

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Hysan Development Company Limited

希慎興業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code : 00014)

ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

- 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

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

CHAIRMAN'S STATEMENT

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.

Lee Irene Yun-Lien

Chairman

Hong Kong, 25 February 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Strategy

In line with our clearly stated mission, Hysan strives to provide stakeholders with strong and sustainable returns from our property portfolio, which is predominantly located in Hong Kong's premier commercial district of Causeway Bay. We will continue to maintain a strategic focus on the Lee Gardens area of Causeway Bay, our primary base, while actively seeking other investment opportunities beyond our core geographical footprint.

Hysan enhances portfolio value through asset improvement, repositioning and redevelopment. Given the nature of our portfolio, the Group also actively curates the content of the Lee Gardens community for the benefit of tenants, customers and other stakeholders.

Review of Results of the Group

The Group's turnover in 2020 was HK\$3,710 million, down 7.0% from HK\$3,988 million in 2019 with the impact of COVID-19 affecting all our three business sectors. Against this backdrop, as at 31 December 2020, the occupancy rates of our office portfolio and retail portfolio were 95% and 96% respectively. The residential portfolio's occupancy rate was 74%.

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. More details regarding the fair value change are presented in the section "Financial Review - Revaluation of Investment Properties" and "Financial Review - Investments in Associates and a Joint Venture".

Shareholders' fund was HK\$73,680 million as at 31 December 2020 (2019 : HK\$77,650 million), the reconciliation of Recurring Underlying Profit, Underlying Profit and Reported (Loss) Profit is as follows:

	<u>2020</u> HK\$ million	<u>2019</u> HK\$ million
Reported (loss) profit	(2,547)	4,845
Change in fair value of investment properties	4,903	(792)
Share of change in fair value of investment properties (net of deferred taxation) of associates	12	(1,528)
Effect of other non-controlling interests' shares	(223)	102
Imputed interest income on interest-free loan to a joint venture	(30)	(30)
Other gains and losses	(5)	(10)
Profit attributable to perpetual capital securities holders	288	-
Recurring Underlying Profit/Underlying Profit	<u>2,398</u>	<u>2,587</u>

Taking advantage of a low interest rate environment with ample market liquidity, the Group secured new funding from diversified sources including the issuance of perpetual securities and medium-term notes and drawdown of bank loans. The new funding strengthened our balance sheet and provides a solid foundation for the Group to pursue potential investment opportunities and strategic growth initiatives.

Review of Operations

Hysan's investment property portfolio comprises three sectors — office, retail and residential — covering a total floor area of approximately 4.5 million square feet. As at 31 December 2020, office properties made up around 55% of the Group's investment portfolio by gross floor area, with retail properties accounting for around 30%. These properties are located in Lee Gardens, Causeway Bay. Approximately 15% of the Group's portfolio consists of residential properties, which are mainly units in Bamboo Grove, Mid-Levels.

The turnover of each sector is shown as below:

Sector	2020 HK\$ million	2019 HK\$ million	Change
Office	1,814	1,833	-1.0%
Retail	1,600	1,836	-12.9%
Residential	296	319	-7.2%
	3,710	3,988	-7.0%

While COVID-19 took its toll and led to a turnover decrease of 12.9% of our retail sector, our office sector was relatively more resilient and reported a turnover decline of 1.0%. Turnover of the residential sector dropped by 7.2% mainly due to limited expatriate demands.

Key Performance Indicators

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

Key Performance Indicators	Definition	Business Performance		
		Sector	2020	2019
Turnover Growth	Rental revenue in current year vs that in last year	Office	-1.0%	+8.6%
		Retail	-12.9%	-4.5%
		Residential	-7.2%	+14.3%
Occupancy Rate	Percentage of total lettable area leased / total lettable area of each portfolio at year end	Office	95%	98%
		Retail	96%	96%
		Residential	74%	87%
Property Expenses Ratio	Property expenses divided by turnover	N/A	13.2%	13.4%

Note: No changes have been made to the source data or calculation methods used when compared to 2019.

