

To: Business/Property Editor

 Date: 25 February 2021
 For immediate release

**HYSAN DEVELOPMENT COMPANY LIMITED
2020 ANNUAL RESULTS**

HIGHLIGHTS

- Turnover and Recurring Underlying Profit declined year-on-year by 7.0% and 7.3% respectively
- Reported Loss arising from non-cash fair value change of investment properties was recorded in 2020
- Occupancies for Office and Retail portfolios were 95% and 96% respectively
- Hong Kong's economic outlook for 2021 remains uncertain, largely depending on COVID-19 coming under control, locally and globally

RESULTS

			Year ended 31 December			
			Notes	2020	2019	Change
Turnover	<i>HK\$ million</i>	1		3,710	3,988	-7.0%
Recurring Underlying Profit	<i>HK\$ million</i>	2		2,398	2,587	-7.3%
Underlying Profit	<i>HK\$ million</i>	3		2,398	2,587	-7.3%
Reported (Loss) Profit	<i>HK\$ million</i>	4		(2,547)	4,845	n/m
Basic (Loss) Earnings per Share	<i>HK cent</i>			(244)	463	n/m
Full-year Dividends per Share	<i>HK cent</i>			144	144	±0%
				As at 31 December		
				2020	2019	
Shareholders' Funds	<i>HK\$ million</i>	5		73,680	77,650	-5.1%
Net Asset Value per Share	<i>HK\$</i>	6		70.9	74.4	-4.7%

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 year.
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 year-end.

HYSAN DEVELOPMENT ANNUAL RESULTS 2020

Results

Hysan Development Company Limited (Stock Code: 00014) today (25 February 2021) announced the Groups turnover for 2020 was HK\$3,710 million, representing a year-on-year decrease of 7.0% from HK\$3,988 million for 2019.

Both Recurring Underlying Profit (our key leasing business performance indicator) and Underlying Profit declined by 7.3% to HK\$2,398 million (2019: HK\$2,587 million).

The Group recorded a Reported Loss of HK\$2,547 million in 2020 as compared with a Reported Profit of HK\$4,845 million in 2019, mainly due to fair value changes of investment properties of the Group and its associates between two years.

Shareholders' fund was HK\$73,680 million as at 31 December 2020 (2019 : HK\$77,650 million)

A fair value loss on investment properties (excluding capital expenditure spent on the Group's investment properties) of HK\$4,903 million (2019: fair value gain of HK\$792 million) was recognized in the Group's consolidated statement of profit or loss for the year. The loss mainly reflects the expansion in capitalization rates in light of heightened market risk in a challenged retail sector, coupled with an office sector weakened by global economic uncertainty.

As at 31 December 2020, the investment properties of the Group were valued at HK\$74,993 million, a decrease of 5.2% from HK\$79,116 million as at 31 December 2019.

Dividends

The Board of Directors has declared a second interim dividend of HK117 cents per share (2019: HK117 cents per share) which will be payable in cash. Together with the first interim dividend of HK27 cents per share (2019: HK27 cents), there is an aggregate distribution of HK144 cents per share (2019: HK144 cents per share). Please see the table for all the relevant dates:

Closure of register of members	12 March 2021 (Fri)
Ex-dividend date	10 March 2021 (Wed)
Latest time to lodge transfer documents	not later than 4:00 pm on 11 March 2021 (Thu)
Record date for second interim	12 March 2021 (Fri)
Second interim dividend payment date	On or about 26 March 2021 (Fri)

COMMENTS BY MS. IRENE YUN LIEN LEE, CHAIRMAN

2020 was a most difficult year, for Hong Kong and for the rest of the world. As we enter the second month of 2021, we still have little clarity on our future.

Hysan's roots are in Causeway Bay, Hong Kong. We are fortunate to have a premium collection of real estate mixed with traditional old Hong Kong walkups, concentrated in one of the busiest and most iconic destinations in the city for locals and visitors alike. Having a balanced retail and office portfolio with a diversified group of tenants has given us balance and stability. We are committed to a progressive and sustainable growth model. We also believe in long-term partnerships with our tenants and with our community. This has served us well during difficult times.

We have had warnings of the arrival of the "new normal" leading to structural changes in the office and retail sectors over the past few years. Our new world reflects a changing of the guard – the next few waves of youth are replacing our baby boomer generation. The shorter-term shocks of the trade war, COVID-19 and social unrest have just accelerated the pace of change.

