



Hysan Development Company Limited

INTERIM REPORT 2020



stock code 00014

# VISION

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

# MISSION

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

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## Highlights

- **Turnover and Recurring Underlying Profit declined year-on-year by 5.0% and 3.4% respectively**
- **Reported Loss arising from non-cash fair value change of investment properties is recorded in the period**
- **Occupancies of Office and Retail portfolios were 96% and 94% respectively**
- **Hong Kong's economic outlook for the second half of 2020 remains uncertain, driven by COVID-19 effects, as well as other global and domestic political and economic factors**

## RESULTS

			<b>Six months ended 30 June</b>			
			Notes	<b>2020</b>	2019	Change
Turnover	HK\$ million	1		<b>1,981</b>	2,086	-5.0%
Recurring Underlying Profit	HK\$ million	2		<b>1,346</b>	1,394	-3.4%
Underlying Profit	HK\$ million	3		<b>1,346</b>	1,394	-3.4%
Reported (Loss) Profit	HK\$ million	4		<b>(2,626)</b>	2,783	n/m
Basic (Loss) Earnings per Share	HK cent			<b>(252)</b>	266	n/m
First Interim Dividend per Share	HK cent			<b>27</b>	27	±0%
				<b>As at 30 June 2020</b>	As at 31 December 2019	
Shareholders' Funds	HK\$ million	5		<b>73,696</b>	77,650	-5.1%
Net Asset Value per Share	HK\$	6		<b>70.7</b>	74.4	-5.0%

n/m: not meaningful

### Notes:

1. **Turnover** comprises gross rental income from leasing of investment properties located in Hong Kong and management fee income from the provision of property management services for the period.
2. **Recurring Underlying Profit**, a non-HKFRS measure, is a performance indicator of the Group's core property investment business and is arrived at by excluding from Underlying Profit items that are non-recurring in nature.
3. **Underlying Profit**, a non-HKFRS measure, is arrived at by adding (i) Reported (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.
4. **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.
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

Hong Kong enjoyed a promising but short-lived revival until the first wave of the COVID-19 pandemic was confirmed in January. Tourist arrivals soon dropped to nearly zero and both the city and city life basically shut down. Hong Kong therefore entered a further period of uncertainty having already suffered many months of social unrest during the second half of 2019. This difficult environment was exacerbated by the intensifying tension between China and the U.S. and its allies.

Hong Kong's retail sales in the first half of 2020 declined by more than 33% year-on-year as a result of reduced consumer confidence, lack of tourists and a negative economic climate. Sales of jewellery and luxury goods, in particular, dropped by more than 65% year-on-year. The office sector, while more resilient than retail, nevertheless experienced slowing new demand coupled with existing tenants reconsidering their space requirements due to an uncertain business environment and a work-from-home model triggered by the pandemic.

In this challenging trading environment, Hysan saw a 5.0% decline in its first half 2020 turnover and a 3.4% decrease in its Recurring Underlying Profit. Throughout the unprecedented crisis of a severe pandemic which was preceded by six months of social unrest, Hysan continued our strong commitment to provide a safe, secure and vibrant environment for our tenants, customers, staff members and our Lee Gardens community.

### **Changes to the Office Sector**

COVID-19 has introduced significant behavioural changes, including the usage of physical office space. We see the emergence of hybrid models, as corporations recognize the new normal of flexible locations and flexible working hours leading to multiple location work environment, and including, at least in the short to medium term, a slice of work-from-home component. However, the physical office will continue to function as a gathering place for in-person interaction, including meetings with clients. The "space", its setting, design and facilities, serve to support the human side, the psychology and culture of a company. New office designs are also expected to emphasize health and wellness, catering to the wellbeing needs of staff, both physically and mentally.

### **Disruptions to Retail**

In our recent reports, we highlighted the structural changes faced by the retail sector both globally and in Hong Kong. COVID-19 has accelerated changes. Online disruption in the form of e-commerce growth is an established pillar, with Food and Beverage "click and deliver" being a prime example. This trend is reinforced by technology disruption due to the widespread adoption of artificial intelligence, and virtual reality. Supply chain disruption has been particularly severe in the past six months as COVID-19 stopped production and delayed shipments. Due to COVID-19, locals stayed home and the borders were closed to tourists. In a post COVID-19 world, the consumption patterns and demand of Generations X, Y and Z will continue to shape the retail landscape.

## **How Hysan is Responding to the Challenges**

Hysan takes pride in having a balanced dual-engine portfolio with diversification and synergies generated by the Retail and Office segments. This portfolio helps Hysan remain resilient in the face of both expected and unexpected impacts. Lee Gardens area is a unique and varied combination of retail malls, office buildings and old-Hong Kong low-rise, set in the bustling heart of Hong Kong - busy yet leisurely, steeped in history with a sense of family and community. Hysan's curation of a dynamic and unique tenant mix together with a rich programme of activities and events is designed to create a home away from home, a community with a strong sense of belonging.

As COVID-19 emerged, immediate and appropriate protective measures were put in place in our office and retail ecosystems. From extensive facilities cleaning to body temperature checks, Hysan was among the first Hong Kong landlords to upgrade their properties' health and safety protocols. On the business side, we maintained clear paths of communication with our tenants to provide flexible and multi-faceted solutions ranging from rental assistance to marketing support to help them through their short-term financial and operational difficulties and plan for the longer term.

Efforts made in the past few years to enhance our portfolio have paid off as they strengthened our ability to deal with a downturn. The increased presence of banking and finance tenants, the growth of flex office space and retail's luxury lifestyle concept are among the factors that have increased our resilience. These have been further supported by our investment in and application of business technology and customer relationship management system. We will continue to improve our hardware and software capabilities in anticipation of the accelerated structural changes.

We launched a spending stimulus campaign with our "Power Up" in May. Technology, marketing know-how and close tenant relationships combined to establish an integrated digital platform. E-recruitment, e-payment and e-redemption provided an easy one-stop system which benefitted customers, tenants and the landlord and was well received by all. In the weeks that followed we launched a number of other popular promotional campaigns for shops and eateries. We maintained a momentum of excitement, new ideas and fresh surprise through initiatives such as Club Avenue's new lounge for our loyal VIPs, as well as Bizhouse on Pak Sha Road which showcased a live and work concept for a new cohort of young tenants especially those from the creative industry. Moreover, Xplore, the brainchild of our marketing and corporate communications departments, will roll out a series of bespoke children's programmes ranging from traditional arts and crafts to STEM education, skateboarding and junior rugby.

## **Outlook**

The unknown trajectory of COVID-19 and the macro-geopolitical issues remain major factors in determining Hong Kong's economic outlook for the second half of 2020. These and other economic factors are changing many aspects of our lives at a faster-than-anticipated pace. Our dynamic and balanced portfolio, supported by strong financial position and ample liquidity, as well as our strategy to take the long-term view, provide resilience against crisis and form an essential foundation to realize Hysan's ambitions.

**Lee Irene Yun-Lien**

*Chairman*

Hong Kong, 10 August 2020

# Management's Discussion and Analysis

## Review of Results

The Group's turnover for the 2020 interim period was HK\$1,981 million, down 5.0% from the same period in 2019 (2019: HK\$2,086 million). As at 30 June 2020, our office portfolio's and retail portfolio's occupancies were 96% and 94% respectively. The residential portfolio's occupancy was 83%.

Recurring Underlying Profit, our key leasing business performance indicator, and Underlying Profit both decreased by 3.4% to HK\$1,346 million (2019: HK\$1,394 million). A reconciliation of Recurring Underlying Profit, Underlying Profit and Reported (Loss) Profit is as follows:

	Six months ended 30 June	
	2020 HK\$ million	2019 HK\$ million
(Loss) profit for the period attributable to owners of the Company	<b>(2,626)</b>	2,783
Change in fair value of investment properties	<b>4,065</b>	(1,453)
Effect of other non-controlling interests' shares	<b>(194)</b>	135
Share of change in fair value of investment properties (net of deferred taxation) of associates	<b>19</b>	(45)
Imputed interest income on interest-free loan to a joint venture	<b>(15)</b>	(15)
Other gains and losses	<b>8</b>	(11)
Profit attributable to perpetual capital securities holders	<b>89</b>	–
Recurring Underlying Profit/Underlying Profit	<b>1,346</b>	1,394

2020 interim period recorded a Reported Loss of HK\$2,626 million as compared to a Reported Profit of HK\$2,783 million in the same period last year. Shareholders' Fund as at 30 June 2020 decreased to HK\$73,696 million from HK\$77,650 million as at 31 December 2019, reflecting primarily a fair value loss of HK\$4,065 million (2019: fair value gain of HK\$1,453 million) on the Group's investment properties during the period. More details of the fair value loss are presented under the section "*Financial Review - Revaluation of Investment Properties*".