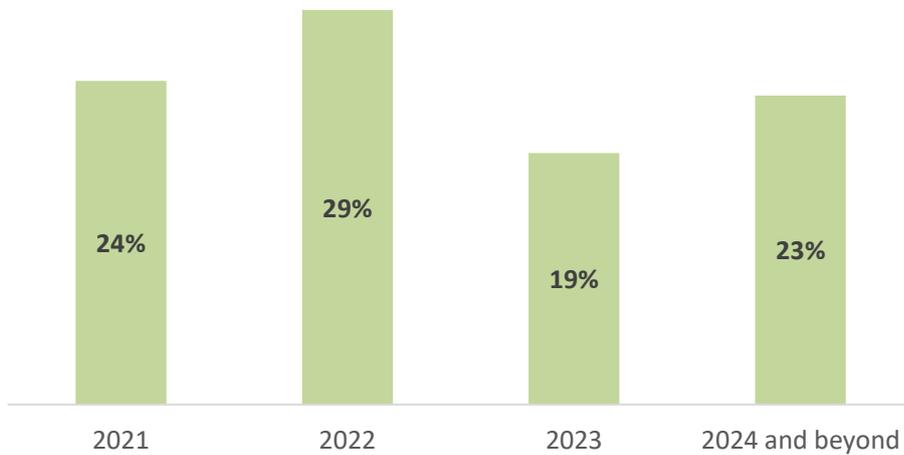
Office

Turnover of the Group’s office portfolio experienced a decline of 1.0% to HK\$1,814 million (2019: HK\$1,833 million), including turnover rent of HK\$7 million (2019: HK\$7 million).

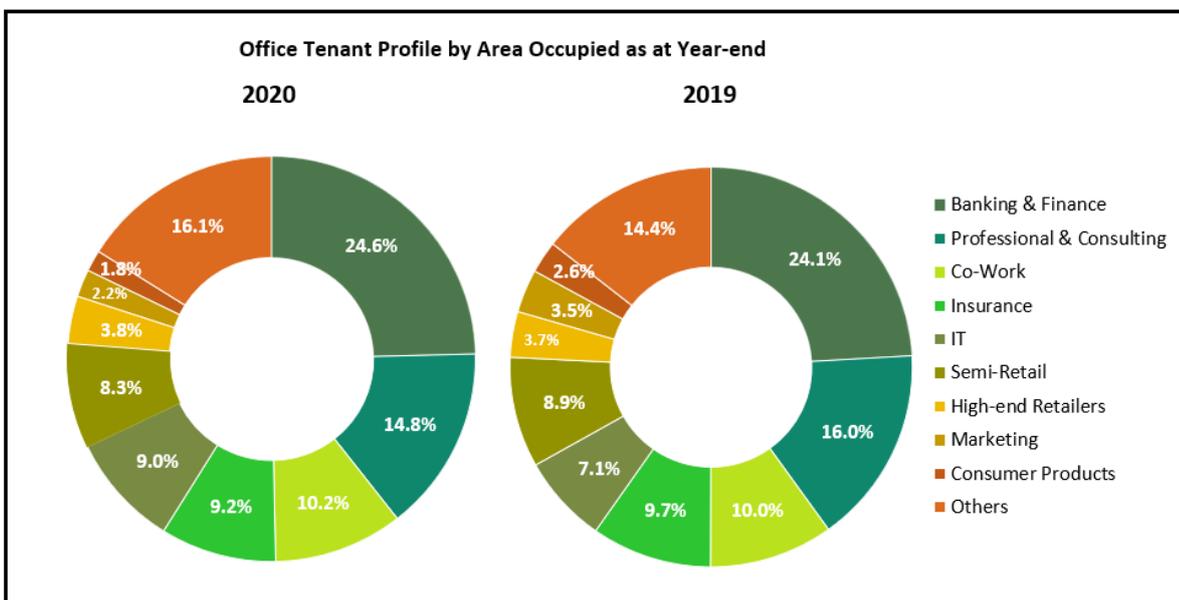
COVID-19 adversely affected Hong Kong’s office rental market during the period under review, with negative net absorption standing at over 2.7 million square feet at the end of 2020. Amid the uncertainties brought about by COVID-19, demand on office space from “new economy” firms remained relatively resilient.

The overall rental reversion rate on renewals, rent review and new letting, while remaining positive, was narrowing as compared to that of 2019. The portfolio recorded an occupancy rate of 95% as at 31 December 2020 (31 December 2019: 98%).

Office Lease Expiry Profile by Area Occupied (As at 31 December 2020)



The office tenants profile remained stable with Banking & Finance, Professional & Consulting and Co-work accounting for approximately 50% of our occupied floor area while the IT sector’s proportion of our office portfolio increased from 7% to 9% in 2020.