In relation to the office sector, flexibility and optionality are increasingly key to users. This requirement was triggered some years before the recent crisis, as the younger workforce demands a different work environment. They want flexibility, mobility, access to off-site work, work-life balance and freedom, while employers focus on costs as well as choosing an office with attributes to attract and retain staff. Technology is the enabler and is improving efficiency and productivity.

As for the retail sector, consumption demand has also changed. The younger generation has different aspirations and is happier to pay for experiences than for material goods. While Hong Kong has seen a slower adoption of online commerce, momentum is gathering and purchases are increasingly made online. Dining, lifestyle and home improvement purchases are all popular. Hysan's challenge is to ensure that our area is the destination of choice. While we would like our visitors to spend money at our shops and dine in our diverse and interesting selection of restaurants, just as importantly we need them to form an emotional loyalty and a life-long and multi-generational habit of visiting Lee Gardens as their preferred destination.

Technology is a way of life and Generations X, Y and Z have adopted it. We fully embrace this way of life and have moved quickly to build new infrastructure that allows us to embrace the new way of doing things. Three years ago, we rolled out area-wide video speed WiFi to increase connectivity in the Lee Gardens area, in and out of malls. In addition to the convenience this provides our visitors, data collected and securely protected with high privacy standard has enabled us to decide on tenant curation and, importantly, gives us insights into the how, when and what, in relation to our shoppers' preferences.

We have increasingly built digital and robotics capabilities, with the aim of improving analytics, efficiency, productivity for our company and removing pain points for our tenants and their clients. We are building a strong mobile digital offering that includes touchless carparks, e-coupons and rewards, e-shop functions, enhanced customer relationship management systems, and traffic and pollution measurement, among others.

We are fortunate to have critical mass in Causeway Bay. We will continue to invest, strengthen and grow our core business in our home district, while blending ESG, arts and culture, and health and wellness into our portfolio. With a strong balance sheet and a unique Lee Gardens community model, we have the capacity to pursue opportunities outside of Hong Kong.

The outlook for 2021 is far from clear. A great deal depends on COVID-19 coming under control, not just in Hong Kong but also around the world. Here at Hysan, our balanced portfolio and financial strength provide a strong foundation for long-term growth. For now, we will do our best to look after and motivate our staff, inject new ideas, create community projects, and protect and enhance our assets. The world economy will continue to have ample liquidity, providing stimulus in a low interest rate environment, and governments around the world will focus on restarting economies.

Hong Kong is no different. We need to contain COVID-19, re-start our economy and improve livelihood.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	<u>Notes</u>	<u>2020</u> <i>HK\$ million</i>	<u>2019</u> <i>HK\$ million</i>
Turnover	3	3,710	3,988
Property expenses		(490)	(536)
Gross profit		3,220	3,452
Investment income		272	154
Other gains and losses		5	10
Administrative expenses		(268)	(269)
Finance costs		(546)	(313)
Change in fair value of investment properties		(4,903)	792
Share of results of associates		225	1,733
(Loss) profit before taxation		(1,995)	5,559
Taxation	5	(353)	(473)
(Loss) profit for the year	6	(2,348)	5,086
(Loss) profit for the year attributable to:			
Owners of the Company		(2,547)	4,845
Perpetual capital securities holders		288	-
Other non-controlling interests		(89)	241
		(2,348)	5,086
(Loss) earnings per share (expressed in HK cents)	7		
Basic		(244)	463
Diluted		(244)	463

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<u>Note</u>	<u>2020</u> <i>HK\$ million</i>	<u>2019</u> <i>HK\$ million</i>
(Loss) profit for the year		(2,348)	5,086
Other comprehensive (expenses) income	8		
Items that will not be reclassified subsequently to profit or loss:			
(Loss) gain on revaluation of properties held for own use (net of tax)		(1)	21
Change in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")		5	-
		4	21
Items that may be reclassified subsequently to profit or loss:			
Net adjustments to hedging reserve		(122)	29
Share of translation reserve of an associate		341	(84)
		219	(55)
Other comprehensive income (expenses) for the year (net of tax)		223	(34)
Total comprehensive (expenses) income for the year		(2,125)	5,052
Total comprehensive (expenses) income attributable to:			
Owners of the Company		(2,324)	4,811
Perpetual capital securities holders		288	-
Other non-controlling interests		(89)	241
		(2,125)	5,052