Our financial position remains strong, with net interest coverage of 17.0 times (2019: 19.1 times) and net cash of HK\$1,829 million (31 December 2019: net debt of HK\$3,197 million).

The Board of Directors has declared a first interim dividend of HK27 cents per share (2019: HK27 cents) which will be payable in cash.

## **Review of Operations**

### **Office Portfolio**

The Group's office portfolio turnover saw a slight decline of 0.2% to HK\$927 million (2019: HK\$929 million), including turnover rent of HK\$3 million (2019: HK\$3 million). While COVID-19 continues to negatively impact the office rental ecosystem in Hong Kong, occupancy of Hysan's office portfolio was 96% as at 30 June 2020 (31 December 2019: 98%). This was achieved against a backdrop of a negative net absorption of over 1.4 million square feet office space in Hong Kong in the first half of 2020. The portfolio continued to achieve an overall positive rental reversion on renewals, rent review and new lettings.

As at the end of June 2020, Banking and Finance remained the largest tenant sector, accounting for approximately 23% of area occupied within the office portfolio. We expect this proportion may further increase in the second half of the year, as financial companies from Central and Admiralty act on their expressed interest in our portfolio, which is well known for the quality of its buildings and services, ease of transportation, abundance of retail/food and beverage outlets and close-knit community. Lee Gardens Club and its marketing promotions have proven to be very popular among our discerning office tenants. The Co-work/Flex-space industry is facing consolidation, but this option remains important for corporate clients and young entrepreneurs during these times of economic uncertainty.

### **Retail Portfolio**

The Group's retail portfolio turnover decreased by 10% to HK\$900 million (2019: HK\$1,001 million), including turnover rent contribution of HK\$20 million (2019: HK\$49 million). The portfolio occupancy was 94% as at 30 June 2020 (31 December 2019: 96%).

COVID-19's effects became apparent in February. These damaging impacts were compounded by disruptions due to a number of social events in the late spring and early summer months. Hysan's estimated tenant sales underperformed Hong Kong's overall retail sales, with trades that traditionally benefitted from overseas and mainland visitors (e.g. cosmetics) among the hardest hit, while the other categories were largely on par with the overall market performance. Hysan's overall rental reversion in renewals, rent review and new lettings became negative in the first half of 2020.

During the first six months of 2020, a number of new shops joined the portfolio or refreshed their brand with a new design. It is expected that several new food and beverage tenants will join the portfolio in the coming months, as well as footwear, lifestyle and children's stores.



## **Residential Portfolio**

The residential portfolio comprises mainly units in Kennedy Road's Bamboo Grove. The sector saw a slight decrease in turnover to HK\$154 million (2019: HK\$156 million). The occupancy of the sector was at 83% as at 30 June 2020 (31 December 2019: 87%).

In addition to renovation work to enhance the quality of a number of units, the lift modernization programme was ongoing and is expected to be completed by the fourth quarter of 2020.

The rental reversion was overall positive in renewals, rent review and new lettings in this sector.

## **Tai Po Luxury Residential Project**

Major interior designs and visual mock-ups of the development have been completed. Superstructure works are in progress and the target completion date of the construction work will be in the second half of 2021, subject to government approval. Interior design of the show flats is also in progress.

## **Business Technology in Application**

Over the past six months, working and learning from home have become the new normal, along with increased dining at home with food delivery and home cooking. In response, Hysan's teams have swiftly deployed their experience and resources to enhance service delivery. Initiatives added include providing food and beverage ordering and delivering services, a new dining directory and a payment gateway within the Lee Gardens app. Electronic promotional coupons were also offered to support the new services. For younger members of the family, the Kids Club programme now includes digitalized stamp collection to make it easier to collect stamps and exchange them for gifts.

The "Power Up" campaign has also reshaped our traditional offline marketing plan into an omni channel plan, with the online platform playing a major role. The campaign successfully retained business and foot traffic for more than 100 tenants who participated in the plan. Throughout the promotion, we made use of data analytics on a real time basis to make any necessary adjustments. Overall, the campaign helped improve our operational efficiency and created extra value in line with the aims of our business technology initiatives.

## **Loyalty Programmes and Marketing Activities**

Our VIP programme, Club Avenue, unveiled a brand new lounge at Lee Garden One whereby selected club members can now enjoy exceptional service and facilities whilst taking a break from shopping in the Lee Gardens area. This initiative supplements our digital plan for Club Avenue and our loyalty programme Lee Gardens Club to be integrated operationally into one platform in 2020.

We also continued to collaborate with our tenants and third-parties through a range of well-received promotional activities in the first half of 2020, despite the COVID-19 situation.

## **Sustainability including Community Activities**

During the COVID-19 pandemic, health, wellness and safety have become top-of-mind issues for our stakeholders. From the early days of the pandemic both property management hardware and services were strengthened to reduce the chances of an outbreak within our portfolio. While a limited number of cases were brought in by visitors and confirmed on the estate, Hysan moved swiftly to provide intensive cleaning and disinfecting services, as well as issue timely communications to stakeholders to inform them of the cases.

In relation to the pandemic, a range of our community activities also focused on topics of health and wellness. Hysan launched a first corporate-sponsored Virtual Hike and Run to promote physical activities while avoiding crowds. Several of Lee Gardens Association's events centred on yoga and workouts. Hysan's staff talks and training sessions also had physical and mental wellness as their main themes.

Our community art programme brought cheerful colours and uplifting designs into the area. A joint programme with Hong Kong Arts Centre displayed local heritage artwork produced by school students. The "cityscape", a massive paper installation art piece, dominated Lee Garden One's mall for weeks with its unique sights and sounds.

## **Financial Review**

### **Operating Costs**

The Group's operating costs are generally classified as property expenses (direct costs and front-line staff wages and benefits) and administrative expenses (indirect costs largely representing payroll related costs of management and head office staff). The Group's operating costs to turnover ratio maintained at around same level as last year's corresponding period, at 17.2%.

### **Finance Costs**

Finance costs increased to HK\$234 million, compared to HK\$127 million in the first half of 2019, as the Group started to prepare funding for potential investment opportunities and other strategic initiatives. The Group has raised approximately HK\$13 billion from new issuance via MTN program since 2019 to capture market liquidity and low interest rate environment. During the period, finance costs relating to such funding exercise amounted to HK\$116 million (2019: HK\$14 million). The effective interest rate for the period was 3.1%, as compared to 3.5% in the same period 2019.

## **Revaluation of Investment Properties**

As at 30 June 2020, the investment properties of the Group were valued at HK\$75,630 million, a decrease of 4.4% from HK\$79,116 million as at 31 December 2019. The valuation 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\$4,065 million (2019: fair value gain of HK\$1,453 million) was recognized in the condensed consolidated statement of profit or loss for the period. This loss mainly reflects the expansion of capitalization rates taking into account the increasing market risk of the negative retail sector, coupled with a weakened office sector impacted by global economic uncertainties.

## **Investments in Associates and a Joint Venture**

The Group's investments in associates are substantially represented by its interest in Shanghai Grand Gateway 66, a retail, office and residential complex, in Shanghai, China. The shared results decreased to HK\$92 million (2019: HK\$145 million), mainly due to the Group's share of revaluation loss (net of deferred tax) amounting to HK\$19 million (2019: revaluation gain of HK\$45 million).

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

## **Bank Deposits and Other Investments**

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

Excluding imputed interest income recognized on an interest-free loan to a joint venture company for the residential site development in Tai Po of HK\$15 million (2019: HK\$15 million), like-for-like interest income increased to HK\$137 million (2019: HK\$35 million) resulting from higher bank deposit balances during the period.

