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# Corporate Governance

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# Our People

## Board of Directors

The Board is responsible for the stewardship of the Company, overseeing its conducts and affairs to create sustainable value for the benefit of its shareholders.

## EXECUTIVE DIRECTOR



**Lee Irene Yun-Lien**  
Chairman of the Board

**Board appointment** Ms. Lee was appointed a Non-Executive Director in March 2011, Non-Executive Chairman in May 2011, and executive Chairman in March 2012. She also serves as a director of certain subsidiaries of the Group. She is aged 64.

**Competencies and experience** Ms. Lee leads the Group in her executive Chairman role. Ms. Lee is an independent non-executive director of Cathay Pacific Airways Limited, CLP Holdings Limited, HSBC Holdings plc, The Hongkong and Shanghai Banking Corporation Limited and Hang Seng Bank Limited. She has held senior positions in investment banking and fund management in a number of renowned international financial institutions. Previously, Ms. Lee was an executive director of Citicorp Investment Bank Limited in New York, London and Sydney, and head of corporate finance at Commonwealth Bank of Australia and chief executive officer of Sealcorp Holdings Limited, both based in Sydney. She was also the non-executive chairman of Keybridge Capital Limited (listed on the Australian Stock Exchange), a non-executive director of ING Bank (Australia) Limited, QBE Insurance Group Limited and The Myer Family Company Pty Limited, an independent non-executive director of Noble Group Limited (listed on Singapore Exchange Limited), and a member of the Advisory Council of JP Morgan Australia. Ms. Lee was formerly a member of the Australian Government Takeovers Panel.

She is a member of the founding Lee family, sister of Mr. Lee Anthony Hsien Pin (Non-Executive Director) and his alternate on the Board.

**Qualifications** Ms. Lee holds a Bachelor of Arts Degree from Smith College, United States of America, and is a Barrister-at-Law in England and Wales and a member of the Honourable Society of Gray's Inn, United Kingdom.

**Committees** Ms. Lee is both the Chairman of the Nomination Committee and the Strategy Committee.

## NON-EXECUTIVE DIRECTORS



**Churchouse Frederick Peter**  
Independent Non-Executive  
Director

**Board appointment** Mr. Churchouse was appointed an Independent Non-Executive Director in December 2012 and is aged 68.

**Competencies and experience** Mr. Churchouse has been involved in Asian securities and property investment markets for more than 30 years. Currently, he is a private investor including having his own private family office company, Portwood Company Ltd. He is an independent non-executive director of Longfor Properties Co. Ltd. He is also the publisher and author of *The Churchouse Letter*. In 2004, Mr. Churchouse set up an Asian investment fund under LIM Advisors. He acted as a director of LIM Advisors and as Responsible Officer until the end of 2009. Prior to this, Mr. Churchouse worked at Morgan Stanley as a managing director and advisory director from early 1988. He acted in a variety of roles, including head of regional research, regional strategist and head of regional property research. He was also a board member of Macquarie Retail Management (Asia) Limited.

**Qualifications** Mr. Churchouse gained a Bachelor of Arts degree and a Master of Social Sciences degree from the University of Waikato in New Zealand.

**Committee** Mr. Churchouse is a member of the Audit Committee.



**Fan Yan Hok Philip**  
Independent Non-Executive  
Director

**Board appointment** Mr. Fan was appointed an Independent Non-Executive Director in January 2010. He is aged 68.

**Competencies and experience** Mr. Fan is an independent non-executive director of China Everbright International Limited, First Pacific Company Limited, China Aircraft Leasing Group Holdings Limited and PFC Device Inc. He was previously an independent non-executive director of Guolian Securities Co., Ltd. and an independent director of Goodman Group.

**Qualifications** Mr. Fan holds a Bachelor's Degree in Industrial Engineering and a Master's Degree in Operations Research from Stanford University, as well as a Master's Degree in Management Science from the Massachusetts Institute of Technology.

**Committees** Mr. Fan is the Chairman of the Remuneration Committee, and a member of the Audit Committee, the Nomination Committee and the Strategy Committee.

## Our People

### NON-EXECUTIVE DIRECTORS (CONTINUED)



**Lau Lawrence Juen-Yee**  
Independent Non-Executive  
Director

**Board appointment** Professor Lau was appointed an Independent Non-Executive Director in December 2014. He is aged 73.

**Competencies and experience** Professor Lau is currently Ralph and Claire Landau Professor of Economics at The Chinese University of Hong Kong. He serves as Chairman of the Board of Directors for The Chinese University of Hong Kong (Shenzhen) Finance Institute, aka Shenzhen Finance Institute. He is also an independent non-executive director of AIA Group Limited, CNOOC Limited and Far Eastone Telecommunications Co., Ltd. (listed on the Taiwan Stock Exchange). Professor Lau joined the faculty of the Department of Economics at Stanford University in 1966, and had a long and distinguished career there. Upon his retirement in 2006, he became Kwoh-Ting Li Professor in Economic Development, Emeritus, at Stanford University. From 2004 to 2010, Professor Lau served as Vice-Chancellor (President) of The Chinese University of Hong Kong. From September 2010 to September 2014, he served as Chairman of CIC International (Hong Kong) Co., Limited, a subsidiary of China Investment Corporation. Professor Lau was also a non-executive director of Semiconductor Manufacturing International Corporation. Professor Lau is a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, Chairman of its Governance Sub-committee and member of its Currency Board Sub-committee and Investment Sub-committee, Vice-Chairman of Our Hong Kong Foundation, a member and Chairman of the Prize Recommendation Committee, LUI Che Woo Prize Company and a member of Hong Kong Trade Development Council (HKTDC) Belt and Road Committee. He was appointed a Justice of the Peace in July 2007, awarded the Gold Bauhinia Star in 2011 by the Government of the Hong Kong Special Administrative Region and served as a member of the 12th National Committee of the Chinese People's Political Consultative Conference and a Vice-Chairman of its Economics Sub-committee.

**Qualifications** Professor Lau received his B.S. degree (with Great Distinction) in Physics from Stanford University and his M.A. and Ph.D. degrees in Economics from the University of California at Berkeley.

**Committee** Professor Lau is a member of the Nomination Committee.



**Poon Chung Yin Joseph**  
Independent Non-Executive  
Director

**Board appointment** Mr. Poon was appointed an Independent Non-Executive Director in January 2010. He is aged 63.

**Competencies and experience** Mr. Poon is group managing director and deputy chief executive officer of a private company and an independent non-executive director of AAC Technologies Holdings Inc. He was formerly managing director and deputy chief executive of Hang Seng Bank Limited and had held senior management posts in HSBC Group and a number of international renowned financial institutions. Mr. Poon was the former chairman of Hang Seng Index Advisory Committee, Hang Seng Indexes Company Limited, a former member of the Board of Inland Revenue of Hong Kong Special Administrative Region and the Environment and Conservation Fund Investment Committee, and a former committee member of the Chinese General Chamber of Commerce.

**Qualifications** Mr. Poon holds a Bachelor of Commerce degree from the University of Western Australia, is a member of Chartered Accountants Australia and New Zealand, and the Hong Kong Institute of Certified Public Accountants. Mr. Poon is also a Fellow of the Hong Kong Institute of Directors.

**Committees** Mr. Poon is the Chairman of the Audit Committee, and a member of the Nomination Committee, the Remuneration Committee and the Strategy Committee.



**Jebsen Hans Michael** B.B.S.

**Non-Executive  
Director**

**Board appointment** Mr. Jebsen was appointed a Non-Executive Director in 1994 and is aged 61.

**Competencies and experience** Mr. Jebsen is chairman of Jebsen and Company Limited as well as a director of other Jebsen Group companies worldwide. He is also an independent non-executive director of The Wharf (Holdings) Limited.

**Committee** Mr. Jebsen is a member of the Strategy Committee.



**Lee Anthony Hsien Pin**

**Non-Executive  
Director**

**Board appointment** Mr. Lee was appointed a Non-Executive Director in 1994 and is aged 60.

**Competencies and experience** Mr. Lee is a director and substantial shareholder of the Australian-listed Beyond International Limited, principally engaged in television programme production and international sales of television programmes and feature films. He is also a non-executive director of Television Broadcasts Limited. Mr. Lee is a member of the founding Lee family, a director of Lee Hysan Estate Company, Limited and a director of Lee Hysan Company Limited. (Lee Hysan Estate Company, Limited, a wholly-owned subsidiary of Lee Hysan Company Limited, is a substantial shareholder of the Company.) He is the brother of Ms. Lee Irene Yun-Lien, Chairman.

**Qualifications** Mr. Lee received a Bachelor of Arts Degree from Princeton University and a Master of Business Administration Degree from The Chinese University of Hong Kong.

**Committee** Mr. Lee is a member of the Audit Committee.



**Lee Chien**

**Non-Executive  
Director**

**Board appointment** Mr. Lee was appointed a Non-Executive Director in 1988 and is aged 64.

**Competencies and experience** Mr. Lee is a private investor and a non-executive director of Swire Pacific Limited and a number of private companies. He is a member of the founding Lee family, a director of Lee Hysan Estate Company, Limited and a director of Lee Hysan Company Limited. (Lee Hysan Estate Company, Limited, a wholly-owned subsidiary of Lee Hysan Company Limited, is a substantial shareholder of the Company.) Mr. Lee is a Council member of The Chinese University of Hong Kong and St. Paul's Co-educational College and a Trustee Emeritus of Stanford University. He is also a director of Stanford Health Care and CUHK Medical Centre.

**Qualifications** Mr. Lee received a Bachelor of Science Degree in Mathematical Science, a Master of Science Degree in Operations Research and a Master of Business Administration Degree from Stanford University.

**Committees** Mr. Lee is member of both the Nomination Committee and the Strategy Committee.

## Our People

### NON-EXECUTIVE DIRECTORS (CONTINUED)



**Lee Tze Hau Michael**

**Non-Executive  
Director**

**Board appointment** Mr. Lee joined the Board in January 2010, having previously served as a Director from 1990 to 2007. He is aged 56.

**Competencies and experience** Mr. Lee is currently a director of Oxer Limited, a private investment company. He is also an independent non-executive director of Chen Hsong Holdings Limited, Trinity Limited; and a Steward of The Hong Kong Jockey Club. He was previously an independent non-executive director of Hong Kong Exchanges and Clearing Limited and an independent non-executive director and chairman of OTC Clearing Hong Kong Limited. Mr. Lee was also a member of the Main Board and Growth Enterprise Market Listing Committees of The Stock Exchange of Hong Kong Limited. Mr. Lee is a member of the founding Lee family, a director of Lee Hysan Estate Company, Limited and a director of Lee Hysan Company Limited. (Lee Hysan Estate Company, Limited, a wholly-owned subsidiary of Lee Hysan Company Limited, is a substantial shareholder of the Company.)

**Qualifications** Mr. Lee received his Bachelor of Arts Degree from Bowdoin College and his Master of Business Administration Degree from Boston University.

**Committee** Mr. Lee is a member of the Remuneration Committee.

## SENIOR MANAGEMENT

### **Lui Kon Wai Ricky** MBA, MCIOSB **Chief Operating Officer**

Mr. Lui joined Hysan as the Group's Chief Operating Officer in December 2016. He assists the Chairman in translating and executing the Group's strategy and vision into operational and financial attainment. Mr. Lui also drives the Group's business growth, development and investment and serves as a director of certain Hysan subsidiaries. Mr. Lui has over 25 years of experience as a senior executive in the property industry globally, covering acquisitions, development and asset management for residential, office, retail and large scale mixed use developments in Hong Kong, mainland China and overseas. He is aged 52.