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<u>Notes</u>	<u>2020</u> <i>HK\$ million</i>	<u>2019</u> <i>HK\$ million</i>
Non-current assets			
Investment properties		74,993	79,116
Property, plant and equipment		834	776
Investments in associates		5,577	5,189
Loans to associates		11	11
Investment in a joint venture		125	143
Loans to a joint venture		1,153	1,090
Other financial investments		789	601
Debt securities		454	172
Deferred tax assets		55	-
Other financial assets		1	8
Other receivables	10	361	291
		<u>84,353</u>	<u>87,397</u>
Current assets			
Accounts and other receivables	10	467	314
Time deposits		10,546	5,735
Cash and cash equivalents		14,389	3,597
		<u>25,402</u>	<u>9,646</u>
Current liabilities			
Accounts payable and accruals	11	931	934
Deposits from tenants		377	316
Amounts due to non-controlling interests		217	220
Borrowings		-	565
Taxation payable		27	416
		<u>1,552</u>	<u>2,451</u>
Net current assets		<u>23,850</u>	<u>7,195</u>
Total assets less current liabilities		<u>108,203</u>	<u>94,592</u>
Non-current liabilities			
Borrowings		18,970	11,964
Other financial liabilities		183	46
Deposits from tenants		597	685
Deferred tax liabilities		1,004	925
		<u>20,754</u>	<u>13,620</u>
Net assets		<u>87,449</u>	<u>80,972</u>
Capital and reserves			
Share capital		7,722	7,720
Reserves		65,958	69,930
Equity attributable to owners of the Company		<u>73,680</u>	<u>77,650</u>
Perpetual capital securities		10,657	-
Other non-controlling interests		3,112	3,322
Total equity		<u>87,449</u>	<u>80,972</u>

Notes:

1. Basis of Preparation

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

2. Principal Accounting Policies

In the current year, the Group has applied all of the new and amendments to HKFRSs issued by the HKICPA that are relevant to its operations and effective for the Group’s financial year beginning on 1 January 2020. The application of these new and amendments to HKFRSs had no material effect on the results and financial position of the Group for the current and/or prior accounting years.

3. Turnover

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

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

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

4. Segment Information

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

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

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

Residential segment – leasing of luxury residential properties and related facilities

Property development segment – development and sale of properties

Segment turnover and results

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

	<u>Retail</u> <i>HK\$ million</i>	<u>Office</u> <i>HK\$ million</i>	<u>Residential</u> <i>HK\$ million</i>	<u>Property</u> <u>Development</u> <i>HK\$ million</i>	<u>Consolidated</u> <i>HK\$ million</i>
For the year ended					
31 December 2020					
Turnover					
Leasing of investment properties	1,431	1,598	266	-	3,295
Provision of property management services	169	216	30	-	415
Segment revenue	1,600	1,814	296	-	3,710
Property expenses	(247)	(187)	(56)	-	(490)
Segment profit	1,353	1,627	240	-	3,220
Investment income					272
Other gains and losses					5
Administrative expenses					(268)
Finance costs					(546)
Change in fair value of investment properties					(4,903)
Share of results of associates					225
Loss before taxation					(1,995)

	<u>Retail</u> <i>HK\$ million</i>	<u>Office</u> <i>HK\$ million</i>	<u>Residential</u> <i>HK\$ million</i>	<u>Property</u> <u>Development</u> <i>HK\$ million</i>	<u>Consolidated</u> <i>HK\$ million</i>
For the year ended					
31 December 2019					
Turnover					
Leasing of investment properties	1,662	1,607	287	-	3,556
Provision of property management services	174	226	32	-	432
Segment revenue	<u>1,836</u>	<u>1,833</u>	<u>319</u>	<u>-</u>	<u>3,988</u>
Property expenses	(297)	(177)	(62)	-	(536)
Segment profit	<u>1,539</u>	<u>1,656</u>	<u>257</u>	<u>-</u>	<u>3,452</u>
Investment income					154
Other gains and losses					10
Administrative expenses					(269)
Finance costs					(313)
Change in fair value of investment properties					792
Share of results of associates					1,733
Profit before taxation					<u>5,559</u>

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

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

Segment assets

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

	<u>Retail</u> <i>HK\$ million</i>	<u>Office</u> <i>HK\$ million</i>	<u>Residential</u> <i>HK\$ million</i>	<u>Property</u> <u>Development</u> <i>HK\$ million</i>	<u>Consolidated</u> <i>HK\$ million</i>
As at 31 December 2020					
Segment assets	31,727	34,602	8,731	1,278	76,338
Investments in and loans to associates					5,588
Other financial investments					789
Other assets					27,040
Consolidated assets					109,755
As at 31 December 2019					
Segment assets	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					97,043

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 profit.

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

Other than the investment in an associate and certain other financial investments, which operate in mainland China and other major cities in Asia, with carrying amounts of HK\$6,374 million (2019: HK\$5,800 million), all the Group's assets are located in Hong Kong.