The Group also extended its investments beyond its core geographical area and businesses. As at 30 June 2020, these investments totalling HK\$725 million (31 December 2019: HK\$601 million) expanded our reach to Mainland China and other areas in Asia with a view to generating new sources of income and capital.

## **Capital Expenditure**

The Group is committed to enhancing the asset value of its investment property portfolio through selective enhancement and redevelopment. Total cash outlay of such capital expenditure amounted to HK\$619 million during the interim period (2019: HK\$663 million).

## **Treasury Policy**

### **Market Highlights**

The global economic environment was full of uncertainties during the first half of 2020 mainly due to the COVID-19 pandemic. The expected slowdown in the global economy is undermining market sentiment. The U.S. Federal Reserve has revised expectations regarding its interest rate policy based on the impact of the ongoing public health crisis on economic activity, employment and inflation. It is expected that the U.S. Federal Reserve will maintain its low federal fund rate for the next two years to boost the U.S. economy. Hong Kong dollar (HKD) HIBOR followed the United States Dollar (USD) LIBOR to decrease during the first half of 2020. The 3-month HKD HIBOR declined from 2.43% at the end of 2019 to around 0.78% at the end of June 2020.

Hong Kong's economy and financial conditions are closely linked with global market uncertainties. A weaker Hong Kong retail sales performance was recorded in the first six months of 2020 mainly due to the COVID-19 outbreak and decrease in the number of visitors due to the lockdown restrictions. Hong Kong's GDP further contracted in 2020, recorded -9.1% in Q1 2020 and -9.0% in Q2 2020, after two consecutive quarters of negative GDP in 2019 of -2.8% and -3.0% respectively, confirming that the economy is in recession.

Uncertainties caused by both global and local political issues may worsen our operating environment and dampen business expansion potential. It is therefore important for the Group to maintain our prudent financial management policy.

## Capital Structure Management

The Group's total Gross Debt<sup>1</sup> level as at 30 June 2020 increased to HK\$19,458 million (31 December 2019: HK\$12,615 million), thereby expanding its funding capacity for strategic initiatives. The Group's average debt maturity was at 7.2 years as at 30 June 2020 (31 December 2019: 6.6 years).

The following shows the debt maturity profile of the Group at 2020 interim period-end and 2019 year-end:

	<b>As at 30 June 2020 HK\$ million</b>	As at 31 December 2019 HK\$ million
Maturing in not exceeding 1 year	<b>565</b>	565
Maturing in more than 1 year but not exceeding 2 years	<b>1,131</b>	250
Maturing in more than 2 years but not exceeding 3 years	<b>2,526</b>	1,331
Maturing in more than 3 years but not exceeding 4 years	<b>904</b>	467
Maturing in more than 4 years but not exceeding 5 years	<b>1,816</b>	3,230
Maturing in more than 5 years	<b>12,516</b>	6,772
	<b>19,458</b>	12,615

As at 30 June 2020, bank loans accounted for approximately 11% of the Group's total Gross Debt, with the remaining 89% from capital market financing (31 December 2019: 16% : 84%). All the Group's debts are unsecured and on a committed basis.

## Gearing Ratio and Net Interest Coverage

The Group's gearing ratio, as measured by Net Debt to Equity<sup>2</sup>, was 3.94% at year-end 2019. It is improved at interim period-end 2020 with a net cash position. We issued US\$850 million subordinated perpetual securities in March 2020 for the purpose of fortifying the Group's financial position and hence our total cash and bank deposits exceeded the total Gross Debts. The Group's Net Interest Coverage<sup>3</sup> maintained at same level as in 2019, at 17.0 times.

<sup>1</sup> The Gross Debt represents the contractual principal payment obligations as at 30 June 2020. 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 2020, the book value of the outstanding debt of the Group was HK\$19,274 million (31 December 2019: HK\$12,529 million).

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

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

## **Credit Ratings**

As at 30 June 2020, the Group's credit ratings were maintained at A3 from Moody's and A- from Fitch.

## **Liquidity Management**

As at 30 June 2020, the Group has cash and bank deposits totalling about HK\$21,103 million (31 December 2019: HK\$9,332 million). In order to preserve liquidity and enhance interest yields, the Group invested HK\$454 million (31 December 2019: HK\$172 million) in debt securities.

Further liquidity, if required, is available from the undrawn committed facilities offered by the Group's relationship banks. These facilities, amounting to HK\$4,700 million at 2020 interim period-end (31 December 2019: HK\$3,250 million), essentially allow the Group to obtain additional funding as the need arises.

## **Interest Rate Management**

Interest expenses represent one of the key cost drivers of the Group's business. Therefore, the Group monitors its interest rate exposure closely and adopts an appropriate hedging strategy in light of market conditions. The fixed rate debt ratio increased slightly to 89% at interim period-end 2020 from 84% at year-end 2019. We believe we are in a good position to manage our finance costs given our high fixed-rate debt ratio.

## **Foreign Exchange Management**

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

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

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

希慎興業有限公司

*(Incorporated in Hong Kong with limited liability)*

**Introduction**

We have reviewed the condensed consolidated financial statements of Hysan Development Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 14 to 41, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of Review**

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

**Conclusion**

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

**Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

10 August 2020

# Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020 (unaudited)

	Notes	Six months ended 30 June	
		2020 HK\$ million	2019 HK\$ million
Turnover	3	1,981	2,086
Property expenses		(219)	(238)
Gross profit		1,762	1,848
Investment income	5	152	50
Other gains and losses		(8)	11
Administrative expenses		(121)	(123)
Finance costs	6	(234)	(127)
Change in fair value of investment properties		(4,065)	1,453
Share of results of associates		92	145
(Loss) profit before taxation		(2,422)	3,257
Taxation	7	(236)	(265)
<b>(Loss) profit for the period</b>	8	<b>(2,658)</b>	2,992
(Loss) profit for the period attributable to:			
Owners of the Company		(2,626)	2,783
Perpetual capital securities holders		89	–
Other non-controlling interests		(121)	209
		<b>(2,658)</b>	2,992
<b>(Loss) earnings per share</b> (expressed in HK cents)			
Basic	9	(252)	266
Diluted	9	(252)	266



# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020 (unaudited)

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>HK\$ million</b>	2019 HK\$ million
<b>(Loss) profit for the period</b>	<b>(2,658)</b>	2,992
<b>Other comprehensive (expenses) income</b>		
<b><i>Items that will not be reclassified subsequently to profit or loss:</i></b>		
Gains on revaluation of properties held for own use (net of tax)	<b>2</b>	15
Change in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")	<b>(42)</b>	–
	<b>(40)</b>	15
<b><i>Items that may be reclassified subsequently to profit or loss:</i></b>		
Net adjustments to hedging reserve	<b>106</b>	29
Share of translation reserve of an associate	<b>(102)</b>	(17)
	<b>4</b>	12
<b>Other comprehensive (expenses) income for the period (net of tax)</b>	<b>(36)</b>	27
<b>Total comprehensive (expenses) income for the period</b>	<b>(2,694)</b>	3,019
Total comprehensive (expenses) income attributable to:		
Owners of the Company	<b>(2,662)</b>	2,810
Perpetual capital securities holders	<b>89</b>	–
Other non-controlling interests	<b>(121)</b>	209
	<b>(2,694)</b>	3,019

# Condensed Consolidated Statement of Financial Position

As at 30 June 2020 (unaudited)

	Notes	<b>As at 30 June 2020 HK\$ million</b>	As at 31 December 2019 HK\$ million (audited)
<b>Non-current assets</b>			
Investment properties	11	<b>75,630</b>	79,116
Property, plant and equipment		<b>778</b>	776
Investments in associates		<b>5,179</b>	5,189
Loans to associates		<b>11</b>	11
Investment in a joint venture		<b>141</b>	143
Loans to a joint venture		<b>1,123</b>	1,090
Other financial investments		<b>725</b>	601
Debt securities		<b>454</b>	172
Other financial assets		<b>42</b>	8
Other receivables	12	<b>322</b>	291
		<b>84,405</b>	87,397
<b>Current assets</b>			
Accounts and other receivables	12	<b>473</b>	314
Time deposits		<b>13,590</b>	5,735
Cash and cash equivalents		<b>7,513</b>	3,597
		<b>21,576</b>	9,646
<b>Current liabilities</b>			
Accounts payable and accruals	13	<b>821</b>	934
Deposits from tenants		<b>366</b>	316
Amounts due to other non-controlling interests		<b>220</b>	220
Borrowings	14	<b>565</b>	565
Taxation payable		<b>187</b>	416
		<b>2,159</b>	2,451
<b>Net current assets</b>		<b>19,417</b>	7,195
<b>Total assets less current liabilities</b>		<b>103,822</b>	94,592