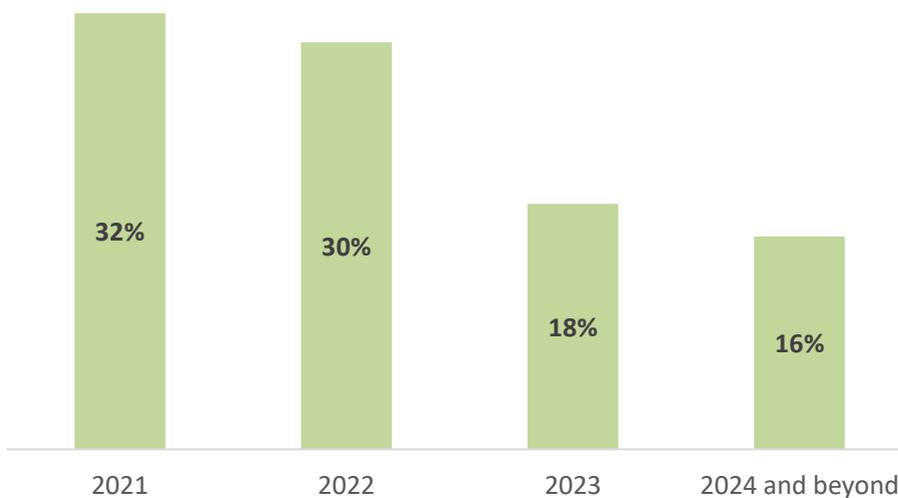


Retail

Turnover of the Group's retail portfolio decreased by 12.9% to HK\$1,600 million (2019: HK\$1,836 million), including turnover rent contribution of HK\$44 million (2019: HK\$66 million). The occupancy rate was 96% as at 31 December 2020 (31 December 2019: 96%).

Recurring waves of the COVID-19 pandemic caused significant disruption to Hong Kong's retail sector throughout 2020 with retailers that traditionally benefit from overseas and mainland visitors suffered the most. Multi-faceted support ranging from rental assistance to marketing initiatives was provided to our tenants. The overall rental reversion rate on renewals, rent review and new letting was negative in 2020.

Retail Lease Expiry Profile by Area Occupied (As at 31 December 2020)



Marketing Initiatives and Loyalty Programmes

In our marketing activities during 2020, we made effective use of digital technology in order to respond swiftly to changes in the retail model caused by COVID-19 as well as to meet new-generation customer expectations. Following the success of the "Power Up" campaign in the first half of the year, we launched further e-Shop and e-Gift initiatives. Together, these activities helped us to leverage our online marketing efforts in order to increase offline spending and expand sales channels for our retail tenants.

Throughout the year, we continued to collaborate closely with tenants and third parties to host popular themed promotional events and campaigns. In addition, the new Club Avenue lounge at Lee Garden One has become a favoured shopping-break destination among our VIPs for its blend of luxury and convenience.

Residential

The residential portfolio mainly comprises units in Bamboo Grove, an apartment complex on Kennedy Road in the Mid-Levels. The sector experienced a 7.2% drop in turnover to HK\$296 million during the year (2019: HK\$319 million). Occupancy stood at 74% as at 31 December 2020 (31 December 2019: 87%).

In 2020, Hong Kong's high-end residential rental market was negatively impacted by COVID-related travel restrictions and a sharp decline in incoming expatriate workers. Hysan's residential portfolio was similarly affected. During this challenging period, we enhanced our services and completed Bamboo Grove's lift modernization programme.

Overall rental reversion in this sector was flat with regard to renewals, rent review and new lettings.

Property Development - Tai Po Luxury Residential Project

Good progress was made on the construction of this project, with a targeted completion date by the end of 2021 or early 2022. A sales strategy is also being developed, based on a target sales launch by the end of 2021 or early 2022.

Applying Business Technology

In 2020, we adopted further innovations in business technology to enhance our services for shoppers and guests. These included improvements in our customer relationship management system, the roll-out of touchless parking, and optimization of e-coupon features. We also expect to launch an enhanced e-Shop this year.

Behind the scenes, we have enriched our big data lake in order to equip ourselves better for making data-driven decisions and also strengthened data security and privacy controls. In addition, workflow digitalization, robotic process automation and e-billing have further increased efficiency in our office operations and facilitated mobile office practices.

Sustainability and Community Activities

Health, wellness and safety remained the top priority throughout 2020 as COVID-19 continued to affect the community. Hysan responded quickly with infection-preventing hardware and other measures from the first months of the pandemic, which included stepping up our intensive cleaning and disinfection regime whenever cases were discovered on-site. We also maintained clear communication with tenants and customers and provided regular updates to our stakeholders. Throughout the year we remained vigilant, constantly upgrading our hygienic and preventive methods in order to avert new virus outbreaks.

Changes in venue and social distancing regulations made it difficult to host community activities during the year. Nevertheless, Hysan managed to launch the Xplore children's academy, which provides a range of inspiring offline and online classes while complying with social distancing rules and stringent precautionary measures. We also supported the disCONNECT exhibition and unveiled massive wall murals, both of which received great acclaim. Our GreenFest event, which promotes sustainability among the younger generation, achieved strong international exposure by moving to an online platform.

Financial Review

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

Operating Costs

The Group's operating costs are generally classified as property expenses (direct costs and front-line staff wages and benefits) and administrative expenses (indirect costs, largely comprising payroll related costs of management and head office staff).

The Group's operating costs to turnover ratio was 20.4% (2019: 20.2%).