### **Hao Shu Yan Roger** BBA (Hons), CPA, ACA, ACCA **Chief Financial Officer**

Mr. Hao is responsible for the Group's financial control, treasury and information technology functions, and serves as a director of certain Hysan subsidiaries. He joined the Group in 2008. Mr. Hao accumulated extensive experience in auditing, financial management and control while holding senior positions in multinational corporations. He is aged 52.

### **Chan Wing Chung Sunny** BEng (Hons), CEng, MCIBSE, MHKIE, LEED™ AP, BEAM Pro **Director, Projects**

Mr. Chan is responsible for the Group's development and project management function in regard to major property investments as well as significant refurbishment projects, and serves as a director of certain Hysan subsidiaries. He joined the Group in 2008. Mr. Chan accumulated extensive experience in developing, designing and managing high-quality and sustainable building projects while holding senior positions in property development corporations. He is aged 52.

### **Choy Man Wai Kitty** BEcon, MSc, MBA **Director, Retail**

Ms. Choy is responsible for the Group's retail portfolio and asset management strategies, and serves as a director of certain Hysan subsidiaries. She joined the Group in 2000 and prior to joining Hysan, Ms. Choy held a supervisory position at a major property development company. She is aged 45.

### **Lam Tze Pon Tiffany** B.Soc.Sc. (Information Management) **Director, Marketing and Customer Experience**

Ms. Lam is responsible for the Group's marketing strategies. She has recently joined the Group in January 2018. Prior to joining the Group, Ms. Lam accumulated extensive experience in retail and brand management in the premium luxury sector and the hospitality industry while holding senior positions in international retail corporations. She is aged 46.

### **Yip Mo Ching Jessica** BSc (Surveying), MBA, MRICS, MHKIS, RPS **Director, Office and Residential**

Ms. Yip is responsible for managing the office and residential portfolio of the Group, and serves as a director of certain Hysan subsidiaries. Prior to joining the Group in 2012, Ms. Yip fulfilled various roles in international consultancies, occupiers and developers. She has extensive experience in the real estate industry. She is aged 41.



# Corporate Governance Report

## Governance at a Glance

### 1 Board Leadership

#### THE ROLE OF THE BOARD

- Board of Directors Mandate
- List of Matters Reserved for the Board Decisions

#### COMPOSITION OF THE BOARD

- Balance of 4 INEDs and 4 NEDs
- All Directors are appointed with a specific term of 3 years and are subject to rotation

#### DIVISION OF RESPONSIBILITIES

- Board of Directors Mandate
- Roles Requirements of Non-Executive Directors

### 2 Board Effectiveness

#### BALANCE/DIVERSITY OF SKILLS AND EXPERTISE

- Board Diversity Policy
- Diversity of skills and expertise (see “Balance, Diversity and Skills” section)

#### COMMITMENT

- All Directors are devoted, with time commitment

#### INDEPENDENCE

- Meetings of Non-Executive Directors without the Executive Director(s) or Board members relating to the founding Lee family

#### EVALUATION

- Formal board evaluation process via an electronic platform. The Board discusses the findings in detail at meetings (see “Board Evaluation 2017” section)

#### INFORMATION & SUPPORT

- Good information flow between the Board and the management
- Access to independent professional advice and company secretary

#### CONTINUOUS PROFESSIONAL DEVELOPMENT

- Directors receive trainings to refresh their skills and knowledge and to keep up to date with current developments

#### THE ROLE OF THE COMPANY SECRETARY

- Review and implement corporate governance practices
- Provide advice and support to Directors
- Keep Directors updated on legislative, regulatory and governance matters

## 3 Accountability

### BOARD COMMITTEES

- 3 governance-related Board Committees have been established
- Board Committees report to the Board (see “Audit Committee Report” on pages 86 to 89, “Remuneration Committee Report” on pages 90 to 97, “Nomination Committee Report” on pages 98 to 99 and “Strategy Committee Report” on page 100)

### RISK MANAGEMENT AND INTERNAL CONTROL

- Review and monitor management’s risk management process and assess effectiveness of financial controls and other internal controls (see “Risk Management and Internal Control Report” on pages 50 to 57 and “Audit Committee Report” on pages 86 to 89)

### FINANCIAL REPORTING

- Independent Auditor’s Report (see pages 115 to 118)

### AUDIT COMMITTEE AND AUDITORS

- Audit Committee Report (see pages 86 to 89)
- Internal Audit function
- External Auditor appointment

## 4 Relations with Stakeholders & Shareholders

### CONSTRUCTIVE USE OF GENERAL MEETINGS

- Accessible AGM
- Committee Chairmen available at AGM to answer questions (in person or via dial-in)
- Notice sent out more than 20 business days before meeting (exceeds requirement under Corporate Governance Code)

### DIALOGUE WITH SHAREHOLDERS

- Enhance shareholder communication by electronic channels
- Organise shareholders’ visits for understanding the Group, its portfolio, history and sustainable activities and other business areas

## Beyond Compliance: Corporate Governance at Hysan

Hysan embraces strong governance as the foundation for delivering its strategic objective of consistent and sustainable performance. During the year 2017, 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”).

The following are among the major areas in which Hysan’s system of corporate governance practices exceed the Corporate Governance Code.

Exceed Corporate Governance Code Provisions	Best Practices in Corporate Governance at Hysan
✓	Formal Corporate Governance Guidelines* since 2004
✓	Formal Board of Directors Mandates* and a detailed List of Matters reserved for the Board Decisions* provide a clear division of roles established between the Board and management
✓	Formal criteria and requirements* established for Non-Executive Director appointments with expected time commitment
✓	Board evaluation of its own performance and that of its committees by completion of questionnaires through an electronic platform. Directors’ feedback was analysed and discussed in meetings
✓	Code of Ethics* applicable to all staff and Directors since 2005; a separate Whistleblowing Policy* since 2016
✓	Corporate Disclosure Policy* and a Disclosure Committee to guide and promote timely and accurate disseminated disclosure of inside information and stakeholder communications
✓	Auditor Services Policy* for the engagement of auditors
✓	Fraud handling policy and procedures to control and aid in the detection and prevention of fraud
✓	Publication of separate Corporate Governance Report, Audit Committee Report, Remuneration Committee Report, Nomination Committee Report, Strategy Committee Report and Risk Management and Internal Control Report



**Exceed Corporate Governance Code Provisions**
**Best Practices in Corporate Governance at Hysan**

✓	Formal Corporate Responsibility Policy under which the Corporate Responsibility Report is published
✓	More than 20 clear business days' notice for the AGMs, which include a detailed business review
✓	All voting at AGMs conducted by poll since 2004
✓	Early announcement of audited financial results within 2 months and publication of Annual Report within 3 months after the financial year-end
✓	Continuous enhancement of shareholder communication, including introduction of shareholders' visits since 2016
✓	Proposal to adopt 10 % limit of and set a discount of not more than 10 % on the share issue price to issue additional shares under general mandate in 2018 AGM
✓	Arrangements have been made since December 2015 to ascertain the shareholders' preference as to the means of receiving corporate communications, with an aim to protect environment and enhance the use of the Group's corporate website as a means of shareholder communications
✓	Proactive invitation to major nominee companies by Hysan to forward communication materials to the ultimate beneficial shareholders at the Group's expense
✓	Additional assurance from Internal Audit on the review of continuing connected transactions

\* Detailed policies/terms of reference are available on the Company's website: [www.hysan.com.hk/governance](http://www.hysan.com.hk/governance).

In an effort to reduce consumption of resources from printing and distributing hard copies, the Hysan Corporate Responsibility Report has been prepared for electronic distribution and is made available for public viewing on Hysan's website: [www.hysan.com.hk](http://www.hysan.com.hk). Limited copies are printed and distributed, primarily to our shareholders. A summary of the Corporate Responsibility Report is provided on pages 101 to 102 of this Annual Report.

### Our Governance Framework

Hysan operates within a clear and effective governance structure. The Board is collectively responsible for the long-term success of the Group and for its leadership, strategy planning, control and risk management, culture, values, corporate governance and financial performance.

The Board has established an Audit Committee, Remuneration Committee, Nomination Committee and Strategy Committee. The Committees enable the Board to operate effectively and ensure a strong governance framework for decision-making.

The Board retains control of the key decisions and has identified certain “reserved matters” that only it can approve. Other matters, responsibilities and authorities have been delegated to its Committees and senior management, as above. This ensures there is a clear division of responsibilities at the top of the Company between the running of the Board and the running of the Company’s business.

The Board and each Committee receive sufficient, reliable and timely information in advance of meetings and are provided with or given access to all necessary resources and expertise to enable them to fulfil their responsibilities and undertake their duties in an effective manner.

The Board’s governance guidelines, policies, and procedures are normally reviewed on an annual basis. The Board also regularly assesses and enhances its governance framework, practices and principles according to developments in regulatory regimes and international best practices, as well as the Company’s needs.

The following are the key guidelines and components of Hysan’s governance framework:

- Corporate Governance Guidelines
- Board of Directors Mandate
- Roles and Responsibilities of Non-Executive Directors
- List of Matters Reserved for the Board Decisions
- Terms of Reference of the various corporate governance-related Board Committees
- Board Diversity Policy
- Auditor Services Policy
- Code of Ethics for Directors and Employees
- Corporate Disclosure Policy
- Whistleblowing Policy
- Procedures for Shareholders to Convene General Meetings/Put Forward Proposals
- Shareholders Communications Policy

## THE BOARD

Collectively responsible for long-term success of the Group  
Oversees overall governance, financial performance and sustainable development of the Group

### Leadership

Provides leadership and direction for the business of the Group

### Strategy Planning

Sets strategy and oversees its implementation

### Risk Management and Internal Control

Ensures only acceptable risks are taken

### Culture and Values

Focuses on the long-term sustainability of business



## BOARD COMMITTEES

AUDIT COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE	STRATEGY COMMITTEE
<ul style="list-style-type: none"> <li>Reviews risk management and internal control systems</li> <li>Monitors internal and external auditors</li> <li>Oversees financial reporting process</li> </ul>	<ul style="list-style-type: none"> <li>Sets remuneration policy for Executive Director(s) and senior management</li> <li>Determines Executive Director(s)' and senior management's remuneration and incentives</li> </ul>	<ul style="list-style-type: none"> <li>Recommends Board appointments</li> <li>Reviews Board structure, composition and diversity</li> <li>Assesses independence of Independent Non-Executive Director</li> <li>Oversees succession planning</li> </ul>	<ul style="list-style-type: none"> <li>Oversees the Group's strategic activities</li> <li>Aligns corporate responsibility initiatives with the corporate strategy</li> </ul>



## EXECUTIVE COMMITTEE

A management committee that operates daily business under the Board's delegation. It comprises Executive Director(s), Chief Operating Officer, Chief Financial Officer and other senior management of the Group as delegated from time to time. It assists the Board and the Company in preparing and agreeing operating plans, policies and procedures, and managing the operational and financial performance of the Group. It also addresses other key business and corporate related matters.



### The Board in 2017

The Board meets regularly and there is an annual cycle of topics to be considered, including business and financial updates. Each Committee provides a summary of business discussed to the Board. Whilst strategy is considered at every Board meeting, one meeting each year is dedicated to this topic.

Employees below Board level are invited to present to the Board on operational topics during the year. Non-Executive Directors have direct and open access to employees below Board level.