# Condensed Consolidated Statement of Financial Position *continued*

As at 30 June 2020 (unaudited)

	Notes	<b>As at 30 June 2020 HK\$ million</b>	As at 31 December 2019 HK\$ million (audited)
<b>Non-current liabilities</b>			
Borrowings	14	<b>18,709</b>	11,964
Other financial liabilities		–	46
Deposits from tenants		<b>627</b>	685
Deferred taxation		<b>957</b>	925
		<b>20,293</b>	13,620
<b>Net assets</b>			
		<b>83,529</b>	80,972
<b>Capital and reserves</b>			
Share capital		<b>7,722</b>	7,720
Reserves		<b>65,974</b>	69,930
<b>Equity attributable to owners of the Company</b>			
<b>Perpetual capital securities</b>	15	<b>6,693</b>	–
<b>Other non-controlling interests</b>		<b>3,140</b>	3,322
<b>Total equity</b>			
		<b>83,529</b>	80,972

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 (unaudited)

	Attributable to owners of the Company		
	Share capital HK\$ million	Share options reserve HK\$ million	General reserve HK\$ million
As at 1 January 2020 (audited)	7,720	23	96
Loss for the period	–	–	–
Net gains arising from hedging instruments	–	–	–
Reclassification adjustments for net losses included in profit or loss	–	–	–
Gain on revaluation of properties held for own use (Note a)	–	–	–
Deferred taxation arising on revaluation of properties held for own use	–	–	–
Change in fair value of equity investment at FVTOCI	–	–	–
Share of translation reserve of an associate	–	–	–
Total comprehensive (expenses) income for the period	–	–	–
Issue of shares under share option schemes	2	–	–
Recognition of equity-settled share-based payments	–	2	–
Repurchase of own shares	–	–	–
Forfeiture of unclaimed dividend	–	–	–
Dividends paid during the period (note 10)	–	–	–
Issue of perpetual capital securities (note 15)	–	–	–
Transaction costs in relation to the issuance of perpetual capital securities	–	–	–
<b>As at 30 June 2020 (unaudited)</b>	<b>7,722</b>	<b>25</b>	<b>96</b>

	Attributable to owners of the Company		
	Share capital HK\$ million	Share options reserve HK\$ million	General reserve HK\$ million
As at 1 January 2019 (audited)	7,718	19	96
Profit for the period	–	–	–
Net gains arising from hedging instruments	–	–	–
Reclassification adjustments for net losses included in profit or loss	–	–	–
Gain on revaluation of properties held for own use (Note a)	–	–	–
Deferred taxation arising on revaluation of properties held for own use	–	–	–
Share of translation reserve of an associate	–	–	–
Total comprehensive income (expenses) for the period	–	–	–
Issue of shares under share option schemes	2	–	–
Recognition of equity-settled share-based payments	–	2	–
Dividends paid during the period (note 10)	–	–	–
As at 30 June 2019 (unaudited)	7,720	21	96

Note:

- (a) The Group's leasehold land and buildings classified as property, plant and equipment were revalued as at 30 June 2020 and 2019 by Knight Frank Petty Limited, an independent qualified professional valuer, on market value basis. The valuation was derived from the basis of capitalisation of net income with due allowance for the reversionary income potential. The gain of HK\$3 million (2019: HK\$18 million) arising on revaluation have been recognized and accumulated in properties revaluation reserve.

**Attributable to owners of the Company**

<b>Investments revaluation reserve HK\$ million</b>	<b>Hedging reserve HK\$ million</b>	<b>Properties revaluation reserve HK\$ million</b>	<b>Translation reserve HK\$ million</b>	<b>Retained profits HK\$ million</b>	<b>Total HK\$ million</b>	<b>Perpetual capital securities HK\$ million</b>	<b>Other non-controlling interests HK\$ million</b>	<b>Total HK\$ million</b>
1	(19)	477	22	69,330	77,650	–	3,322	80,972
–	–	–	–	(2,626)	(2,626)	89	(121)	(2,658)
–	79	–	–	–	79	–	–	79
–	27	–	–	–	27	–	–	27
–	–	3	–	–	3	–	–	3
–	–	(1)	–	–	(1)	–	–	(1)
(42)	–	–	–	–	(42)	–	–	(42)
–	–	–	(102)	–	(102)	–	–	(102)
(42)	106	2	(102)	(2,626)	(2,662)	89	(121)	(2,694)
–	–	–	–	–	2	–	–	2
–	–	–	–	–	2	–	–	2
–	–	–	–	(41)	(41)	–	–	(41)
–	–	–	–	1	1	–	–	1
–	–	–	–	(1,221)	(1,221)	–	(61)	(1,282)
–	–	–	–	–	–	6,604	–	6,604
–	–	–	–	(35)	(35)	–	–	(35)
<b>(41)</b>	<b>87</b>	<b>479</b>	<b>(80)</b>	<b>65,408</b>	<b>73,696</b>	<b>6,693</b>	<b>3,140</b>	<b>83,529</b>

**Attributable to owners of the Company**

<b>Investments revaluation reserve HK\$ million</b>	<b>Hedging reserve HK\$ million</b>	<b>Properties revaluation reserve HK\$ million</b>	<b>Translation reserve HK\$ million</b>	<b>Retained profits HK\$ million</b>	<b>Total HK\$ million</b>	<b>Non-controlling interests HK\$ million</b>	<b>Total HK\$ million</b>
1	(48)	456	106	66,083	74,431	3,206	77,637
–	–	–	–	2,783	2,783	209	2,992
–	23	–	–	–	23	–	23
–	6	–	–	–	6	–	6
–	–	18	–	–	18	–	18
–	–	(3)	–	–	(3)	–	(3)
–	–	–	(17)	–	(17)	–	(17)
–	29	15	(17)	2,783	2,810	209	3,019
–	–	–	–	–	2	–	2
–	–	–	–	–	2	–	2
–	–	–	–	(1,224)	(1,224)	(62)	(1,286)
1	(19)	471	89	67,642	76,021	3,353	79,374

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020 (unaudited)

	<b>Six months ended 30 June</b>	
	<b>2020</b> HK\$ million	2019 HK\$ million
<b>Net cash from operating activities</b>	<b>958</b>	1,595
<b>Investing activities</b>		
Payments in respect of investment properties	(619)	(663)
Purchases of property, plant and equipment	(10)	(10)
Interest received	216	28
Proceeds upon maturity of debt securities	–	196
Purchase of debt securities	(286)	(141)
Proceeds upon maturity of time deposits with original maturity over three months	5,331	994
Additions to time deposits with original maturity over three months	(13,191)	(2,691)
Payments in respect of other financial investments	(260)	(2)
Return of capital in respect of other financial investment	81	–
Advances to associates	–	(3)
Dividends received from an associate	–	166
Advances to a joint venture	(18)	–
<b>Net cash used in investing activities</b>	<b>(8,756)</b>	(2,126)
<b>Financing activities</b>		
Payment for finance costs	(309)	(113)
Dividends paid	(1,221)	(1,224)
Dividends paid to non-controlling interests of a subsidiary	(61)	(62)
Issuance of fixed rate notes	6,675	1,550
Repayment of fixed rate notes	–	(300)
New bank loans	350	–
Repayment of bank loan	(250)	–
Issuance of perpetual capital securities, net of transaction costs	6,569	–
Payment on repurchase of own shares	(41)	–
Proceeds on exercise of share options	2	2
<b>Net cash from (used in) financing activities</b>	<b>11,714</b>	(147)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,916</b>	(678)
<b>Cash and cash equivalents as at 1 January</b>	<b>3,597</b>	2,069
<b>Cash and cash equivalents as at 30 June</b>	<b>7,513</b>	1,391

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020 (unaudited)

## **1. Basis of preparation**

The unaudited condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The financial information relating to the year ended 31 December 2019 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.
- The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

## **2. Principal Accounting Policies**

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

The accounting policies and methods of computations followed in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the accounting policy of perpetual capital securities.