Finance Costs

Finance costs increased to HK\$546 million, as compared with HK\$313 million in 2019, as the Group secured new funding for potential investment opportunities and strengthened its balance sheet. The Group raised approximately HK\$7 billion from new issuance via its MTN programme in 2020, taking advantage of ample market liquidity and a low interest rate environment. During 2020, finance costs related to such funding exercises amounted to HK\$313 million (2019: HK\$83 million). The effective interest rate for the year was 3.0%, as compared with 3.4% in 2019.

During the year, the Group also issued subordinated perpetual capital securities of US\$850 million at 4.10% distribution rate and senior perpetual capital securities of US\$500 million at 4.85% distribution rate. Proceeds from the issuances were treated as equity in the Consolidated Statement of Financial Position while the distributions were treated as equity distribution in the Consolidated Statement of Changes in Equity.

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

Revaluation of Investment Properties

As at 31 December 2020, the Group's investment real estate portfolio was valued at HK\$74,993 million, a decrease of 5.2% from the HK\$79,116 million recorded at the prior year-end. The valuation was carried out by Knight Frank Petty Limited, an independent professional valuer, on the basis of market value.

A fair value loss on investment properties (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.

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

	2020	2019	Change
	HK\$ million	HK\$ million	
Office	34,593	35,498	-2.5%
Retail	31,670	35,059	-9.7%
Residential	8,730	8,559	+2.0%
	74,993	79,116	-5.2%

Investments in Associates and a Joint Venture

The Group's investments in associates are primarily represented by its interest in Grand Gateway Shanghai, a retail, office and residential complex in Shanghai, China. The share of results of associates decreased to HK\$225 million (2019: HK\$1,733 million), mainly due to the Group's share of the revaluation loss (net of deferred tax) amounting to HK\$12 million (2019: revaluation gain of HK\$1,528 million). The properties at Grand Gateway Shanghai were revalued at fair value by an independent professional valuer for both years ended 31 December 2019 and 2020.

The Group's investment in a joint venture represents interests in a Tai Po residential project. The increase in carrying value represents costs incurred by the project in 2020.

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 of HK\$30 million (2019: HK\$30 million) to a joint venture company for a residential site development in Tai Po, like-for-like interest income increased by 95.2% to HK\$242 million (2019: HK\$124 million), as the result of higher bank deposit balances during the year.

The Group also extended its investments beyond its core geographical and business focuses. As at 31 December 2020, these investments totalled HK\$789 million (2019: HK\$601 million), expanding our reach to Mainland China and other Asian regions with the aim of cultivating new sources of income and capital.

Cash Flow

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

	2020 HK\$ million	2019 HK\$ million	Change
Cash generated from operations	2,758	3,300	-16.4%
Net advance to a joint venture company	(18)	-	n/m
Net borrowings	6,458	6,287	+2.7%
Issuance of perpetual capital securities, net of distribution and transaction costs	10,314	-	n/m
Bank deposits and other investments	(5,110)	(5,065)	+0.9%
Interest and taxation	(980)	(316)	n/m
Dividends paid	(1,621)	(1,630)	-0.6%
Considerations for share repurchases	(96)	(92)	+4.3%
Capital expenditure	(913)	(956)	-4.5%
Net cash inflow	10,792	1,528	n/m

n/m: not meaningful

The Group's cash generated from operations was HK\$2,758 million (2019: HK\$3,300 million), HK\$542 million lower than that in 2019, reflecting lower Recurring Underlying Profit from our core leasing business.

A net advance to a joint venture company in 2020, related to the residential site development in Tai Po, amounted to HK\$18 million.

Net borrowings amounted to HK\$6,458 million, reflecting issuance of fixed rate notes and bank loans drawdown totalling HK\$6,461 million. In 2019, total net borrowings were HK\$6,287 million.

During the year, the Group through a wholly owned subsidiary of the Company (the "Issuer") issued US\$850 million (equivalent to approximately HK\$6,604 million) 4.10% subordinated perpetual capital securities, which are unconditionally and irrevocably guaranteed by the Company. Further, the Issuer issued US\$500 million (equivalent to approximately HK\$3,875 million) 4.85% senior perpetual capital securities, which are unconditionally and irrevocably guaranteed by the Company. The proceeds of the capital securities are for general corporate purposes and the capital securities are listed on Hong Kong Stock Exchange. In 2020, the issuance of perpetual capital securities netting of distribution and transaction costs amounted to HK\$10,314 million.

Cash placed in bank deposits and other investments was HK\$5,110 million (2019: HK\$5,065 million), which was mainly attributable to additional deposits with a longer tenor.

The Group paid dividends of HK\$1,502 million (2019: HK\$1,507 million), via a 2019 second interim dividend of HK117 cents per share (2019: HK117 cents) and a 2020 first interim dividend of HK27 cents per share (2019: HK27 cents).