### Key areas of Board activities during the year

#### 1 Strategy

- Reviewed the Group's strategy, in particular an in-depth review of the Group's next 10-year plan in Strategy Committee Meeting in November
- Reviewed the Group's performance versus budgets
- Considered and approved acquisitions and investments strategies
- Considered and approved the Group's funding strategy

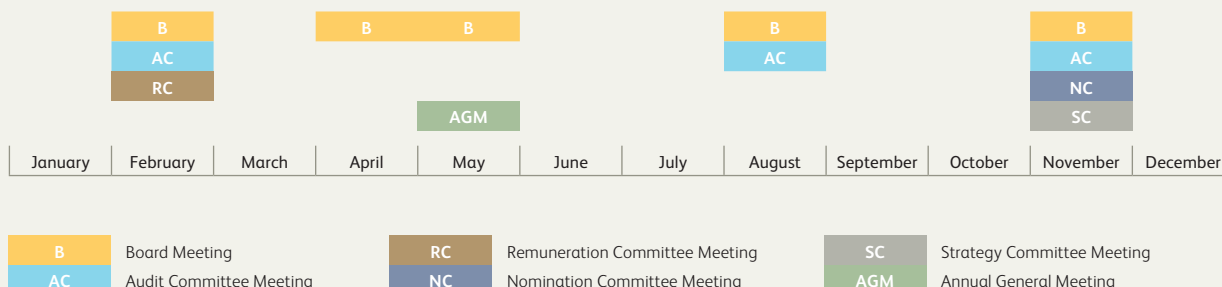
#### 2 Risk Management and Internal Control

- Reviewed the Group's risk registers and assessed the risks with action plans
- Reviewed the effectiveness of Hysan's risk management and internal control framework and introduced the "Three Lines Of Defence" model to the existing framework based on COSO
- Reviewed and approved an enhanced company-wide regulatory compliance and governance framework and policy
- Reviewed corporate structure

#### 3 Governance, Stakeholders and Shareholders

- Considered the general mandate and proposed the adoption of 10% limit of and set a discount of not more than 10% on the share issue price to issue additional shares at 2018 AGM
- Reviewed and approved an enhanced Policy on "Procedures for Shareholders to Convene General Meetings / Put Forward Proposals"
- Reviewed and approved an enhanced "Shareholders Communication Policy"
- Discussed the outcome of the Board evaluation and effectiveness review, and agreed improvement opportunities
- Reviewed key corporate governance related reports
- Reviewed the developments in corporate governance and received key legal and regulatory updates
- Received regular meeting reports from Chairmen of the Audit Committee, Remuneration Committee and Nomination Committee
- Reviewed and approved the fees for Directors
- Reviewed List of Matters Reserved for the Board Decisions

## BOARD AND COMMITTEE MEETINGS IN 2017



## 4 People and Leadership

- Appointed Advisor to the Board, Ms. Li Xinzhe Jennifer
- Reviewed the Board structure, size, composition and diversity, as well as “independence” of Directors
- Revised Terms of Reference of Strategy Committee, appointment of all committees’ chairmen to the Strategy Committee
- Reviewed the development of people and compensation for the senior management and other department heads

## 5 Financial and Operational Performance

- Considered the financial performance of the business and approved the annual budget
- Reviewed the interim and annual results, approved the interim and annual reports
- Reviewed and approved funding and treasury investment plan
- Reviewed and discussed financial forecasts and analyst feedback
- Declared dividends
- Reviewed operating results and regular updates for the Group’s core leasing business (Office, Retail and Residential segments)

## 2017 AGM

Total no. of participants **541**

Share voted **82%** of total issued shares

**191**

Individual Shareholders

**43**

Authorised representatives of HKSCC Nominees Limited





**307**























































































Shareholders appointing representatives / proxies to attend the 2017 AGM

## Corporate Governance Report

### Attendance at Meetings

The following table shows Directors' attendance at Board, Committee and general meetings held in 2017:

-  Attended
  Attended by tele-conference  
 Attended by alternate
  Attended the meetings (or part of meetings) as invitee

Directors	Meetings Held/Attended					
	BOARD	AUDIT COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE	STRATEGY COMMITTEE	ANNUAL GENERAL MEETING
	(Total: 5)	(Total: 3)	(Total: 1)	(Total: 1)	(Total: 1)	(Annually)
<b>Executive Director</b>						
Lee Irene Yun-Lien	    	  	 (Note 2)			
<b>Independent Non-Executive Directors</b>						
Churchouse Frederick Peter	    	  	N/A	N/A		
Fan Yan Hok Philip	    	  				
Lau Lawrence Juen-Yee	    	N/A	N/A			
Poon Chung Yin Joseph <sup>(Note 1)</sup>	    	  				
<b>Non-Executive Directors</b>						
Jebsen Hans Michael	    	N/A	N/A	N/A		
Lee Anthony Hsien Pin	    	  	N/A	N/A		
Lee Chien	    	N/A	N/A			
Lee Tze Hau Michael	   	N/A		N/A		

Notes:

1. Poon Chung Yin Joseph was appointed a member of the Strategy Committee with effect from 22 February 2017.
2. Excused from the session to discuss the Executive Director's own compensation package.
3. Lau Siu Chuen ceased as a Non-Executive Director with effect from the conclusion of the annual general meeting held on 15 May 2017 (the "2017 AGM").

On an annual basis, the Board reviews the performance of the Directors to ensure they are contributing to the Board in a manner that allows them to perform their responsibilities to the Company and that they are spending sufficient time doing so. Through this review, the Board was satisfied that the Directors had a strong commitment to the Company and positively contributed to the Board through their participation in the Company's affairs and the Board's discussions and decisions, as reflected in their high attendance record on the Board and its Committee meetings during the year.

All Non-Executive Directors are engaged by formal letters of appointment with a specific term of 3 years, and they commit to Hysan that they will be able to give sufficient time and attention to meeting the high expectations placed upon them.



## Board Leadership

The Board is governed by a formal **Board of Directors Mandate** (see the Company's website at [www.hysan.com.hk/governance](http://www.hysan.com.hk/governance) for details). This sets out the Board's stewardship role and shows how the Board is collectively responsible for strategic planning, risk management and internal control, as well as outlining the Group's culture and values, capital management, corporate governance, and Board succession.

Day-to-day management of the Group is delegated to the Executive Committee. The Board retains control of the key decisions and has identified certain "reserved matters" that only it can approve. The **List of Matters Reserved for the Board Decisions** is reviewed annually. Executive Committee members include the Executive Director(s), the Chief Operating Officer, Chief Financial Officer, and other members as may be appointed by the Board from time to time.

### BOARD SIZE, COMPOSITION, AND APPOINTMENTS

As at 31 December 2017, there were 9 Directors on the Board: the Chairman and 8 Non-Executive Directors (including 4 Independent Non-Executive Directors). Lee Irene Yun-Lien is currently the executive Chairman. In addition to her role in leading the Board, she advises, supports and coaches the management team, particularly regarding the long-term strategic development of the Group and management matters that drive shareholder value.

The Board reviews its structure, size and composition from time to time; the last review was held in November 2017.

Non-Executive Directors are appointed for a specific term of 3 years and are subject to re-election at the first AGM following their appointment. Every Director will be subject to retirement by rotation at least once every 3 years under the Company's Articles of Association. Retiring Directors are eligible for re-election at the AGM at which they retire. There is no cumulative voting in Director elections. The election of each candidate is executed through a separate resolution.

Lau Lawrence Juen-Yee, Lee Tze Hau Michael and Poon Chung Yin Joseph will retire at the forthcoming AGM to be held on 8 May 2018. All of them being eligible, they would offer themselves for re-election. Details with respect to the candidates standing for re-election as Directors are set out in the AGM circular to shareholders.

### SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries that is not determinable by the Group within 1 year without payment of compensation (other than statutory compensation).

## Board Effectiveness

### BALANCE, DIVERSITY AND SKILLS

Hysan recognises the importance of diversity among its Board members, which not only contributes to the effectiveness of the Board but also the success of the Group's business.

Our Non-Executive Directors (including 4 Independent Non-Executive Directors) have diverse backgrounds in areas such as economics, finance, business management, professional practices, and property investment. Biographies of each Director can be found on pages 60 to 64 as well as on the Company's website at [www.hysan.com.hk/about-us](http://www.hysan.com.hk/about-us).

## Corporate Governance Report

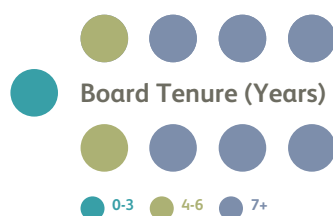
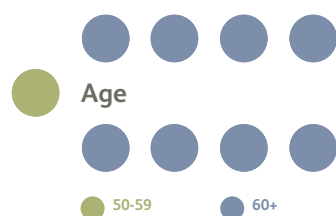
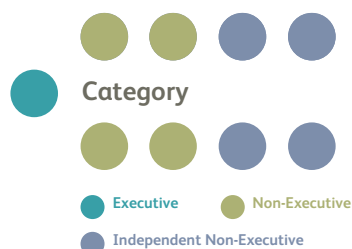
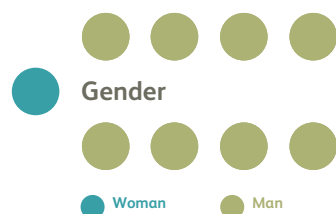
Recognising the vitality of diversity for Board, the Board has adopted a separate Board Diversity Policy in 2016. The Board remains committed to ensure that the selection of candidates for Board appointments is based on a range of diverse perspectives, including gender, age, cultural / educational and professional background, skills and experience. Decisions with regard to Board appointments are based on merit balanced against the contributions that a prospective candidate will bring to the Board. The Board is also committed to strengthening the diversity across the Group. Similar considerations are used when selecting key management and other personnel across the Group's operations. For details on our hiring practices, please refer to our Corporate Responsibility Report.

Our 8 Non-Executive Directors are from diverse and complementary backgrounds. The valuable experience and expertise they bring to our business are critical for the long-term growth of the Group:

Skills/ Experience	Summary	Combined
<b>Customer and Retail</b>	Experience in major retail, customer products, services or distribution companies.	
<b>Property Investment</b>	Experience in major companies in property investment, development or facilities management, or related industry.	
<b>Financial Services and Investment</b>	Experience in the financial services industry or in overseeing financial transactions and investment management.	
<b>Governance</b>	Experience and commitment to exceptional corporate governance standards.	
<b>Risk Management</b>	Experience in anticipating and identifying key risks to the organisation and monitoring the effectiveness of risk management framework and controls.	
<b>Strategy</b>	Experience in defining strategic objectives, assessing business plans and driving execution in large and complex organisations.	
<b>Financial Acumen</b>	Understand financial drivers of the business, and experience in implementing or overseeing financial accounting, reporting and internal controls.	
<b>People and Culture</b>	Experience in monitoring a company's culture, overseeing people management and succession planning, and setting remuneration frameworks.	

Legend      ● Extensive      ● Moderate

## The Board | 9 |



(Directors' full biographies, including relationships among members of the Board, are set out on pages 60 to 64 and are also available on the Company's website: [www.hysan.com.hk/about-us](http://www.hysan.com.hk/about-us))

## The Board | 9 |



## Key Operational Management | 14 |



\* Key operational management is defined as the 14 heads of departments/units of the Group, but does not include the Executive Director(s), who also maintains a management/supervisory role for operations.



## Corporate Governance Report

### INDEPENDENCE OF DIRECTORS

Hysan is a listed company with a major shareholder family. The Board remains committed to maintaining independence.