Perpetual capital securities which includes no contractual obligation for the Group to deliver cash or other financial assets to the holders is classified as equity instrument and is initially recorded at the proceeds received.

## 2. Principal Accounting Policies *continued*

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

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs had no material impact on the condensed consolidated financial statements in the current and prior periods. Their impacts on presentation and disclosures, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

## 3. Turnover

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

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

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 disclosure under note 4.

## 4. Segment Information

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

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 and sale of properties



#### 4. Segment Information *continued*

##### Segment turnover and results

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

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

#### 4. Segment Information *continued*

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

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Property Development HK\$ million	Consolidated HK\$ million
<b>For the six months ended</b>					
<b>30 June 2019 (unaudited)</b>					
<b>Turnover</b>					
Leasing of investment properties	914	818	141	–	1,873
Provision of property management services	87	111	15	–	213
<b>Segment revenue</b>	1,001	929	156	–	2,086
Property expenses	(125)	(84)	(29)	–	(238)
<b>Segment profit</b>	876	845	127	–	1,848
Investment income					50
Other gains and losses					11
Administrative expenses					(123)
Finance costs					(127)
Change in fair value of investment properties					1,453
Share of results of associates					145
Profit before taxation					3,257

All the segment turnover reported above is from external customers.

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

#### 4. Segment Information *continued*

##### Segment assets

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

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Property Development HK\$ million	Consolidated HK\$ million
<b>As at 30 June 2020 (unaudited)</b>					
<b>Segment assets</b>	<b>32,140</b>	<b>35,057</b>	<b>8,559</b>	<b>1,264</b>	<b>77,020</b>
Investments in and loans to associates					5,190
Other financial investments					725
Other assets					23,046
Consolidated assets					<b>105,981</b>

##### **As at 31 December 2019 (audited)**

<b>Segment assets</b>	35,080	35,499	8,561	1,233	80,373
Investments in and loans to associates					5,200
Other financial investments					601
Other assets					10,869
Consolidated assets					<b>97,043</b>

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

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

## 5. Investment Income

The following is an analysis of investment income:

	Six months ended 30 June	
	2020 HK\$ million	2019 HK\$ million
Interest income	137	32
Imputed interest income on interest-free loan to a joint venture	15	15
Reclassification of net gains from hedging reserve on financial instruments designated as cash flow hedges	–	3
	<b>152</b>	<b>50</b>

## 6. Finance Costs

	Six months ended 30 June	
	2020 HK\$ million	2019 HK\$ million
Finance costs comprise:		
Interest on unsecured bank loans	24	20
Interest on unsecured fixed rate notes	197	100
Total interest expenses	221	120
Other finance costs	16	5
	<b>237</b>	<b>125</b>
Net exchange gains on borrowings	(31)	(8)
Reclassification of net losses from hedging reserve on financial instruments designated as cash flow hedges	27	9
Medium Term Note Programme expenses	1	1
	<b>234</b>	<b>127</b>

## 7. Taxation

	Six months ended 30 June	
	2020 HK\$ million	2019 HK\$ million
Current tax		
Hong Kong Profits Tax		
– current period	204	241
– underprovision in prior periods	–	2
	204	243
Deferred tax	32	22
	236	265

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

## 8. (Loss) Profit for the Period

	Six months ended 30 June	
	2020 HK\$ million	2019 HK\$ million
(Loss) profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	11	10
Gross rental income from investment properties including rentals received with reference to turnover of tenants of HK\$23 million (2019: HK\$52 million)	(1,772)	(1,873)
Staff costs (including directors' emoluments)	139	138
Share of income tax of associates (included in share of results of associates)	39	57

## 9. (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:

	<b>(Loss) earnings</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$ million</b>	HK\$ million
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share:		
(Loss) profit for the period attributable to owners of the Company	<b>(2,626)</b>	2,783
	<b>Number of shares</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	<b>1,042,562,017</b>	1,046,512,587
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	–	368,066
Weighted average number of ordinary shares for the purpose of calculating diluted (loss) earnings per share	<b>1,042,562,017</b>	1,046,880,653

The computation of diluted (loss) earnings per share does not assume the exercise of all (2019: certain) of the Company's outstanding share options as the exercise prices of those options were higher than the average market price for shares.

## 10. Dividends

### (a) Dividends recognized as distribution during the period:

	Six months ended 30 June	
	2020 HK\$ million	2019 HK\$ million
2019 second interim dividend paid – HK117 cents per share	1,221	–
2018 second interim dividend paid – HK117 cents per share	–	1,224
	<b>1,221</b>	<b>1,224</b>

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

	Six months ended 30 June	
	2020 HK\$ million	2019 HK\$ million
First interim dividend declared – HK27 cents per share (2019: HK27 cents per share)	281	283

The first interim dividend for 2020 is not recognized as a liability as at 30 June 2020 because it has been declared after the end of the reporting period. It will be payable in cash.

## 11. Investment Properties

	<b>Fair value HK\$ million</b>
As at 1 January 2020	79,116
Additions	579
Change in fair value recognized in profit or loss – unrealized	(4,065)
<b>As at 30 June 2020</b>	<b>75,630</b>

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

The fair value of the Group's investment properties as at 30 June 2020 and 31 December 2019 has been arrived at on the basis of a valuation carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuer not connected with the Group. The Group's investment properties have been valued individually, on market value basis, which conforms to The Hong Kong Institute of Surveyors Valuation Standards. In estimating the fair value of the investment properties, the management of the Group has considered the highest and best use of the investment properties.

The change in fair value recognized in profit or loss during the period mainly reflects the expansion of capitalisation rates taken into account of the increasing market risk on the negative retail sector, coupled with a weakened office sector considering the global economic uncertainties.



## 12. Accounts and Other Receivables

	<b>As at 30 June 2020 HK\$ million</b>	As at 31 December 2019 HK\$ million
Accounts receivable	<b>126</b>	24
Interest receivable	<b>126</b>	105
Prepayments in respect of investment properties	<b>128</b>	124
Other receivables and prepayments	<b>415</b>	352
<b>Total</b>	<b>795</b>	605
Analysed for reporting purposes as:		
Current assets	<b>473</b>	314
Non-current assets	<b>322</b>	291
	<b>795</b>	605

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

	<b>As at 30 June 2020 HK\$ million</b>	As at 31 December 2019 HK\$ million
Less than 30 days	<b>57</b>	14
31-90 days	<b>52</b>	10
Over 90 days	<b>17</b>	–
	<b>126</b>	24

### 13. Accounts Payable and Accruals

	<b>As at 30 June 2020 HK\$ million</b>	As at 31 December 2019 HK\$ million
Accounts payable	<b>231</b>	319
Interest payable	<b>153</b>	131
Other payables	<b>437</b>	484
	<b>821</b>	934

As at 30 June 2020, accounts payable of the Group with carrying amount of HK\$115 million (31 December 2019: HK\$220 million) were aged less than 90 days.

### 14. Borrowings

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

	<b>Current</b>		<b>Non-Current</b>	
	<b>As at 30 June 2020 HK\$ million</b>	As at 31 December 2019 HK\$ million	<b>As at 30 June 2020 HK\$ million</b>	As at 31 December 2019 HK\$ million
Unsecured bank loans	–	–	<b>2,100</b>	2,001
Unsecured fixed rate notes	<b>565</b>	565	<b>16,609</b>	9,963
	<b>565</b>	565	<b>18,709</b>	11,964

## 15. Perpetual Capital Securities

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

Distribution on the Securities are payable semi-annually in-arrear each year and can be deferred at the sole discretion of the Issuer, if the Issuer and the Company do not declare or pay dividends or repurchase, redeem, cancel, reduce or otherwise acquire any securities of lower or equal rank. The Securities have no fixed maturity and are redeemable at the Issuer’s option on or after 3 June 2025 at their principal amounts together with any distribution accrued to such date.