During the year, the Group repurchased 3.9 million of its own shares as part of the capital management programme for an aggregate consideration of approximately HK\$96 million.

Capital Expenditure and Management

The Group is committed to enhancing the asset value of its investment property portfolio through selective asset enhancement and redevelopment. The Group has also established a portfolio-wide whole-life cycle maintenance programme as part of our ongoing strategy to proactively implement preventive maintenance activities. Total capital expenditure during the year was HK\$913 million (2019: HK\$956 million).

Treasury Policy

Market Highlights

The U.S. Federal Reserve has kept the federal funds rate unchanged at 0 to 0.25 per cent since March 2020. The HKD HIBOR dropped steadily during the first eight months of 2020 before stabilizing for the remainder of the year, where it remained flat despite the effects of year-end impact and large-scale IPOs in the third and fourth quarters. The 3-month HIBOR rate closed at 0.35% at year-end, having dropped throughout the year. USD LIBOR dropped from 1.9% to 0.24% during 2020.

The path of economic recovery will depend largely on the course of the virus. Given the pandemic's impact on the economy and the continued uncertainty in global financial markets, it is important for the Group to maintain its policy of prudent financial and capital management.

Capital Structure Management

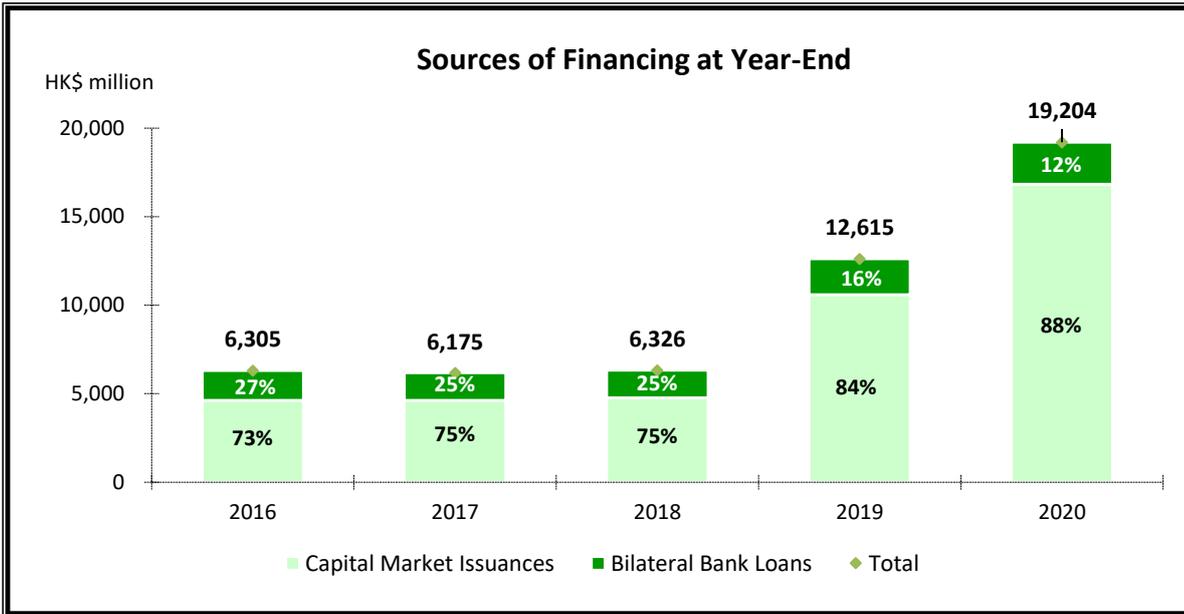
To ensure a healthy financial position and a capital structure suitable for servicing its financing needs and sustainable growth, the Group always strives to diversify its funding sources, retain an appropriate debt maturity profile relative to the overall use of funds, maintain adequate liquidity, keep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

Funding Sources

During the year, the Group diversified its funding sources by issuing perpetual securities of US\$1,350 million, new medium-term notes of HK\$1,900 million and US\$625 million, as well as drawing down HK\$600 million bank loans. The Group repaid HK\$565 million of maturing notes and HK\$250 million of bank loans in 2020. The Group's outstanding gross debt was HK\$19,204 million (2019: HK\$12,615 million) at year-end 2020. All outstanding debts and securities are on an unsecured basis.

As at 31 December 2020, the proportion of debts sourced from capital markets increased to 88% (2019: 84%). The Group continued to maintain long-term relationships with a number of local and overseas banks in order to diversify its funding sources. At year-end 2020, nineteen local and overseas banks provided bilateral banking facilities to the Group as funding alternatives.