- The Board has policies and processes in place to avoid conflicts of interest or perception of conflicts of interest in compliance with the Hong Kong Companies Ordinance. Board members are reminded every half year of this requirement through an explanatory note from the Company Secretary.
- Non-Executive Directors hold separate discussion sessions every year, **without** the presence of Executive Director(s) or Board members relating to the founding Lee family. There were 2 separate discussions in 2017.
- Any dealings with persons and entities regarded as “connected transactions” with the Group under the Listing Rules are subject to the approval of the full Board, as described in the **List of Matters Reserved for the Board Decisions**. “Exempted transactions” as defined by the Listing Rules’ disclosure requirements must also be reported to the full Board after management approval.
- The Company has clear **Corporate Governance Guidelines**. Directors are considered to be independent only if they are free from any business or other relationship that may interfere with the exercise of their independent judgment.

During the reporting year, the Nomination Committee carried out a detailed review of the directors’ independence and was satisfied that each of the 4 Independent Non-Executive Directors was independent at the time of review.

### CHECKS AND BALANCES

“Connected Transactions” with related persons subject to full Board decision

This is covered in our **List of Matters Reserved for the Board Decisions**. The relevant requirements are more stringent than those under the Listing Rules.

Appointment of 4 Independent Non-Executive Directors with diverse backgrounds

4 Independent Non-Executive Directors have been drawn from diverse backgrounds, including economics, financial services and investment, business management, professional (accounting), and property investment.

Clear “independence” standards for individual Directors

These are laid down in our **Corporate Governance Guidelines**.

Detailed annual review of independence of individual Directors

The Nomination Committee carries out a detailed review of Directors’ independence annually.

## INDEPENDENCE STATUS

Name	Management	Independent	Not Independent	November 2017 Review – Reason for Independence Status
Churchouse Frederick Peter		✓		No business or other relationships with the Group or management that will affect independence
Fan Yan Hok Philip		✓		No business or other relationships with the Group or management that will affect independence
Jebsen Hans Michael			✓	
Lau Siu Chuen <sup>(Note 1)</sup>			✓	
Lau Lawrence Juen-Yee		✓		No business or other relationships with the Group or management that will affect independence (Note 2)
Lee Anthony Hsien Pin			✓	
Lee Chien			✓	
Lee Irene Yun-Lien	✓			
Lee Tze Hau Michael			✓	
Poon Chung Yin Joseph		✓		No business or other relationships with the Group or management that will affect independence

## Notes:

1. Lau Siu Chuen ceased as a Non-Executive Director with effect from the conclusion of the 2017 AGM.
2. Lau Lawrence Juen-Yee's spouse is Partner in-charge, Tax, Hong Kong, at KPMG China, and a board member of KPMG China. KPMG is a tenant of the Group and provides taxation services principally as tax representative of the Company and certain subsidiaries, which are routine services in nature. Mrs. Lau has not been involved in any business negotiations with the Group, or in the provision of any services, and will refrain from doing so. The Board and its Nomination Committee had assessed the independence of Professor Lau in light of the circumstances, including (i) Professor Lau's background, experience, achievements, as well as character; (ii) the nature of the Company's relationship with KPMG and Mrs. Lau's roles as described above; and concluded that his independence would not be affected.

### BOARD EVALUATION 2017

This year's review of the Board's effectiveness was conducted internally and was led by the Chairman with the support of the Company Secretary. The evaluation required each Director to complete anonymously an online questionnaire that focused on matters such as Board's performance, the nature and content of Board meetings. The survey encouraged the Directors to provide comments or enabled them to raise any concerns.

The Chairman, supported by the Company Secretary, collated the output of the questionnaires and formulated a detailed report. The report was prepared based on the collective comments from all the Directors, and reports from the Audit Committee, Remuneration Committee, Nomination Committee and Strategy Committee. These reports were considered and discussed by the Board.

The conclusion from this year's evaluation was that the Board and its Committees continued to operate to a high standard, and work well effectively. The results overall ranged from positive to very positive, and there were no specific concerns raised by any of the Directors to the Chairman or anonymously through the online questionnaires. Areas that were assessed as being particularly strong included the culture and integrity in the Board room, the Board's collective judgement and overall performance, Board information and the involvement of Directors in the discussions.

As with every high performing Board, the Directors continue to look for areas of improvement. The Board will ensure that its meeting agendas are forward looking in terms of investment opportunities and strategic development. The Chairman will continue to lead the process of building on current strengths of the Board and innovating further to build on the points outlined above, with the support from the Directors.

### PROFESSIONAL DEVELOPMENT, SUPPORT AND TRAINING FOR DIRECTORS AND SENIOR MANAGEMENT

The Board held several specific knowledge development sessions during the year, ranging from wider market retail "new normal" presented by a notable market researcher to Portfolio Tour of Bamboo Grove led by senior management. Directors continued to receive regular reports facilitating greater awareness and understanding of the Group's business and the compliance regulatory updates.

Directors have expressed that the trainings over the past year have been stimulating and very relevant. Directors indicated that there were adequate training opportunities.

When newly-appointed Directors join the Group, they will receive an induction briefing that gives them an understanding of the Group, its businesses and operations (including the major risks it faces).

Ongoing development sessions are also arranged to the senior management and subsidiaries directors to update their skills and knowledge as appropriate. Throughout the year, various seminars on regulatory obligations and compliance and best practices and procedures were provided to the senior management and subsidiaries directors.

Hysan has a new management trainee programme in 2017 to cultivate our future leaders, which aims at developing our talent pipelines to meet our long term business needs.

## DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT IN 2017

Directors	Attending trainings organised by Hysan	Attending expert briefings / seminars / conferences organised by third parties relating to the business or directors' duties	Perusing legal and regulatory updates prepared by Hysan quarterly
<b>Executive Director</b>			
Lee Irene Yun-Lien	✓	✓	✓
<b>Independent Non-Executive Directors</b>			
Churchouse Frederick Peter	✓	✓	✓
Fan Yan Hok Philip	✓	✓	✓
Lau Lawrence Juen-Yee	✓	✓	✓
Poon Chung Yin Joseph	✓	✓	✓
<b>Non-Executive Directors</b>			
Jebsen Hans Michael	✓	✓	✓
Lee Anthony Hsien Pin	✓	✓	✓
Lee Chien	✓	✓	✓
Lee Tze Hau Michael	✓	✓	✓

## INDEPENDENT ADVICE

When occasions arise where Directors feel that they require independent professional advice in order to fulfil their obligations as Board members, this advice may be obtained at the Company's expense as stated in our Corporate Governance Guidelines.

## Accountability

### BOARD COMMITTEES IN 2017

The Board has 3 governance-related Board Committees that provide effective oversight and leadership in accordance with the Group's Corporate Governance Guidelines. Each Committee has access to independent professional advice and counsel as required, and each is supported by the Company Secretary. These committees report to the Board.

Full details of the Committee activities during the year are set out in their respective reports:

- "Audit Committee Report" on pages 86 to 89
- "Remuneration Committee Report" on pages 90 to 97
- "Nomination Committee Report" on pages 98 to 99
- "Strategy Committee Report" on page 100

### Relations with Stakeholders & Shareholders

Hysan is committed to maintaining an open dialogue with shareholders and providing them with the information they require to make sound investment decisions.

#### Accountability to Shareholders and Corporate Reporting

- Annual Report, Interim Report, press releases and announcements are disclosed in a timely manner.
- Shareholder enquiries can be made via the Investor Relations function by email to [investor@hysan.com.hk](mailto:investor@hysan.com.hk).

#### Information via Internet

- Key corporate governance policies, terms of reference of Board Committees, Group's financial reports, press releases and announcements are available on the website.
- Shareholders have the option to receive corporate communications by electronic means. Hard copies of the Hysan website information are also available free of charge upon request to the Company Secretary.

#### Institutional Shareholders

- Ongoing dialogue and meetings between Chief Operating Officer, Chief Financial Officer, and institutional investors, fund managers and analysts.
- Regular presentations or conference calls are made to analysts and investors.
- Results announcement presentations to analysts are disseminated by webcasts as well.



#### Constructive Use of AGM

- AGMs act as a means of conducting a dialogue with private shareholders.
- Individual shareholders can put questions to the Chairman at the AGM.
- Board Committees Chairmen attend AGMs to respond to shareholders' questions.
- Since 2004, a business review session has been included in our AGMs. Topics at the last AGM included: the business environment in 2016, a review of business activities, and the Company's outlook for 2017.

#### Shareholders' Visit

- The shareholders' visit is an opportunity every year for the management to communicate with the shareholders, who gain insights into the Company's history, sustainable activities and other business areas.

#### Corporate Disclosure Policy

- The Group's Corporate Disclosure Policy guides the disclosure of material information to investors, analysts and media.
- This policy also identifies who may speak on Hysan's behalf and outlines the responsibilities for communication with various stakeholder groups.
- Details are available at the Company's website: [www.hysan.com.hk/governance](http://www.hysan.com.hk/governance).



## Shareholder Communication via Nominee Companies

- Since 2005, we have been inviting major nominee companies to forward communication materials to shareholders at our expense.

## Electronic Communication

- Since December 2015, shareholders can receive corporate communications via electronic means.
- Greater use of the Group's website is being made for our corporate communications.

## Provision of Sufficient and Timely Information

- AGM notice, Annual Report, and financial statements are dispatched to shareholders more than 30 days prior to the AGM, exceeding the statutory requirement of 21 days.
- Comprehensive information is sent on each resolution to be proposed.

## Policy

- Shareholders' Communication Policy recognises our commitment to provide our shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company.

## Voting

- Since 2004, we have conducted all voting at AGMs by poll.
- The poll is conducted by the Company's Registrar and scrutinised by the Group's auditors.
- Procedures for conducting a poll are explained at the general meeting prior to the taking of the poll.
- Poll results are announced and posted on the websites of both the Stock Exchange and the Company.

## Relevant Provisions in Articles of Association and Hong Kong Law

- A general meeting of shareholders can be convened by the Board or with a written request signed by shareholders holding at least 5 % of the total voting rights of all the shareholders ("5 % Shareholder"), in accordance with the Company's Articles of Association and Hong Kong Companies Ordinance.
- A 5 % Shareholder may request to have resolutions passed by way of written resolution.
- Shareholders may put forward proposals for consideration at a general meeting according to the Hong Kong Companies Ordinance and the Articles of Association.
- All requests shall state the general nature of the business to be dealt with at the meeting and deposited at the Company's registered office (49/F, Lee Garden One, 33 Hysan Avenue, Hong Kong. Attention: The Company Secretary).
- There are no limitations imposed by Hong Kong law or our Articles of Association on the right of non-residents or foreign persons to hold or vote on the Company's shares, other than those that would generally apply to all shareholders.
- Changes to allow Directors to signify agreement to a director's written resolution by electronic means were proposed and approved at the AGM held in May 2017. Amendments have been made to our Articles of Association in May 2017 to reflect this.
- Details of Procedures for Shareholders to Convene General Meetings / Put Forward Proposals is available on the Company's website.

## Directors' Interests in Shares

As at 31 December 2017, 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 (the "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 for Securities Transactions by Directors of Listed Issuers (the "Model Code"), are set out below:

### AGGREGATE LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Name	Number of ordinary shares held					% of the total no. of issued shares (Note a)
	Personal interests	Family interests	Corporate interests	Other interests	Total	
Jebsen Hans Michael	60,984	–	2,473,316 (Note b)	–	2,534,300	0.242
Lee Chien	800,000	–	–	–	800,000	0.076
Lee Irene Yun-Lien	304,000	–	–	–	304,000	0.029

Notes:

- (a) This percentage was compiled based on the total number of issued shares of the Company (i.e. 1,045,824,891 ordinary shares) as at 31 December 2017.
- (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 share option schemes (details are set out in the section headed "Long-term incentives: Share Option Schemes" below). These constitute interests in underlying shares of equity derivatives of the Company under the SFO.