Other segment information

	<u>Retail</u> HK\$ million	<u>Office</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Property</u> <u>Development</u> HK\$ million	<u>Consolidated</u> HK\$ million
For the year ended 31 December 2020					
Additions to non-current assets	730	66	46	-	842
For the year ended 31 December 2019					
Additions to non-current assets	808	43	40	-	891

5. Taxation

	<u>2020</u> HK\$ million	<u>2019</u> HK\$ million
Current tax		
Hong Kong Profits Tax		
- current year	329	406
Deferred tax	24	67
	353	473

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

6. (Loss) profit for The Year

	<u>2020</u> <i>HK\$ million</i>	<u>2019</u> <i>HK\$ million</i>
(Loss) profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	<u>3</u>	<u>3</u>
Depreciation of property, plant and equipment	<u>24</u>	<u>22</u>
Gross rental income from investment properties including rentals received with reference to turnover of tenants of HK\$51 million (2019: HK\$73 million)	(3,295)	(3,556)
Less:		
- Direct operating expenses arising from leasing of investment properties	<u>166</u>	<u>214</u>
	<u>(3,129)</u>	<u>(3,342)</u>
Staff costs (including directors' emoluments)	<u>282</u>	<u>285</u>
Share of income tax of associates (included in share of results of associates)	<u>92</u>	<u>627</u>

7. (Loss) earnings Per Share

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

	<u>(Loss) earnings</u>	
	<u>2020</u> <i>HK\$ million</i>	<u>2019</u> <i>HK\$ million</i>
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share:		
(Loss) profit for the year attributable to owners of the Company	<u>(2,547)</u>	<u>4,845</u>

	<u>Number of shares</u>	
	<u>2020</u>	<u>2019</u>
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	1,041,797,236	1,046,186,877
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	-	157,908
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	1,041,797,236	1,046,344,785

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.

8. Other Comprehensive Income (Expenses)

	<u>2020</u> <i>HK\$ million</i>	<u>2019</u> <i>HK\$ million</i>
Other comprehensive income (expenses) comprises:		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Revaluation of properties held for own use:		
(Loss) gain on revaluation of properties held for own use	(1)	25
Deferred taxation arising on revaluation	-	(4)
Change in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")	5	-
	4	21
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Derivatives designated as cash flow hedges:		
Net losses arising during the year	(150)	(14)
Reclassification of net losses to profit or loss	28	43
	(122)	29
Share of translation reserve of an associate	341	(84)
	219	(55)
Other comprehensive income (expenses) for the year (net of tax)	223	(34)

9. Dividends

(a) Dividends recognized as distribution during the year:

	<u>2020</u> <i>HK\$ million</i>	<u>2019</u> <i>HK\$ million</i>
2020 first interim dividend paid - HK27 cents per share	281	-
2019 first interim dividend paid - HK27 cents per share	-	283
2019 second interim dividend paid - HK117 cents per share	1,221	-
2018 second interim dividend paid - HK117 cents per share	-	1,224
	<u>1,502</u>	<u>1,507</u>

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

	<u>2020</u> <i>HK\$ million</i>	<u>2019</u> <i>HK\$ million</i>
Second interim dividend (in lieu of a final dividend) - HK117 cents per share (2019: HK117 cents per share)	<u>1,216</u>	<u>1,221</u>

The second interim dividend is not recognized as a liability as at 31 December 2020 because it has been declared after the end of the reporting period. It will be payable in cash.

10. Accounts and Other Receivables

	<u>2020</u> <i>HK\$ million</i>	<u>2019</u> <i>HK\$ million</i>
Accounts receivable	67	24
Interest receivable	109	105
Prepayments in respect of investment properties	149	124
Other receivables and prepayments	503	352
Total	<u>828</u>	<u>605</u>
Analysed for reporting purposes as:		
Current assets	467	314
Non-current assets	361	291
	<u>828</u>	<u>605</u>

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

	<u>2020</u> <i>HK\$ million</i>	<u>2019</u> <i>HK\$ million</i>
Less than 30 days	34	14
31-90 days	23	10
Over 90 days	10	-
	<u>67</u>	<u>24</u>

11. Accounts Payable and Accruals

	<u>2020</u> <i>HK\$ million</i>	<u>2019</u> <i>HK\$ million</i>
Accounts payable	277	319
Interest payable	161	131
Other payables	493	484
	<u>931</u>	<u>934</u>

At the end of the reporting period, accounts payable of the Group with carrying amount of HK\$160 million (2019: HK\$220 million) were aged less than 90 days.