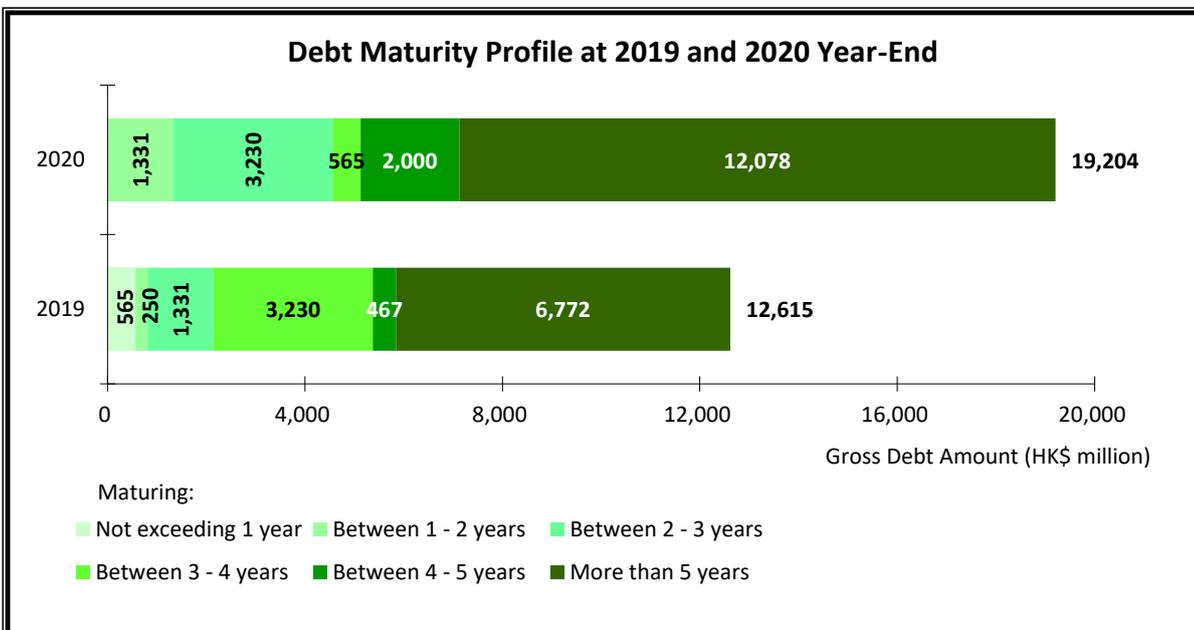
The following graph shows the percentages of total outstanding gross debts sourced from banks and debt capital markets in the past five years.



The Group strives to maintain an appropriate debt maturity profile to match the nature of our assets and operations. As at 31 December 2020, the average maturity of our debt portfolio was about 6.8 years (2019: 6.6 years), of which no debt will be due in 2021.

Maturity Profile

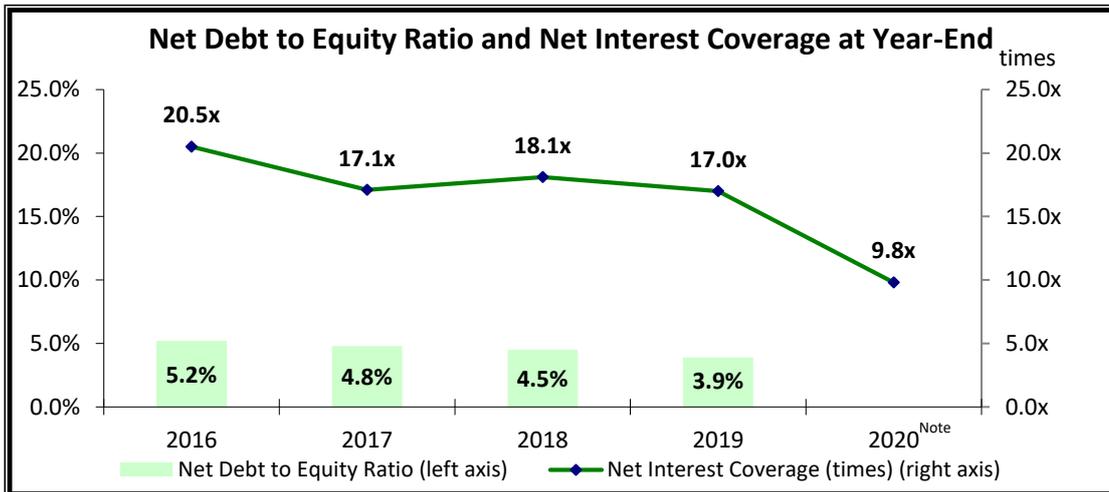
The graph below shows the debt maturity profile of the Group as at 31 December 2019 and 2020.