### 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% 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, no other interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations as at 31 December 2017 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.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Director's securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the year.

## DIRECTORS' INTERESTS IN CONTRACTS

During the year, certain Directors had interests, directly or indirectly, in contracts with the Group. These contracts constituted Related Party Transactions, Connected Transactions or Contracts of Significance under applicable accounting or regulatory rules (details are disclosed in the "Directors' Report").

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

The Group is engaged principally in the property investment, development and management of high quality investment properties in Hong Kong. The following Directors (excluding Independent Non-Executive Directors, in accordance with Listing Rules disclosure requirements) are considered to have interests in other activities (the "Deemed Competing Business") that compete or are likely to compete with the said core business of the Group, all within the meaning of the Listing Rules:

- (i) Lee Irene Yun-Lien, Lee Anthony Hsien Pin, Lee Chien, Lee Tze Hau Michael and Lau Siu Chuen (ceased as a Non-Executive Director with effect from the conclusion of the 2017 AGM) are members of the founding Lee family whose range of general investment activities include property investments in Hong Kong and overseas. In light of the size and dominance of the portfolio of the Group, such disclosed Deemed Competing Business is considered immaterial.
- (ii) Jebsen Hans Michael and his alternate, Yang Chi Hsin Trevor, hold the offices of directors in Jebsen and Company. Business activities of some of its subsidiaries include, inter alia, investment holding and property investment in both the People's Republic of China and Hong Kong. Mr. Jebsen is also a substantial shareholder of the companies.  
  
Mr. Jebsen is an independent non-executive director of The Wharf (Holdings) Limited whose business includes, inter alia, property investment, development and management in both the People's Republic of China and Hong Kong.
- (iii) Lee Chien is an independent non-executive director of Swire Pacific Limited whose business includes, inter alia, property investment and trading in Hong Kong, the People's Republic of China and the United States of America.

The Company's management team is separate and independent from that of the companies identified above. In addition, save and except Lee Irene Yun-Lien, the relevant Directors have non-executive roles and are not involved in the Company's day-to-day operations and management.

For the reasons stated above, and coupled with the diligence of the Group's Independent Non-Executive Directors and the Audit Committee, the Group is capable of carrying on its business independent of and at arm's length from the Deemed Competing Business.

The Board also has a process in place to regularly review and resolve situations where a Director may have a conflict of interest.

By Order of the Board  
**Lee Irene Yun-Lien**  
*Chairman*

Hong Kong, 28 February 2018

# Audit Committee Report

## COMPOSITION

Majority are Independent Non-Executive Directors

## COMMITTEE MEMBERS

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

\*Independent Non-Executive Director

## HIGHLIGHTS

- Reviewed the adequacy and effectiveness of the Company's risk management and internal control systems
- Reinforced the risk management structure by adopting the "Three Lines of Defence" Model and an enhanced Group compliance framework and policy

## KEY RESPONSIBILITIES

- Oversees the integrity of the Group's reporting process and financial management
- Reviews the major risks identified and ensure an effective risk management and internal control systems are in place
- Reviews the risk management and internal control framework
- Reviews the relationships with the external auditors

## Meetings Schedule

The Audit Committee held 3 meetings during the year. At the invitation of the Audit Committee, these meetings were also attended by the Board Chairman and members of management (including the Chief Operating Officer and the Chief Financial Officer). Pre-meeting sessions with external and internal auditors were held without management's presence.

## Roles and Authority

- Oversees the Company's financial reporting process and the respective work of management and the external auditor to endorse the processes and safeguards employed by them. In this process, management is responsible for the preparation of the Group's financial statements including the selection of suitable accounting policies. The external auditor is responsible for auditing and attesting to the Group's financial statements and evaluating the Group's system of internal controls in such regard. Formal statements of Directors' Responsibility for the Financial Statements are contained in "Financial Statements, Valuation and Other Information" of this Annual Report.
- Reviews the Company's risk management and internal control systems.
- Reviews report on major risks which the Group is facing in a designated meeting held in November.
- Reviews the adequacy of resources, qualifications and experience of staff of the Group's internal audit, accounting and financial reporting functions, and their training programmes and budget.
- Reviews the Group's Whistleblowing Policy. Under this policy, employees and related third parties who deal with the Group (e.g. consultants, contractors and suppliers) can raise concerns, in confidence or anonymously, about misconduct, malpractice or irregularities in any matters related to the Group. The Audit Committee ensures that the concerns raised are investigated and followed up as appropriate.
- Reviews the effectiveness of the Company's internal audit function.
- Reviews its relationship with the external auditor.
- Reports to the Board on its findings after each Committee meeting.

## Activities

Details on the meeting held in February 2017 were set out in the 2016 Annual Report.

From March 2017 up to February 2018, the Audit Committee held 3 meetings to:

### FINANCIAL REPORTING

- Review and discuss with management and the external auditor, and recommend to the Board to approve, the unaudited financial statements for the first 6 months ended 30 June 2017, the audited financial statements for the year ended 31 December 2017 and the Independent Auditor's Report for the year ended 31 December 2017, prior to their publication based on the following and the external auditor's review work:
  - Discuss with the external auditor and internal auditor the scope of their respective review and findings.
  - Discuss with management on significant judgments affecting the Group's financial statements, including valuation of investment properties and investments under redevelopment as at 30 June 2017 and 31 December 2017. In particular, there were discussions on the residual valuation approach/income capitalisation approach (as appropriate) adopted by the independent professional valuer, Knight Frank Petty Limited, for Lee Garden Three, with the Group's independent professional valuer present at meetings to answer the Committee's questions.
  - Review with both management and the external auditor the Key Audit Matters included in the Independent Auditor's Report for the year ended 31 December 2017.

### RELATIONSHIP WITH EXTERNAL AUDITOR

- Review and consider the terms of engagement of the external auditor in respect of the 2017 final results (including 2017 annual audit, the related results announcement, and annual review of continuing connected transactions) and the annual update of the Group's MTN Programme.
- Review the audit progress report of the external auditor.
- Annually assess and declare satisfaction with the auditor's qualifications, expertise and services, and independence. In particular, it was satisfied that the auditor's independence and objectivity have not been impaired by reason of the provision of non-audit services. All services have been pre-approved by the Audit Committee. Appropriate policies and procedures have been established to identify audit and non-audit services as well as prohibited non-audit services that impair the independence of the auditor. An arrangement for lead audit partner rotation was also established by the auditor, who is required to comply with professional ethics and independence policies and requirements applicable to the work performs, as well as to issue an annual confirmation on auditor's independence.



## Audit Committee Report

### External Auditor's Services and Fees

	2017 HK\$ million	2016 HK\$ million
Audit Services	2.66	2.50
Non-audit Services (Note)	0.99	0.94
Total	3.65	3.44

Note:

"Non-audit services" referred to agreed-upon-procedure reports or statutory compliance, regulatory or government procedures required to comply with financial, accounting or regulatory report matters. Specifically, these included reviews of interim financial statements, issue of assurance reports for continuing connected transactions, and reviews of financial information in connection with the annual updates of the Group's MTN Programmes in 2017 and 2016 respectively.

- Review and consider the 2018 audit service plan of the external auditor, and the terms of its engagement in respect of the 2018 interim results review.
- Recommend to the Board that the shareholders be asked to re-appoint Deloitte Touche Tohmatsu as the Group's external auditor for 2018.

### REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

- Consider and approve an enhanced risk management and internal control framework by introducing "Three Lines of Defence" Model to our existing risk management model based on COSO.
- Review and approve an enhanced Group compliance framework and policy.
- Discuss with management the new procurement system for property services function.
- Review and assess the existing corporate structure and make recommendation of ongoing structure.
- Discuss with management the major risks the Group is facing.
- Review the adequacy of resources, qualifications and experience of staff of the internal audit, accounting and financial reporting functions, and their training programmes and budget.
- Review the whistleblowing reports.
- Review 2017 annual risk management and internal control systems based on:
  - reports of the Internal Audit on the review of the Company's continuing connected transactions for the year ended 31 December 2017 and the adequacy and effectiveness of the related internal control procedures
  - regular reports by management of major risks, and special reports on selected major risk items
  - regular reports of the Internal Audit, including status of implementation of its recommendations
  - certification and confirmation of controls effectiveness by management, covering financial, operational, compliance controls, risk management and internal controls, noting the adoption of a control self-assessment questionnaire across the operating departments
  - confirmation from the external auditor that it had not identified any control weaknesses during the course of its audit.

The Committee was satisfied as to the adequacy and effectiveness of the Company's risk management and internal control systems (including the adequacy of resources, qualifications and experience of staff of the Group's accounting, financial reporting and internal audit functions, and their training programmes and budget). No significant areas of concern which might affect financial, operational, compliance controls, internal audit, risk management and internal controls functions were identified.

### INTERNAL AUDIT

- Review the management responses to audit reports issued during the year; and the progress made in implementing improvement actions.
- Consider and approve the scope of work to be undertaken by the Internal Audit function in 2018.

Members' attendance records are disclosed in the table on page 74.

### EVALUATION

The Board and Committee evaluation process, which took place during the year, concluded that the Committee was effective in fulfilling its roles in 2017. For details, please refer to Corporate Governance Report – "Board Evaluation 2017" (page 80).

Members of the Audit Committee

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

Hong Kong, 28 February 2018

# Remuneration Committee Report

COMPOSITION		HIGHLIGHTS
Majority are Independent Non-Executive Directors		<ul style="list-style-type: none"> <li>• Approved Executive Director compensation package</li> <li>• Reviewed remuneration for Non-Executive Directors and senior management</li> <li>• Considered the long term incentive scheme</li> </ul>
COMMITTEE MEMBERS		KEY RESPONSIBILITIES
Fan Yan Hok Philip* (Chairman) Lee Tze Hau Michael Poon Chung Yin Joseph*  *Independent Non-Executive Director		<ul style="list-style-type: none"> <li>• Reviews Hysan's framework or general policies for the remuneration of the Executive Director(s) and the senior management</li> <li>• Reviews the remuneration packages of the Executive Director(s), Non-Executive Director(s) and senior management</li> <li>• Reviews share incentive plans</li> </ul>

## Meeting Schedule

The Remuneration Committee generally meets at least once every year. On matters other than those concerning them, the Executive Director(s) and management may be invited to the Committee meetings. No Director is involved in deciding his own remuneration.

## Roles and Authority

- Reviews Hysan's framework or general policies for the remuneration of the Executive Director(s) and members of the senior management as recommended by the Management and makes recommendations to the Board.
- Reviews the remuneration of Executive Director(s) and senior management.
- Reviews the fees payable to Non-Executive Directors and Board Committee members prior to approval at the AGM.
- Reviews new share option plans, changes to key terms of pension plans, and key terms of new compensation and benefits plans with material financial, reputational, and strategic impact.

## Activities

During the year 2017, the Remuneration Committee held a meeting to:

- Approve the 2017 Executive Director compensation package (including annual fixed base salary and annual special fee in recognition of the extra responsibilities she assumed), and the 2016 performance-based bonus.
- Review the fees for Non-Executive Directors and Board Committee members.
- Review compensation of senior management and other department heads.
- Review and consider the long term incentive scheme.