The Securities are classified as equity and initially recognized at the proceeds received in the condensed consolidated statement of financial position of the Group.

## 16. Commitments

As at 30 June 2020 and 31 December 2019, the Group had the following commitments in respect of its investment properties, property, plant and equipment and subscription to a fund investment as a limited partner:

	<b>As at 30 June 2020 HK\$ million</b>	As at 31 December 2019 HK\$ million
(a) Capital commitment: Contracted but not provided for investment properties and property, plant and equipment	<b>138</b>	207
(b) Other commitment: Subscription to a fund investment as a limited partner	<b>92</b>	14

## 17. Contingent Liability

At the end of the reporting period, the Group had contingent liabilities as follows:

	<b>As at 30 June 2020 HK\$ million</b>	As at 31 December 2019 HK\$ million
Guarantees given to banks in respect of:		
Banking facilities of a joint venture attributable to the Group		
– Utilized	<b>1,249</b>	1,147
– Unutilized	<b>1,751</b>	1,853
	<b>3,000</b>	3,000

In 2017, the Group issued corporate financial guarantees to banks in respect of banking facilities granted to a joint venture. The fair value of the financial guarantee contracts at its initial recognition is insignificant.

Other than the financial guarantees as disclosed above, several funding undertakings have also been provided by the Group to the extent not having been financed by drawdown made under the relevant banking facilities of the joint venture in relation to the completion of the underlying project of the joint venture.

## 18. Related Party Transactions and Balances

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

During the period, the Group has transaction with related party including imputed interest income on interest-free loan to a joint venture as disclosed in note 5. At the end of the reporting period, the Group has several balances with related parties including loans to a joint venture and loans to associates as disclosed in the condensed consolidated statement of financial position. The Group has also granted guarantees to banks for facilities granted to a joint venture as disclosed in note 17.

## 18. Related Party Transactions and Balances *continued*

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

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

	Gross rental income received from		Amount due to other non-controlling interests	
	Six months ended 30 June 2020 HK\$ million	Six months ended 30 June 2019 HK\$ million	As at 30 June 2020 HK\$ million	As at 31 December 2019 HK\$ million
Related companies controlled by the Directors of the Company (Note a(i) & (ii))	21	21	63	63
Non-controlling shareholder of a subsidiary (Note b(i) & (ii))	3	12	157	157

Notes:

- (a) (i) The sum of transactions represents the aggregate gross rental income received from related companies where the Directors of the Company have controlling interests over these related companies.
- (ii) The balance represents outstanding loan advanced to a non-wholly owned subsidiary of the Company, Barrowgate Limited ("Barrowgate") by Jebsen Capital Limited, a wholly owned subsidiary of Jebsen and Company Limited, of which Jebsen Hans Michael is a director and a controlling shareholder, as a shareholder loan in proportion to its shareholding in Barrowgate for general funding purpose. The amount is unsecured, interest-free and repayable on demand.
- (b) (i) The sum of transactions represents the aggregate gross rental income received from Hang Seng Bank Limited ("Hang Seng"), the intermediate holding company of Imenson Limited ("Imenson"), and The Hongkong and Shanghai Banking Corporation Limited, the holding company of Hang Seng. Imenson is a non-controlling shareholder with significant influence over Barrowgate.
- (ii) The balance represents outstanding loan advanced to Barrowgate by Imenson, as shareholder loan in proportion to its shareholding in Barrowgate for general funding purpose. The amount is unsecured, interest-free and repayable on demand.

## 18. Related Party Transactions and Balances *continued*

### (b) Compensation of key management personnel

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

	Six months ended 30 June	
	2020 HK\$ million	2019 HK\$ million
Directors' fees, salaries and other short-term employee benefits	25	23
Share-based payments	2	2
Retirement benefits scheme contributions	–	–
	<b>27</b>	25

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

## 19. Financial Risk Management and Fair Value Measurements

### (a) Financial risk management

The Group's financial risk management objectives and policies are the same as those disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2019.

### (b) Fair value measurements

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

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

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortized cost in the condensed consolidated financial statements approximate their fair values, except for the carrying amount of HK\$17,174 million (31 December 2019: HK\$10,528 million) unsecured fixed rate notes (including interest payable) with fair value of HK\$17,505 million (31 December 2019: HK\$9,096 million).

The fair value of HK\$9,414 million (31 December 2019: HK\$4,649 million) of the unsecured fixed rate notes is categorized into Level 1 of the fair value hierarchy, in which the fair value was derived from quoted prices in an active market translated at the spot foreign exchange rate of the respective currency at period end.

The fair value of HK\$8,091 million (31 December 2019: HK\$4,447 million) of the unsecured fixed rate notes is categorized into Level 2 of the fair value hierarchy, in which the fair value was measured using discounted cash flow methodology based on observable yield curves of the respective currency taking into account the credit margin of the Group as appropriate.

## **19. Financial Risk Management and Fair Value Measurements** *continued*

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

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

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

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



## 19. Financial Risk Management and Fair Value Measurements *continued*

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

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

	As at 30 June 2020			
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
<b>Financial assets</b>				
<b><i>Financial assets at FVTPL</i></b>				
Unlisted club debenture	–	1	–	1
Fund investment	–	–	276	276
<b><i>Financial assets at FVTOCI</i></b>				
Listed investment in equity security	193	–	–	193
Unlisted investment in equity security	–	–	256	256
<b><i>Derivatives under hedge accounting</i></b>				
Cross currency swaps	–	41	–	41
<b>Total</b>	<b>193</b>	<b>42</b>	<b>532</b>	<b>767</b>

## 19. Financial Risk Management and Fair Value Measurements *continued*

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

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

	As at 31 December 2019			
	Level 1	Level 2	Level 3	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
<b>Financial assets</b>				
<b><i>Financial assets at FVTPL</i></b>				
Unlisted club debenture	–	1	–	1
Fund investment	–	–	366	366
<b><i>Financial assets at FVTOCI</i></b>				
Listed investment in equity security	235	–	–	235
<b><i>Derivatives under hedge accounting</i></b>				
Cross currency swap	–	7	–	7
<b>Total</b>	<b>235</b>	<b>8</b>	<b>366</b>	<b>609</b>
<b>Financial liabilities</b>				
<b><i>Derivatives under hedge accounting</i></b>				
Cross currency swap	–	46	–	46

## 19. Financial Risk Management and Fair Value Measurements *continued*

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

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

	Fund investment HK\$ million	Unlisted investment in equity security HK\$ million
As at 1 January 2020	366	–
Addition	4	256
Return of capital	(81)	–
Loss recognized in profit or loss	(13)	–
As at 30 June 2020	276	256

There was no transfer between these three levels during the six months ended 30 June 2020.

During the period, the unrealized fair value loss of approximately HK\$13 million (2019: fair value gain of HK\$12 million) relating to fund investment at fair value through profit or loss is included in 'other gains and losses'.

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

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

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

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

At the end of the reporting period, the management of the Group obtains the valuation techniques and inputs for fair value measurements in relation to the financial assets grouped in Level 3 and their underlying assets and liabilities. Where there is a material change in the fair value of the financial assets grouped in Level 3, analysis will be performed and the causes of the fluctuations will be reported to the Directors of the Company.

# Corporate Governance

## **Compliance with Corporate Governance Code**

During the six months ended 30 June 2020, Hysan continued to comply fully with the requirements of the provisions contained in the Corporate Governance Code (the “Corporate Governance Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Further information on Hysan’s corporate governance practices is available at the Company’s website: [www.hysan.com.hk/governance](http://www.hysan.com.hk/governance).

## **Compliance with the Model Code**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (“Model Code”) as its own code of conduct regarding Directors’ securities transactions. Following specific enquiries by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2020.