Gearing ratio and net interest coverage

The Group's gearing ratio, as measured by Net Debt to Equity ratio¹, was 3.9% at year-end 2019. It is improved at year-end 2020 with a net cash position. The Group issued US\$1,350 million of perpetual securities to strengthen our equity base and fortify our financial position in 2020. As a result, total cash and bank deposits now exceed total Gross Debts. The Group's Net Interest Coverage² decreased to 9.8 times for 2020 (2019: 17.0 times) due to the increase in the total debt level.

The graph below shows the level of leverage and our ability to meet interest payment obligations over the past five years.



Note: Net cash position at year-end 2020

Credit Rating

The Group seeks to maintain investment-grade credit ratings in order to ensure stable and lower costs of financing, reflecting our prudent financial and capital management strategy. During the year, the Group maintained its credit ratings, reflecting the Group's strong financial position.

	2020	2019
Moody's	A3	A3
Fitch	A-	A-

Liquidity Management

As at 31 December 2020, the Group had cash and bank deposits totalling approximately HK\$24,935 million (2019: HK\$9,332 million). In order to preserve liquidity and enhance interest yields, the Group invested HK\$454 million (2019: HK\$172 million) in debt securities.

Further liquidity, if needed, is available from the undrawn committed facilities offered by the Group's relationship banks. These facilities amounted to HK\$5,450 million as at the end of 2020 (2019: HK\$3,250 million), allowing the Group to obtain additional liquidity as the need arises.

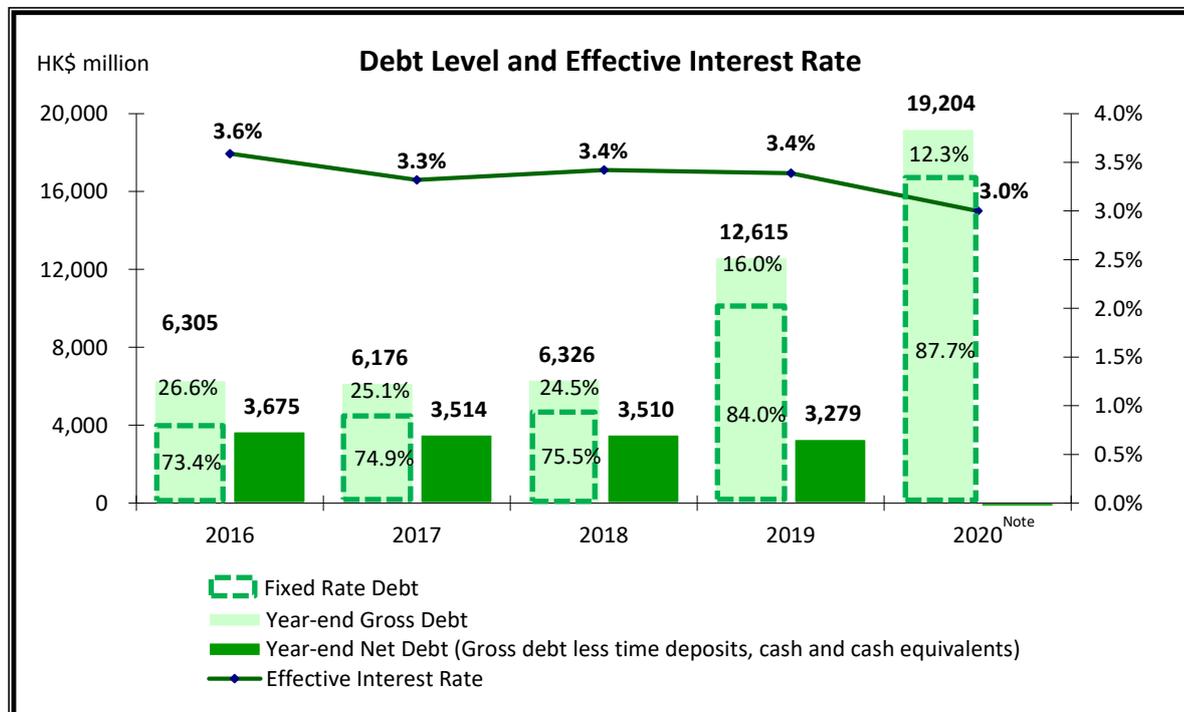
¹ Net Debt to Equity ratio is defined as borrowings less time deposits, cash and cash equivalents divided by shareholders' funds.

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

Interest Rate Management

The fixed rate debt ratio increased to 88% at the end 2020 from 84% at the end of 2019. As interest rate movements become more uncertain, we are confident that the current fixed rate debt ratio will enable the Group to manage the impact from interest rate fluctuations.

The diagram below shows the fixed rate and floating rate portions of the Group's debt over the past five years.



Note: Net cash position at year-end 2020

Foreign Exchange Management

The Group aims to achieve minimal currency exposure and does not speculate in currency movements for asset and liability management purposes. All of the Group's borrowings were denominated in HKD with the exception of certain fixed rate notes and a bank loan denominated in USD.