In February 2018, the Remuneration Committee also held a meeting to:

- Approve the 2018 Executive Director compensation package (including annual fixed base salary and annual special fee in recognition of the extra responsibilities she assumed), and the 2017 performance-based bonus.
- Review the fees for Non-Executive Directors and Board Committee members.
- Review compensation of senior management and other department heads.
- Review and consider the long term incentive scheme.

Members' attendance records are disclosed in the table on page 74.

## Executive Director(s) and Senior Management Remuneration Policy

The Group's remuneration policy aims to provide a fair market remuneration to attract, retain and motivate high quality employees. At the same time, awards must be aligned with the shareholders' interests.

The following principles have been established:

- Remuneration packages consist of (i) a fixed part (base salary and benefits); (ii) a performance-based component (bonus); and (iii) long-term incentives (executive share options). The structure will reflect a fair system of reward for all the participants, emphasising performance.
- Remuneration packages are set at levels to ensure comparability and competitiveness with Hong Kong-based companies competing for a similar talent pool, with emphasis on the property industry. Independent professional advice will be sought where appropriate.
- The Committee will determine the overall amount of each component of remuneration, taking into account both quantitative and qualitative assessment of performance.
- Remuneration policy and practice will be as transparent as possible.
- Participants will develop significant personal shareholdings pursuant to the executive share options in order to align their interests with those of shareholders.
- Pay and employment conditions elsewhere in the Group will be taken into account.
- The remuneration policy for Executive Director(s) and senior management will be reviewed regularly, independently of executive management.

Details of Directors' (including individual Executive Director(s)) and senior management emoluments for the year 2017 and option movements for Executive Director(s) during the year are set out in notes 11, 12 and 38 respectively to the consolidated financial statements.

## Remuneration Committee Report

### Non-Executive Director Remuneration Policy

Key elements of our Non-Executive Director remuneration policy include the following:

- Remuneration should be at an appropriate level to attract and retain first class non-executive talent.
- Remuneration of Non-Executive Directors is (subject to shareholders' approval) set by the Board and should be proportional to their commitment and contribution towards the Company.
- Remuneration practice should be consistent with the recognised best practice standards for Non-Executive Director remuneration.
- Remuneration should be in the form of cash fees, payable semi-annually.
- Non-Executive Directors do not receive share options from the Company.

Non-Executive Directors received no other compensation from the Group except for the fees disclosed below. None of the Non-Executive Directors received any pension benefits from the Company, nor did they participate in any bonus or incentive schemes.

Non-Executive Directors (including the Independent Non-Executive Directors) received fees totalling HK\$2,563,823 for the year 2017.

### Director Fee Levels

Director fees are subject to shareholders' approval at general meetings. Taking into consideration the level of responsibility, experience, abilities required of the Directors, level of care and amount of time required, as well as fees offered for similar positions in companies requiring the same talent, it is proposed for shareholders' consideration and approval that Director fees for Non-Executive Directors are revised. The current fee scale for Non-Executive Directors and Board Committee members and the proposed fees are set out below. Executive Director(s) will not receive any director fee(s).

	Current Fee Per annum HK\$	Proposed Fee Per annum HK\$
<b>Board of Directors</b>		
Non-Executive Director	225,000 (Note 3)	250,000
<b>Audit Committee</b>		
Chairman	135,000 (Note 3)	no change
Member	70,000 (Note 3)	no change
<b>Remuneration Committee</b>		
Chairman	60,000 (Note 2)	no change
Member	40,000 (Note 1)	no change
<b>Strategy Committee</b>		
Chairman	30,000	no change
Member	30,000 (Note 3)	no change
<b>Other Committees</b>		
Chairman	30,000	no change
Member	20,000	no change

Notes:

1. Approved by shareholders in 2011 AGM.

2. Approved by shareholders in 2014 AGM.

3. Approved by shareholders in 2016 AGM



## 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 2017 was 482. We have changed our skillset mix requirements to satisfy our strategic and operational needs, as well as to enhance our productivity and efficiency for 2017 and beyond. The Group's human resources practices are aligned with our corporate objectives so as to maximise shareholder value and achieve growth. Details on our human resources programs, training and development are set out in the "2017 Corporate Responsibility Report".

## Long-term incentives: Share Option Schemes

The Company can grant options under executive share option schemes adopted from time to time. The purpose of the schemes is 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 or the Chief Executive Officer may make grants to management staff below Executive Director level.

### THE 2005 SHARE OPTION SCHEME (THE "2005 SCHEME")

The Company adopted the 2005 Scheme at its AGM held on 10 May 2005, which has a term of 10 years and expired on 9 May 2015. All outstanding options granted under the 2005 Scheme will continue to be valid and exercisable in accordance with the provisions of the 2005 Scheme. No further option will be granted under the 2005 Scheme.

Under the 2005 Scheme, options to subscribe for ordinary shares of the Company may be granted to employees of the Company or any wholly-owned subsidiaries (including Executive Director(s)) and such other persons as the Board may consider appropriate from time to time, on the basis of their contribution to the development and growth of the Company and its subsidiaries.

The maximum number of shares in respect of which options may be granted under the 2005 Scheme and any other share option scheme of the Company shall not exceed the number of shares required under the Listing Rules, being 10% of the shares in issue as at 10 May 2005, the date of the AGM approving the 2005 Scheme (being 104,996,365 shares).

The maximum entitlement of each participant under the 2005 Scheme must not during any 12-month period exceed the number of shares required under the Listing Rules (which is 1% of the total shares in issue as at the date of shareholders' approval, being 10,499,636 shares). The exercise price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant.

Consideration on each grant of option is HK\$1 and is required to be paid within 30 days from the date of grant of options, with full payment for the exercise price to be made on exercise of the relevant options.

## Remuneration Committee Report

### THE 2015 SHARE OPTION SCHEME (THE “NEW SCHEME”)

The Company adopted the New Scheme (together with the 2005 Scheme, both are referred to as the “Schemes”) at its AGM held on 15 May 2015, which has a term of 10 years and will expire on 14 May 2025. Terms of the New Scheme are substantially the same as those under the 2005 Scheme.

Under the New Scheme, options to subscribe for ordinary shares of the Company may be granted to employees of the Company or any subsidiaries (including Executive Director(s)) and such other persons as the Board may consider appropriate from time to time, on the basis of their contribution to the development and growth of the Company and its subsidiaries.

The maximum number of shares in respect of which options may be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed the number of shares required under the Listing Rules, currently being 10% of the shares in issue as at 15 May 2015, the date of the AGM approving the New Scheme (being 106,389,669 shares). Under the Listing Rules, a listed issuer may seek approval by its shareholders in general meeting for “refreshing” the 10% limit under the New Scheme. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time (or the number of shares required under the Listing Rules). No options may be granted if such a grant will result in this 30% limit being exceeded.

The maximum entitlement of each participant under the New Scheme must not during any 12-month period exceed the number of shares required under the Listing Rules (which is 1% of the total shares in issue as at the date of shareholders’ approval, being 10,638,966 shares). The exercise price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange’s daily quotations sheets for the 5 business days immediately preceding the date of grant. Consideration on each grant of option is HK\$1 and is required to be paid within 30 days from the date of grant of options, with full payment for the exercise price to be made on exercise of the relevant options.

### GRANT AND VESTING STRUCTURES

Under the Company’s current policy, grants will be made on a periodic basis. The exercise period is 10 years. The vesting period is 3 years in equal proportions starting from the 1st anniversary and shares will become fully vested on the 3rd anniversary of the grant. The size of the grant will be determined with reference to a base salary multiple and job grades. A clear performance criterion will be a key driver. The Board will review the grant and vesting structures from time to time.

## MOVEMENT OF SHARE OPTIONS

During the year, a total of 727,000 shares options 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 the date of this Annual Report:

- (i) 1,677,667 share options granted (including 1,504,330 fully-vested share options) under the 2005 Scheme remained outstanding, representing approximately 0.16 % of the total number of issued shares of the Company;
- (ii) 1,426,000 share options granted (including 219,328 fully-vested share options) under the New Scheme remained outstanding, representing approximately 0.14 % of the total number of issued shares of the Company; and
- (iii) 104,883,738 shares are issuable under the New Scheme representing approximately 10 % of the total number of issued shares of the Company.

Details of options granted, exercised, cancelled/lapsed and outstanding under the Schemes during the year are as follows:

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2017	Changes during the year			Balance as at 31.12.2017
					Granted	Exercised	Cancelled/ lapsed (Note b)	
2005 Scheme								
Executive Director								
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
Eligible employees (Note c)	31.3.2008	21.96	31.3.2009 – 30.3.2018	11,000	–	(11,000) (Note d)	–	–
	31.3.2009	13.30	31.3.2010 – 30.3.2019	128,000	–	(69,000) (Note d)	–	59,000
	31.3.2010	22.45	31.3.2011 – 30.3.2020	126,334	–	(56,000) (Note d)	–	70,334
	31.3.2011	32.00	31.3.2012 – 30.3.2021	125,000	–	(39,000) (Note e)	(32,000)	54,000
	30.3.2012	31.61	30.3.2013 – 29.3.2022	160,001	–	(47,667) (Note f)	(7,000)	105,334
	28.3.2013	39.20	28.3.2014 – 27.3.2023	276,000	–	–	(123,000)	153,000
	31.3.2014	33.75	31.3.2015 – 30.3.2024	338,000	–	(139,000) (Note g)	(45,000)	154,000
	31.3.2015	34.00	31.3.2016 – 30.3.2025	359,000	–	(60,267) (Note h)	(94,066)	204,667
				2,500,335	–	(421,934)	(301,066)	1,777,335

## Remuneration Committee Report

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2017	Changes during the year			Balance as at 31.12.2017
					Granted	Exercised	Cancelled/ lapsed (Note b)	
New Scheme								
Executive Director								
Lee Irene Yun-Lien	9.3.2016	33.15	9.3.2017 – 8.3.2026	375,000	–	–	–	375,000
	23.2.2017	36.25 (Note i)	23.2.2018 – 22.2.2027	–	300,000	–	–	300,000
Eligible employees (Note c)	31.3.2016	33.05	31.3.2017 – 30.3.2026	610,000	–	(74,598) (Note j)	(157,734)	377,668
	31.3.2017	35.33 (Note k)	31.3.2018 – 30.3.2027	–	427,000	–	(18,000)	409,000
				985,000	727,000	(74,598)	(175,734)	1,461,668

Notes:

- (a) All options granted have a vesting period of 3 years in equal proportions starting from the 1st anniversary and 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 year upon resignations of certain eligible employees.
- (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\$37.25.
- (e) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$38.95.
- (f) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$38.99.
- (g) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$38.86.
- (h) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$37.79.
- (i) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 22 February 2017) was HK\$36.00.
- (j) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$38.69.
- (k) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2017) was HK\$35.00.

Apart from the above, the Company did not grant any share option under the Schemes to any other persons during the year that is required to be disclosed under Rule 17.07 of the Listing Rules.

Particulars of the Schemes are set out in note 38 to the consolidated financial statements.

## VALUE OF SHARE OPTIONS

Pursuant to Rule 17.08 of the Listing Rules, the value of the share options granted during the year 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 the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables may materially affect the estimation of the fair value of an option.

The inputs into the Model were as follows:

Date of grant	31.3.2017	23.2.2017
Closing share price at the date of grant	HK\$35.250	HK\$36.250
Exercise price	HK\$35.330	HK\$36.250
Risk free rate ( <i>Note a</i> )	1.331 %	1.488 %
Expected life of option ( <i>Note b</i> )	5 years	5 years
Expected volatility ( <i>Note c</i> )	19.133 %	20.238 %
Expected dividend per annum ( <i>Note d</i> )	HK\$1.204	HK\$1.204
Estimated fair values per share option	HK\$4.374	HK\$4.958

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 consideration.
- (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.