## **Highlights for the first half of 2020**

Hysan embraces strong governance as the foundation for delivering its strategic objective of consistent and sustainable performance. During the period:

- The Board established a Sustainability Committee on 1 January 2020 to oversee environmental, social and governance issues, supported by the management’s Sustainability Executive Committee and Task Force. The Company is in a good position to further integrate sustainability initiatives with clear and measurable targets into its medium- to long-term plans.
- The Audit and Risk Management Committee held two meetings: one in February 2020 focusing on the annual financial reporting; and a second in May 2020 focusing on risk management agendas. In the May 2020 meeting, the Committee deep-dived into the evolving risks related to COVID-19 and assessed their impact and the management’s response. All insights and discussion were subsequently brought to the top of the Board’s agenda, with the Board assuming a highly active oversight role as the Group takes steps to mitigate the global pandemic and its effects.
- The Audit and Risk Management Committee introduced a new enhanced three-dimensional risk management framework by taking into account the “risk velocity dimension” for future risk prioritization while proposing some key risk indicators.
- The Audit and Risk Management Committee reviewed and discussed with management and the external auditors the unaudited condensed consolidated financial statements for the six months ended 30 June 2020.
- The Remuneration Committee considered and approved the compensation package for the Executive Director. It also reviewed remuneration for Non-Executive Directors, Board Committee members and senior management (see pages 78 to 82 of the Company’s 2019 Annual Report).

## **Our Board and Board Committees**

### **Board**

As at 30 June 2020, the Board composition was as follows:

Lee Irene Yun-Lien (Chairman)  
Churchouse Frederick Peter\*\*  
Fan Yan Hok Philip\*\*  
Poon Chung Yin Joseph\*\*  
Wong Ching Ying Belinda\*\*  
Jebsen Hans Michael\* (Yang Chi Hsin Trevor as his alternate)  
Lee Anthony Hsien Pin\* (Lee Irene Yun-Lien as his alternate)  
Lee Chien\*  
Lee Tze Hau Michael\*

\* Non-Executive Director

\*\* Independent Non-Executive Director

### **Board Committees**

During the review period, Jebsen Hans Michael has been appointed as the chairman of the Sustainability Committee, and Fan Yan Hok Philip and Wong Ching Ying Belinda have been appointed as members of the Sustainability Committee, with effect from 1 January 2020. In addition, Churchouse Frederick Peter has been appointed as a member of the Nomination Committee of the Company following the retirement of Lau Lawrence Juen-Yee as an Independent Non-Executive Director and a member of the Nomination Committee, with effect from the conclusion of the Annual General Meeting (the "AGM") of the Company on 13 May 2020.

The composition of our Board Committees as at 30 June 2020 is set out in the section "Corporate Information" of this Interim Report.

### **Risk Management and Internal Control**

Details of Hysan's risk management and internal control systems were set out in the "Risk Management and Internal Control Report" on pages 91 to 97 of the Company's 2019 Annual Report.

The Audit and Risk Management Committee continued to review the Company's risk management and internal control approaches, as well as the internal audit reports for the six months ended 30 June 2020 as submitted by the Internal Audit Department.

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

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

Save for the changes to Directors' other major offices as set out below, since the Company's 2019 Annual Report there is no change in the information of the Directors that is required to be disclosed under Rule 13.51B(1) of the Listing Rules:

Poon Chung Yin Joseph retired as an independent non-executive director of AAC Technologies Holdings Inc. after the conclusion of the annual general meeting of the company on 15 May 2020.

Lee Tze Hau Michael has been appointed as the deputy chairman of the Board of Stewards of The Hong Kong Jockey Club with effect from 22 June 2020.

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

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

The Group's remuneration policy aims to provide a fair market remuneration to attract, retain and motivate high quality talent, as well as to align the Group's remuneration with shareholders' interests.

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

### Non-Executive Directors

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

In January 2020, the Remuneration Committee decided that the annual fees payable to Non-Executive Directors shall remain unchanged and recommended for the Board's approval the chairmanship and membership fees payable to Sustainability Committee members as below (see pages 78 to 82 of the Company's 2019 Annual Report):

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

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

### Executive Director(s) and senior management

The remuneration payable to Executive Director(s) and senior management will also be reviewed annually, and comprises the following components:

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

The Remuneration Committee met in January 2020 to approve the remuneration of Lee Irene Yun-Lien, and concluded her 2020 annual fixed base salary is HK\$8,000,000, and her 2019 performance-based bonus amounts to HK\$15,000,000 (see pages 78 to 82 and 139 to 140 of the Company’s 2019 Annual Report). The variable components of pay, both short- and long-term, continue to form a significant proportion of her total earnings.

Share options were also granted to the Executive Director(s) on 21 February 2020 pursuant to the Company’s share option scheme adopted on 15 May 2015 (the “New Scheme”), details of which are set out in the section “Long-term Incentives: Share Option Schemes” below.



## Directors' Interests in Shares

As at 30 June 2020, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:-

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

Name	Number of ordinary shares held				Total	% of the total no. of issued shares (Note a)
	Personal interests	Family interests	Corporate interests	Other interests		
Jebsen Hans Michael	60,984	—	2,473,316 (Note b)	—	2,534,300	0.243
Lee Chien	900,000	—	—	—	900,000	0.086
Lee Irene Yun-Lien	354,000	—	—	—	354,000	0.034

Notes:

- (a) This percentage was compiled based on the total number of issued shares of the Company (i.e. 1,041,900,891 ordinary shares) as at 30 June 2020.
- (b) Such shares were held through a corporation in which Jebsen Hans Michael was a member entitled to exercise no less than one-third of the voting power at general meeting.

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

## Directors' Interests in Shares *continued*

### Aggregate long positions in shares of associated corporations

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

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

Note:

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

Apart from the above, as at 30 June 2020 no other interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations were recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Long-term incentives: Share Option Schemes

There are outstanding options under the 2005 Scheme. The 2005 Scheme expired on 9 May 2015 and the New Scheme was adopted by the Company on 15 May 2015. The purpose of both schemes was to strengthen the link between individual staff and shareholders' interests. The power of grant to Executive Director(s) is vested in the Remuneration Committee and endorsed by all Independent Non-Executive Directors as required under the Listing Rules. The Chairman may make grants to management staff below the Executive Director level.

#### *The 2005 Scheme*

The Company adopted the 2005 Scheme at its AGM held on 10 May 2005, which had a term of 10 years and expired on 9 May 2015. All outstanding options granted under the 2005 Scheme continue to be valid and exercisable in accordance with the provisions of the 2005 Scheme.

#### *The New Scheme*

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

## Directors' Interests in Shares *continued*

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

#### *Movements of share options during the period*

During the review period, share options exercisable into a total of 1,602,000 ordinary shares of the Company were granted under the New Scheme. The 2005 Scheme expired on 9 May 2015 and no further option will be granted under the 2005 Scheme.

As at 30 June 2020:

- (i) share options exercisable into a total of 1,272,667 ordinary shares of the Company granted and fully-vested under the 2005 Scheme remained outstanding, representing approximately 0.12% of the total number of issued shares of the Company; and
- (ii) share options exercisable into a total of 4,767,067 ordinary shares of the Company granted (including fully-vested share options exercisable into 2,040,519 ordinary shares of the Company) under the New Scheme remained outstanding, representing approximately 0.46% of the total number of issued shares of the Company.

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

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2020	Changes during the period			Balance as at 30.6.2020
					Granted	Exercised	Cancelled/lapsed (Note b)	
<b>2005 Scheme</b>								
<b>Executive Director</b>								
Lee Irene Yun-Lien	14.5.2012	33.50	14.5.2013 – 13.5.2022	87,000	–	–	–	87,000
	7.3.2013	39.92	7.3.2014 – 6.3.2023	265,000	–	–	–	265,000
	10.3.2014	32.84	10.3.2015 – 9.3.2024	325,000	–	–	–	325,000
	12.3.2015	36.27	12.3.2016 – 11.3.2025	300,000	–	–	–	300,000

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

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

**Movements of share options during the period** *continued*

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2020	Changes during the period			Balance as at 30.6.2020
					Granted	Exercised	Cancelled/lapsed (Note b)	
<b>Eligible employees</b> (Note c)	31.3.2010	22.45	31.3.2011 – 30.3.2020	50,000	–	(50,000) (Note d)	–	–
	31.3.2011	32.00	31.3.2012 – 30.3.2021	32,000	–	–	–	32,000
	30.3.2012	31.61	30.3.2013 – 29.3.2022	70,000	–	–	–	70,000
	28.3.2013	39.20	28.3.2014 – 27.3.2023	85,000	–	–	–	85,000
	31.3.2014	33.75	31.3.2015 – 30.3.2024	46,000	–	–	–	46,000
	31.3.2015	34.00	31.3.2016 – 30.3.2025	62,667	–	–	–	62,667
				<u>1,322,667</u>	–	(50,000)	–	<u>1,272,667</u>