All USD fixed rate notes were hedged using cross-currency swaps that effectively convert the borrowings into HKD. A USD bank loan has also been drawn down as a natural hedge against the Group's outstanding foreign currency balances in cash, time deposits, debt securities and other financial investments, which amounted to US\$203 million (2019: US\$136 million).

Other foreign exchange exposure mainly relates to the Group's investment in the Shanghai project. These unhedged foreign exchange exposures amounted to the equivalent of HK\$5,585 million (2019: HK\$5,199 million) or 5.1% (2019: 5.4%) of total assets.

Use of Derivatives

As at 31 December 2020, all of the Group's outstanding derivatives were related to the hedging of foreign exchange exposures. Strict internal guidelines have been established to ensure derivatives are solely used to manage volatilities or to make appropriate adjustment to the risk profile of the Group's treasury assets and liabilities.

Counterparty Credit Risk

All of the Group's deposits are placed with banks with strong credit ratings, and counterparty risk is controlled via prescribed limits and monitored on a regular basis.

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

FINANCIAL INFORMATION

The final results of the Group for the year ended 31 December 2020 have been reviewed by the Audit and Risk Management Committee of the Company. The financial information relating to the years ended 31 December 2020 and 2019 in this announcement does not constitute the Company's statutory consolidated financial statements for those years, but represents an extract from those consolidated financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows.

The Company has delivered the consolidated financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2020 in due course. The Company's auditor has reported on the consolidated financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the announcement.

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> 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 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	-
	<hr/> 67 <hr/>	<hr/> 24 <hr/>

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
	<hr/> 931 <hr/>	<hr/> 934 <hr/>

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.

ADDITIONAL INFORMATION

Corporate Governance

The Board and management of the Company are committed to maintaining high standards of corporate governance. The Board has adopted a Statement of Corporate Governance Policy which gives guidance on how corporate governance principles are applied to the Company. The Board has established a Sustainability Committee in 2020 to oversee the Group's sustainability vision and action plans, supported by the management's Sustainability Executive Committee and Task Force. The Audit and Risk Management Committee continues to assist the Board in fulfilling its overseeing responsibilities for financial reporting, risk management, corporate governance, and internal control functions. In addition to complying with applicable statutory requirements, we aim to continually review and enhance our corporate governance practices in the light of local and international best practices.

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

Corporate Responsibility and Sustainability

The Group's first corporate responsibility/sustainability report was published in 2006. This year's report is the 15th report we have produced focusing on our social and environmental efforts.

The Group's corporate responsibility and sustainability performance are set out in the "Sustainability Report 2020" in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules. The reported information has been verified by Hong Kong Quality Assurance Agency and will be available on our website at www.hysan.com.hk.

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

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

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

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

During the year, the Company repurchased an aggregate of 3,900,000 ordinary shares on the Stock Exchange for a total consideration of approximately HK\$96 million. The repurchased shares were cancelled during the year. 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	1,700,000	25.40	21.65	41
October	2,200,000	25.30	23.95	55
	<u>3,900,000</u>			<u>96</u>

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

Human Resources Practices

The Group aims to attract, retain and develop high calibre individuals committed to attaining our objectives. The total number of employees as at 31 December 2020 was 489 (2019: 514). The Group's human resources practices are aligned with our corporate objectives so as to maximize shareholder value and achieve growth. Details on our human resources programmes, training and development are set out in the "Sustainability Report 2020".

Closure of Register of Members

The second interim dividend will be paid to shareholders whose names appear on the register of members on Friday, 12 March 2021 and the payment date will be on or about Friday, 26 March 2021. The register of members will be closed on Friday, 12 March 2021, on which date no transfer of shares will be registered. The ex-dividend date will be Wednesday, 10 March 2021. In order to qualify for the second interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Thursday, 11 March 2021.

The register of members will also be closed from Monday, 17 May 2021 to Friday, 21 May 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Company's forthcoming annual general meeting (the "AGM"), all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Standard Limited at the abovementioned address, not later than 4:00 p.m. on Friday, 14 May 2021.

AGM

The AGM will be held on Friday, 21 May 2021. The Notice of AGM will be published on the websites of the Company (www.hysan.com.hk) and the Stock Exchange (www.hkexnews.hk), and despatched to shareholders around end of March 2021.

By Order of the Board

Lee Irene Yun-Lien

Chairman

Hong Kong, 25 February 2021

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

* *Non-Executive Directors*

** *Independent Non-Executive Directors*

This final results announcement is published on the websites of the Company (www.hysan.com.hk) and the Stock Exchange (www.hkexnews.hk). The Annual Report 2020 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites around end of March 2021.