Members of the Remuneration Committee

**Fan Yan Hok Philip** (*Chairman*)

**Lee Tze Hau Michael**

**Poon Chung Yin Joseph**

Hong Kong, 28 February 2018

# Nomination Committee Report

COMPOSITION		HIGHLIGHTS
Majority are Independent Non-Executive Directors		<ul style="list-style-type: none"> <li>Considered Board's evaluation results thoroughly</li> <li>Considered the re-appointment and independence of directors</li> <li>Nominated Ms. Li Xinzhe Jennifer as an advisor to the Board</li> </ul>
COMMITTEE MEMBERS		KEY RESPONSIBILITIES
Lee Irene Yun-Lien (Chairman) Fan Yan Hok Philip* Lau Lawrence Juen-Yee* Lee Chien Poon Chung Yin Joseph*		<ul style="list-style-type: none"> <li>Reviews the structure, size, composition and diversity of the Board and makes recommendations to the Board</li> <li>Assess independence of Independent Non-Executive Director</li> </ul>
*Independent Non-Executive Director		

## Meeting Schedule

The Nomination Committee generally meets at least once every year.

## Roles and Authority

- Reviews and makes recommendations on the structure, size, composition and diversity of the Board to complement the Company's corporate strategies.
- Reviews the Board Diversity Policy.
- Nominates candidates to fill Board vacancies after careful consideration of the attributes and values required to help the effective functioning of the Board based on a combination of skills, knowledge and experience.
- Reviews the independence of Directors pursuant to the Listing Rules' requirements.
- Generally oversees succession planning of the Board.

## Activities

During the year 2017, the Nomination Committee held a meeting to:

- Review the Board's structure, size, composition and diversity, monitor the progress made towards enriching the skills and experience of the Board members and improving the diversity within the Board. The Committee was satisfied that the current composition and size of the Board remained appropriate for the time being but these are kept under regular review.



- Consider and nominate Ms. Li Xinzhe Jennifer as an advisor to the Board, to further enrich the Board's skills and diversity.
- Consider the results of the Board's evaluations, recognising that such process is an important means of monitoring the Company's progress. The Committee is pleased to report that the recent Board performance evaluation concluded that it operated very well. The Committee was satisfied that all Directors were strongly committed to the Company and had contributed to the Board through their participation in the Company's affairs and discussions at the Board and Board Committees' meetings during the year, as reflected in their high attendance records.
- Consider the issue of re-appointment of the Directors who are due to retire at the forthcoming Annual General Meeting with the support of the Board.
- Assess the independence, effectiveness and commitment of each of the Company's Independent Non-Executive Directors. The Committee was satisfied that notwithstanding the length of service of such Directors, as well as their number and nature of office held in other public companies and their significant commitments, they remained highly committed to the Company, independent and impartial, and continued to be in a position to discharge their duties and responsibilities in the coming year.

Members' attendance records are disclosed in the table on page 74.

Members of the Nomination Committee

**Lee Irene Yun-Lien** (*Chairman*)

**Fan Yan Hok Philip**

**Lau Lawrence Juen-Yee**

**Lee Chien**

**Poon Chung Yin Joseph**

Hong Kong, 28 February 2018

# Strategy Committee Report

COMMITTEE MEMBERS	HIGHLIGHTS		
<p>Lee Irene Yun-Lien (Chairman) Fan Yan Hok Philip* Jebsen Hans Michael Lee Chien Poon Chung Yin Joseph*</p> <p>*Independent Non-Executive Director</p>	<p>• Discussed business plans, as well as longer-term directional strategy for the growth of the Group</p> <th data-bbox="790 427 1244 490">KEY RESPONSIBILITIES</th> <td data-bbox="1244 427 1396 631"><ul style="list-style-type: none"><li>• Reviews and recommends to the Board on the Group's strategic matters</li><li>• Aligns corporate responsibility initiatives with the Group's strategy</li></ul></td>	KEY RESPONSIBILITIES	<ul style="list-style-type: none"><li>• Reviews and recommends to the Board on the Group's strategic matters</li><li>• Aligns corporate responsibility initiatives with the Group's strategy</li></ul>

## Meeting Schedule

The Strategy Committee generally meets at least once every year. Full Board members are also invited and attended.

## Roles and Authority

The Strategy Committee is responsible for reviewing and making recommendations to the Board on the Group's strategic matters.

## Activities

During the year 2017, the Strategy Committee held a meeting (with full Board members and senior management joined and actively participated) to:

- Review the Group's position and all the challenges the Group will be facing, the Company's culture, the impact of technology, changes in consumer behaviours as well as the resources and skills the business might require in future.
- Discuss business plans, as well as longer-term directional strategy for the growth of the Group.
- Discuss the Group strategy and emphasize the continuity of the Company's vision and mission and focus on the impact of global and Hong Kong changes and developments, and how the Group's business model might be affected.

The Board recognised the importance of formulating the Group's strategy and long term objectives for the future. The Board fully supported the strategy of strengthening our core and non-core operations today and for the next generations, and to position and transform the Lee Gardens to achieve stronger attainment. This commitment is to 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.

Members' attendance records are disclosed in the table on page 74.

Members of the Strategy Committee

**Lee Irene Yun-Lien** (*Chairman*)  
**Fan Yan Hok Philip**  
**Jebsen Hans Michael**  
**Lee Chien**  
**Poon Chung Yin Joseph**

Hong Kong, 28 February 2018

# Corporate Responsibility Report – Summary

This section provides a summary of Hysan Development's corporate responsibility strategy and accomplishments. As a "Business of Life", Hysan continues to provide sustainable and outstanding returns for our shareholders, while also engaging our stakeholders in the creation of a sustainable community by using resources wisely and minimising negative social and ecological impacts.

Hysan is a constituent member of some of the leading international sustainability indices, including FTSE4Good Index and Hang Seng Corporate Sustainability Index (with an "AA" rating). Hysan's efforts have also been recognised in MSCI's Global Sustainability Index with an "AA" ESG rating. In regard to community initiatives, we were awarded the 15 Years Plus Caring Company logo by the Hong Kong Council of Social Service.

For details about Hysan's corporate responsibility initiatives, please refer to the 2017 Corporate Responsibility Report on the Company's website: [www.hysan.com.hk](http://www.hysan.com.hk)

Hysan's Corporate Responsibility Policy sets the framework for the way we manage our corporate responsibilities. Maintaining the highest ethical standards, focusing on health and safety, minimising environmental impacts, contributing to communities, respecting our staff, and encouraging partners to set high standards: these are our main corporate responsibility themes.

In regard to the Policy's implementation, we strive to integrate our contribution to society into our core business operations and partnerships, and to provide expertise, manpower, venues and financial support to community projects.

Under the Corporate Responsibility umbrella, Hysan's Environmental Policy focuses on measuring and reporting our carbon reduction efforts, promoting waste reduction at source, enhancing green purchasing and improving stakeholder engagement.

## Highlights of 2017 Environmental Achievements



- Lee Garden One achieving Final Platinum rating under BEAM Plus Existing Buildings for its offices; Lee Garden Three and Hysan Place obtaining Provisional Platinum rating under BEAM Plus New Buildings and Existing Buildings respectively
- Lee Garden Three achieving United States Green Building Council's LEED for Building Design and Construction: Core and Shell Development pre-certification at the Gold level
- Installing Well#, a smart water refill station at Hysan Place, taking a lead to reduce the use of disposable plastic bottles
- Further extending our Energy Accounting System to Lee Garden Five
- Reducing our energy use by over 11 % by the end of 2017, using 2005 as a baseline
- Achieving "Excellent Class" or "Good Class" certifications from the Hong Kong Government's Indoor Air Quality Certification Scheme, and "Class of Excellence" Wastewi\$e labels under the Government's Hong Kong Green Organisation Certification Scheme
- Reducing total potable water use by 2.5 % as compared to 2016

## Corporate Responsibility Report – Summary

In the area of Workplace Quality, Hysan takes pride in having passionate, responsible and forward-looking professionals who provide our stakeholders with sustainable and outstanding returns from our quality property portfolio. Our Code of Ethics and Employment and Staff Policy are well observed. In 2017, one of our highlights in the human resources area was the implementation of a range of technology-based changes that are aimed at reducing the time and resources formerly expended on our manual systems. For example, we developed a mobile learning system to provide a more flexible solution for the training and communications of staff members, affording access to the system via smartphones, computers or other mobile devices.

Hysan also kick-started a new management trainee programme in 2017 in a bid to meet our long-term business needs. The programme is designed to develop talented university graduates with high potential to supply our leadership pipeline.

Our Health and Safety Policy focuses on the provision and maintenance of a safe and healthy environment within Hysan's portfolio for all staff, tenants, and members of the general public. The Head of the Property Services Division chairs a Safety Committee, which oversees how the Policy is delivered in daily operations and reports back to senior management. More than 1,560 hours of safety and health training were recorded by our staff members in 2017.

With reference to Community Contributions, Hysan is proud to maintain its strong association with the Lee Gardens Association, which it helped establish in 2016. In 2017, the Association's membership grew to include 16 members. Not only did the Association host a number of popular and exciting events in the Lee Gardens area, it also became a platform for area businesses to share views and engage with government departments and the local District Council. Art Fun in Causeway Bay Night Parade, "EGGssentially Art!" egglette festival, and Hong Kong Tennis Open's Lee Gardens Street Tennis were among the most popular events in the neighbourhood.

Hysan's Urban Farm remained one of Hong Kong's best-loved environmental attractions, with 16 local and international organisations visiting the rooftop facility in 2017. Over 300 urban farmers enjoyed sessions growing organic produce at Hysan Place, and around 400 children and parents participated in our Green Wonders programme to learn more about green building and urban farming.

Hysan became one of the sponsors for Hong Kong's best known international sporting events, Cathay Pacific/HSBC Rugby Sevens, and we hosted the event's Fan Walk, which was a major street carnival that lasted three days.

In the area of arts and culture promotion, the visit by Rachel Barton Pine, a top international violinist, was one of the highest profile performing arts events ever held at Hysan Place.

Other major artistic events in Lee Gardens included:

- Po Leung Kuk's celebration of Hong Kong SAR's 20th anniversary and the Kuk's Education Services 70th anniversary concert and performance
- Hong Kong Institute of Architects Biennale Foundation's Bi-City Biennale of Urbanism/Architecture
- Lee Hysan Foundation's "Sing Out" musical preview
- Food Angel's Construction

Our volunteer team contributed 424 hours of their time to services for the community in 2017. Another 288 hours were recorded as contributions by team members' friends and families, who also took part in Hysan's activities. Hysan was the winner of a Silver Award for Volunteer Service.

# Directors' Report

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2017, which were approved by the Board of Directors on 28 February 2018.

## PRINCIPAL ACTIVITIES

The principal activities of the Group continued throughout 2017 to be property investment, management, and development. Details of the Group's principal subsidiaries, associates and a joint venture as at 31 December 2017 are set out in notes 17 to 19 respectively to the consolidated financial statements.

The turnover and results of the Group are principally derived from the leasing of investment properties located in Hong Kong. The Group's turnover and results by operating segment are set out in note 5 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss on page 119.

The first interim dividend of HK26 cents per share, amounting to approximately HK\$272 million, was paid to shareholders during the year.