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

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

**Movements of share options during the period** *continued*

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2020	Changes during the period			Balance as at 30.6.2020
					Granted	Exercised	Cancelled/lapsed (Note b)	
<b><u>New Scheme</u></b>								
<b>Executive Director</b>								
Lee Irene Yun-Lien	9.3.2016	33.15	9.3.2017 – 8.3.2026	375,000	–	–	–	375,000
	23.2.2017	36.25	23.2.2018 – 22.2.2027	300,000	–	–	–	300,000
	1.3.2018	44.60	1.3.2019 – 29.2.2028	373,200	–	–	–	373,200
	22.2.2019	42.40	22.2.2020 – 21.2.2029	494,200	–	–	–	494,200
	21.2.2020	29.73 (Note e)	21.2.2021 – 20.2.2030	–	650,000	–	–	650,000
<b>Eligible employees</b> (Note c)	31.3.2016	33.05	31.3.2017 – 30.3.2026	125,000	–	–	–	125,000
	31.3.2017	35.33	31.3.2018 – 30.3.2027	244,667	–	–	–	244,667
	29.3.2018	41.50	29.3.2019 – 28.3.2028	496,000	–	–	(2,000)	494,000
	29.3.2019	42.05	29.3.2020 – 28.3.2029	762,000	–	–	(3,000)	759,000
	31.3.2020	25.20 (Note f)	31.3.2021 – 30.3.2030	–	952,000	–	–	952,000
				<b>3,170,067</b>	<b>1,602,000</b>	<b>–</b>	<b>(5,000)</b>	<b>4,767,067</b>

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

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

#### **Movements of share options during the period** *continued*

Notes:

- (a) All options granted have a vesting period of 3 years in equal proportions starting from the 1st anniversary and will become fully vested on the 3rd anniversary of the grant. In this table, "exercise period" begins with the 1st anniversary of the grant date.
- (b) The options lapsed during the period under review upon resignation(s) of eligible employee(s).
- (c) Eligible employees are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.
- (d) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$28.40.
- (e) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 20 February 2020) was HK\$29.55.
- (f) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2020) was HK\$23.85.

Save as disclosed above, the Company did not grant any share options under the 2005 Scheme and the New Scheme to any other persons during the review period that is required to be disclosed under Rule 17.07 of the Listing Rules.

## Directors' Interests in Shares *continued*

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

#### *Value of share options*

The value of the share options granted during the review period is to be expensed through the Group's statement of profit or loss over the three-year vesting period of the options.

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

The inputs into the Model were as follows:

<b>Date of grant</b>	<b>31.3.2020</b>	<b>21.2.2020</b>
Closing share price at the date of grant	HK\$25.200	HK\$29.250
Exercise price	HK\$25.200	HK\$29.730
Risk free rate (Note a)	0.528%	1.172%
Expected life of option (Note b)	5 years	5 years
Expected volatility (Note c)	18.518%	18.013%
Expected dividend per annum (Note d)	HK\$1.384	HK\$1.384
Estimated fair values per share option	HK\$2.060	HK\$2.520

Notes:

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

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

As at 30 June 2020, the interests or short positions of substantial shareholders and other persons of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company, were as follows:

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

<b>Name</b>	<b>Capacity</b>	<b>Number of ordinary shares held</b>	<b>% of the total no. of issued shares</b> (Note)
Lee Hysan Company Limited	Beneficial owner	433,130,735	41.57
Silchester International Investors LLP	Investment manager	83,647,000	8.03
First Eagle Investment Management, LLC	Investment manager	52,460,214	5.04

Note:

The percentage was compiled based on the total number of issued shares of the Company as at 30 June 2020 (i.e. 1,041,900,891 ordinary shares).

Apart from the above, no other interest or short position in the shares or underlying shares of the Company was recorded in the register that is required to be kept under section 336 of the SFO as at 30 June 2020.



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

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

During the review period, the Company repurchased an aggregate of 1,700,000 ordinary shares on the Stock Exchange for a total consideration of approximately HK\$41 million. The repurchased shares were cancelled during the review period. Details of the shares repurchased are as follows:

Month of repurchase in 2020	Number of ordinary shares repurchased	Consideration per share		Aggregate consideration paid HK\$ million
		Highest HK\$	Lowest HK\$	
March	<u>1,700,000</u>	25.40	21.65	<u>41</u>
	<u>1,700,000</u>			<u>41</u>

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

## Human Resources Practices

The Group aims to attract, retain and develop high calibre individuals committed to attaining our objectives. The total number of employees as at 30 June 2020 was 506.

There has been no material change to the human resources, training and development programmes as set out in the "Sustainability Report 2019".

# Shareholder Information

## FINANCIAL CALENDAR

Interim results announced	10 August 2020
Ex-dividend date for first interim dividend	21 August 2020
Closure of register of members and record date for first interim dividend	25 August 2020
Dispatch of first interim dividend warrants	(on or about) 3 September 2020

## FIRST INTERIM DIVIDEND

The Board declares the payment of a first interim dividend of HK27 cents per share. The first interim dividend will be payable in cash to shareholders on the register of members as at Tuesday, 25 August 2020.

The register of members will be closed on Tuesday, 25 August 2020, for the purpose of determining shareholders' entitlement to the first interim dividend, on which date no transfer of shares will be registered. In order to qualify for the first interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar not later than 4:00 p.m. on Monday, 24 August 2020.

Dividend warrants will be dispatched to shareholders on or about Thursday, 3 September 2020.

## SHAREHOLDER SERVICES

For enquiries about share transfer and registration, please contact the Company's Registrar, Tricor Standard Limited.

Tricor Standard Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong  
Telephone: (852) 2980 1333  
Facsimile: (852) 2861 1465

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

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

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

## INVESTOR RELATIONS

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

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

# Corporate Information

## **BOARD OF DIRECTORS**

Lee Irene Yun-Lien (*Chairman*)  
Churchouse Frederick Peter\*\*  
Fan Yan Hok Philip\*\*  
Poon Chung Yin Joseph\*\*  
Wong Ching Ying Belinda\*\*  
Jebsen Hans Michael B.B.S.\*  
(*Yang Chi Hsin Trevor as his alternate*)  
Lee Anthony Hsien Pin\*  
(*Lee Irene Yun-Lien as his alternate*)  
Lee Chien\*  
Lee Tze Hau Michael\*

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

Poon Chung Yin Joseph\*\* (*Chairman*)  
Churchouse Frederick Peter\*\*  
Fan Yan Hok Philip\*\*  
Lee Anthony Hsien Pin\*

## **REMUNERATION COMMITTEE**

Fan Yan Hok Philip\*\* (*Chairman*)  
Poon Chung Yin Joseph\*\*  
Lee Tze Hau Michael\*

## **NOMINATION COMMITTEE**

Lee Irene Yun-Lien (*Chairman*)  
Churchouse Frederick Peter\*\*  
Fan Yan Hok Philip\*\*  
Poon Chung Yin Joseph\*\*  
Lee Chien\*

\* Non-Executive Director

\*\* Independent Non-Executive Director

## **SUSTAINABILITY COMMITTEE**

Jebsen Hans Michael B.B.S.\* (*Chairman*)  
Fan Yan Hok Philip\*\*  
Wong Ching Ying Belinda\*\*

## **COMPANY SECRETARY**

Cheung Ka Ki Maggie

## **REGISTERED OFFICE**

49/F. (Reception: 50/F)  
Lee Garden One  
33 Hysan Avenue  
Hong Kong

## **OUR WEBSITE**

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

## **SHARE LISTING**

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

## **STOCK CODE**

The Stock Exchange of Hong Kong Limited: 00014  
Bloomberg: 14HK  
Reuters: 0014.HK  
Ticker Symbol for ADR Code: HYSNY  
CUSIP reference number: 449162304

## **AUDITOR**

Deloitte Touche Tohmatsu  
Registered Public Interest Entity Auditors  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

**Hysan Development Company Limited**  
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