,004</b>	2,722
	<hr/> <hr/>	<hr/> <hr/>
Analysed for reporting purposes as:		
Current assets	562	887
Non-current assets	442	1,835
	<hr/>	<hr/>
	<b>1,004</b>	2,722
	<hr/> <hr/>	<hr/> <hr/>

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.

	<u>2022</u> <i>HK\$ million</i>	<u>2021</u> <i>HK\$ million</i>
Less than 30 days	21	28
31-90 days	16	30
Over 90 days	9	6
	<hr/>	<hr/>
	<b>46</b>	64
	<hr/> <hr/>	<hr/> <hr/>

## 10. Accounts Payable and Accruals

	<u>2022</u> <i>HK\$ million</i>	<u>2021</u> <i>HK\$ million</i>
Accounts payable	295	193
Interest payable	192	155
Other payables	539	472
	<hr/>	<hr/>
	<b>1,026</b>	820
	<hr/> <hr/>	<hr/> <hr/>

At the end of the reporting period, accounts payable of the Group with carrying amount of HK\$193 million (2021: HK\$143 million) were aged less than 90 days.

## **ADDITIONAL INFORMATION**

### **Corporate Governance**

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

The Company fully complied with the code provisions of the Corporate Governance Code as set out in Part 2 of Appendix 14 of the Listing Rules throughout the review year. 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](http://www.hysan.com.hk).

### **Corporate Responsibility and Sustainability**

The Group's first corporate responsibility/sustainability report was published in 2006. This year's report is the 17th report we have produced focusing on our social and environmental efforts.

Our "Sustainability Report 2022", setting out the Group's corporate responsibility and sustainability performance, will be available on our website at [www.hysan.com.hk](http://www.hysan.com.hk). The Group has applied the principles and complied with all applicable requirements and provisions of the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules in preparation of its Sustainability Report. The reported information will also be verified by Hong Kong Quality Assurance Agency.

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

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the 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 year.

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

#### **I. Repurchase of ordinary shares**

The Directors were authorized by the shareholders of the Company ("Shareholders") at the Company's annual general meetings to effect repurchase of the Company's ordinary shares not exceeding 10% of the total number of the Company's issued shares as at the dates of the resolutions being passed. During the year, 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 year, the Company repurchased an aggregate of 7,250,000 ordinary shares for a total consideration of approximately HK\$162 million on the Stock Exchange. The repurchased shares were cancelled during the year. Details of the shares repurchased are as follows:-

Month of repurchase in 2022	Number of ordinary shares repurchased	Consideration per share		Aggregate consideration paid HK\$ million
		Highest HK\$	Lowest HK\$	
February	1,050,000	23.40	22.80	24
March	950,000	23.45	20.15	21
April	1,500,000	23.55	23.00	36
May	500,000	23.25	22.70	11
June	1,400,000	23.95	22.45	33
July	350,000	23.75	23.25	8
August	500,000	23.30	22.20	11
September	600,000	22.20	19.36	10
October	400,000	20.25	17.06	8
	<u>7,250,000</u>			<u>162</u>

## II. Repurchase of senior perpetual capital securities

During the year, the Group repurchased the 4.85% senior perpetual capital securities in the nominal amount of US\$55 million (approximately HK\$425 million) on the Stock Exchange, which were issued in 2020 and listed on the Stock Exchange, for an aggregate consideration of approximately HK\$399 million.

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

### 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 31 December 2022 was 486 (2021: 467). The Group's human resources practices are aligned with our corporate objectives so as to maximize Shareholder value and achieve growth. Details on our human resources programmes, training and development are set out in the "Sustainability Report 2022".

### Closure of Register of Members

The second interim dividend will be paid to the Shareholders whose names appear on the register of members on Monday, 6 March 2023 and the payment date will be on or about Monday, 20 March 2023. The register of members will be closed on Monday, 6 March 2023, on which date no transfer of shares will be registered. The ex-dividend date will be Thursday, 2 March 2023. In order to qualify for the second 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, 3 March 2023.

The register of members will also be closed from Thursday, 11 May 2023 to Tuesday, 16 May 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Company's forthcoming annual general meeting (the "AGM"), all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Standard Limited at the abovementioned address, not later than 4:00 p.m. on Wednesday, 10 May 2023.

## **AGM**

The AGM will be held on Tuesday, 16 May 2023. The Notice of AGM will be published on the websites of the Company ([www.hysan.com.hk](http://www.hysan.com.hk)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)), and despatched to Shareholders around end of March 2023.

By Order of the Board

**Lee Irene Yun-Lien**

*Chairman*

Hong Kong, 17 February 2023

*As at the date of this announcement, the Board comprises: Lee Irene Yun-Lien (Chairman), Lui Kon Wai (Executive Director and Chief Operating Officer), Churchouse Frederick Peter\*\*, Fan Yan Hok Philip\*\*, Poon Chung Yin Joseph\*\*, Wong Ching Ying Belinda\*\*, Young Elaine Carole\*\*, 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 final results announcement is published on the websites of the Company ([www.hysan.com.hk](http://www.hysan.com.hk)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The Annual Report 2022 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites around end of March 2023.*