The Board declared a second interim dividend of HK111 cents per share to the shareholders on the register of members on 15 March 2018, absorbing approximately HK\$1,161 million. The dividends declared and paid for ordinary shares in respect of the full year 2017 will absorb approximately HK\$1,433 million, and the balance of the profit will be retained.

## BUSINESS REVIEW AND PERFORMANCE

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the year, the material factors underlying its results and financial position and material attributable factors of the development and likely future developments of the Group's business, are provided throughout this Annual Report, particularly in the following separate sections:

- (a) Review of the Company's business – "Management's Discussion and Analysis";
- (b) The Company's risk management framework, the principal risks the Company is facing and the controls in place – "Risk Management and Internal Control Report";
- (c) Future development of the Company's business – "Key Facts" and "Chairman's Statement";
- (d) Analysis using financial key performance indicators – "Management's Discussion and Analysis";
- (e) Discussion of the Company's environmental policies and performance – "Corporate Responsibility Report – Summary";
- (f) Discussion of the Company's compliance with the relevant laws and regulations that have a significant impact on the Company – "Corporate Governance Report" and "Independent Auditor's Report"; and
- (g) An account of the Company's key relationships with its employees, customers, suppliers and others that have a significant impact on the Company and on which the Company's success depends – "Directors' Report" and "Corporate Responsibility Report – Summary".

A detailed discussion of the Company's environmental policies and performance, its compliance with the relevant laws and regulations that have a significant impact on the Company and its key relationships with stakeholders is contained in the separate Corporate Responsibility Report 2017 available on the Company's website: [www.hysan.com.hk](http://www.hysan.com.hk).

### RESERVES

Movements during the year in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity on pages 122 and 123 and note 30 to the consolidated financial statements respectively.

### INVESTMENT PROPERTIES

All of the Group's investment properties were revalued by an independent professional valuer as at 31 December 2017 using the fair value model. Details of movements during the year in the investment properties of the Group are set out in note 15 to the consolidated financial statements.

Details of the major investment properties of the Group as at 31 December 2017 are set out in the section under Schedule of Principal Properties of this Annual Report.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

### SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 29 to the consolidated financial statements.

### CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and meets the requirements of the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Further information on the Company's corporate governance practices is set out in the following separate reports:

- (a) "Corporate Governance Report" (pages 66 to 85) – this gives detailed information on the Company's compliance with the Corporate Governance Code and the relevant laws and regulations, its adoption of local and international best practices, Directors' service contracts, Directors' interests in shares, contracts and competing business;
- (b) "Audit Committee Report" (pages 86 to 89) – this sets out the terms of reference, work performed and findings of the Audit Committee for the year;
- (c) "Remuneration Committee Report" (pages 90 to 97) – this gives detailed information on Directors' remuneration and interests (including information on Directors' compensation);
- (d) "Nomination Committee Report" (pages 98 to 99) – this sets out the terms of reference, work performed and findings of the Nomination Committee for the year;
- (e) "Strategy Committee Report" (page 100) – this sets out the terms of reference, work performed and findings of the Strategy Committee for the year; and
- (f) "Risk Management and Internal Control Report" (pages 50 to 57) – this sets out the Company's framework for risk assessment and internal control (including control environment, control activities and work done during the year).

Further information on the Company's corporate responsibility policies and practices is contained in the separate Corporate Responsibility Report 2017 available on the Company's website: [www.hysan.com.hk](http://www.hysan.com.hk).



## THE BOARD

The Board is currently chaired by Lee Irene Yun-Lien, Chairman. There are 8 other Non-Executive Directors.

Lau Siu Chuen ceased as a Non-Executive Director with effect from the conclusion of the 2017 Annual General Meeting of the Company held on 15 May 2017.

Lee Irene Yun-Lien and Yang Chi Hsin Trevor served as alternate Directors to Lee Anthony Hsien Pin and Jebsen Hans Michael respectively throughout the year.

Save as otherwise mentioned above, other Directors whose names and biographies appear on pages 60 to 64 have been Directors of the Company throughout the year and up to the date of this report.

Under Article 114 of the Company's current Articles of Association ("Articles"), one-third (or such other number as may be required under applicable legislation) of the Directors; and where the applicable number is not an integral number, to be rounded upwards, who have been longest in office shall retire from office by rotation at each Annual General Meeting ("AGM"). A retiring Director is eligible for re-election.

Particulars of Directors seeking re-election at the forthcoming AGM are set out in the related circular to shareholders.

The Company received from each Independent Non-Executive Director an annual confirmation of his independence with regard to each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules, and the Company considered all of them to be independent. The Nomination Committee also reviewed Director independence in a meeting held in November 2017. (See "Corporate Governance Report" and "Nomination Committee Report".)

The names of Directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report are available on the Company's website: [www.hysan.com.hk](http://www.hysan.com.hk).

## DIRECTORS' INTERESTS IN SHARES

Details of the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations are set out in "Corporate Governance Report" on pages 66 to 85.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 December 2017, 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

Name	Capacity	Number of ordinary shares held	% of the total no. of issued shares (Note a)
Lee Hysan Estate Company, Limited	Beneficial owner and interests of a controlled corporation	433,130,735 (Note b)	41.42
Lee Hysan Company Limited	Interests of controlled corporations	433,130,735 (Note b)	41.42
Silchester International Investors LLP	Investment manager	95,187,000	9.10
First Eagle Investment Management, LLC	Investment manager	52,460,214	5.02

Notes:

- (a) The percentage was compiled based on the total number of issued shares of the Company as at 31 December 2017 (i.e. 1,045,824,891 ordinary shares).
- (b) These interests represented the same block of shares of the Company. 393,321,734 shares were held by Lee Hysan Estate Company, Limited ("LHE") and 39,809,001 shares were held by a subsidiary of LHE. LHE was a wholly-owned subsidiary of Lee Hysan Company Limited.

Apart from the above, no other interest or short position in the shares or underlying shares of the Company were recorded in the register that is required to be kept under section 336 of the SFO as at 31 December 2017.

## RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as "Related Parties" under applicable accounting principles. These mainly relate to contracts entered into by the Group in the ordinary course of business and which were negotiated on normal commercial terms and on an arm's length basis. Further details are set out in note 36 to the consolidated financial statements.

Some of these transactions also constituted "Continuing Connected Transactions" under the Listing Rules, as identified below.

## CONTINUING CONNECTED TRANSACTIONS

Certain transactions entered into by the Group constituted continuing connected transactions which were subject to the notification and announcement requirements but exempt from the circular and shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules during the year (the "Transactions"). Details of the Transactions required to be disclosed are set out as follows:

### I. Leases granted by the Group

#### (a) Lee Garden Two, 28 Yun Ping Road, Hong Kong ("Lee Garden Two")

The following lease arrangements were entered into by Barrowgate Limited ("Barrowgate"), a 65.36 % subsidiary of the Company and the property owner of Lee Garden Two, as landlord, with the following connected persons:

Connected person	Date of agreement	Term	Premises	Annual consideration (Note a)
(i) Jebsen and Company Limited (Note b)	28 March 2013 (Lease and Carpark Licence Agreement) (as amended – Note c)	5 years commencing from 1 September 2013 (Note d)	Office units on the 28th, 30th and 31st Floors and 3 carparking spaces	2017: HK\$37,212,720 2018: HK\$25,065,304 (on pro-rata basis) (Note j)
(ii) Treasure Matrix Limited (Notes e & f)	(1) 28 March 2014 (Lease and Licence Agreements) (as amended – Notes g & i)	5 years commencing from 28 March 2014 (Note d)	Shop Nos. 308 & 311 on the 3rd Floor (connected to an outdoor garden)	2017: HK\$6,553,765 2018: HK\$8,804,400 2019: HK\$2,106,429 (on pro-rata basis) (Notes k & l)
	(2) 20 October 2014 (Existing Licence Agreement) (Notes h & i)	3 years commencing from 1 December 2014	Portion 1 on the 3rd Floor	
	(3) 27 March 2017 (New Licence Agreement to renew item (2)) (Notes h & i)	Renewed for a further 1 year, 3 months and 27 days commencing from 1 December 2017		
	(4) 20 October 2014 (Existing Licence Agreement) (Notes h & i)	3 years commencing from 1 November 2014	Various storerooms and advertising spaces	
	(5) 27 March 2017 (New Licence Agreement to renew item (4)) (Notes h & i)	Renewed for a further 1 year, 4 months and 27 days commencing from 1 November 2017		

## CONTINUING CONNECTED TRANSACTIONS continued

### I. Leases granted by the Group continued

#### (b) One Hysan Avenue, Causeway Bay, Hong Kong ("One Hysan Avenue")

The following lease arrangement was entered into by OHA Property Company Limited, a wholly-owned subsidiary of the Company and the property owner of One Hysan Avenue, as landlord, with Atlas Corporate Management Limited, a wholly-owned subsidiary of LHE, a substantial shareholder of the Company (holding a 41.42 % interest). Details of the lease are set out below:

Connected person	Date of agreement	Term	Premises	Annual consideration (Note a)
Atlas Corporate Management Limited	21 August 2014	3 years commencing from 1 November 2014	Whole of 21st Floor	2017: HK\$2,526,440 (on pro-rata basis) (Note m)

### II. Provision of leasing and property management services to a non wholly-owned subsidiary regarding Lee Garden Two

#### (a) The following management agreement was entered into by Hysan Leasing Company Limited, a wholly-owned subsidiary of the Company, with Barrowgate for the provision of leasing, marketing and lease administration services in respect of Lee Garden Two:

Connected person	Date of agreement	Term	Premises	Consideration received during the year
Barrowgate Limited	22 March 2016	3 years commencing from 1 April 2016	Whole premises of Lee Garden Two	HK\$27,122,283 (Note n)

#### (b) The following management agreement was entered into by Hysan Property Management Limited, a wholly-owned subsidiary of the Company, with Barrowgate for the provision of property management services to Lee Garden Two:

Connected person	Date of agreement	Term	Premises	Consideration received during the year
Barrowgate Limited	22 March 2016	3 years commencing from 1 April 2016	Whole premises of Lee Garden Two	HK\$3,440,016 (Note n)

## CONTINUING CONNECTED TRANSACTIONS continued

Notes:

- (a) The annual considerations were based on current rates of rental (including estimated turnover rent, where applicable), operating charges, (for retail premises) promotion levies and (for carparking spaces) licence fees for each of the relevant financial years as provided in the relevant agreements. The rental, operating charges, promotion levies and licence fees (as the case may be) are payable monthly in advance.
- (b) Jebesen and Company Limited ("Jebesen and Company") is a beneficial substantial shareholder of Barrowgate and has an equity interest of 10% in Barrowgate. Jebesen Hans Michael, Non-Executive Director of the Company, is a controlling shareholder of Jebesen and Company.
- (c) On 16 August 2016, a memorandum was entered into, pursuant to which the rent for the period from 1 September 2016 to 31 August 2018 was reviewed and revised to the then prevailing market rent.
- (d) The terms of the agreements mentioned under I(a)(i) and I(a)(ii)(1) above exceed 3 years. According to the Listing Rules requirement, an independent financial adviser to the Board was engaged in each case. It formed the view, in each case, that the term with duration longer than 3 years was required and it was normal business practice for leases of this type to be of such duration.
- (e) Treasure Matrix Limited ("Treasure Matrix") is a wholly-owned subsidiary of the Company.
- (f) Under this transaction, Barrowgate was considered a connected person of the Company under the Listing Rules by virtue of it being a non wholly-owned subsidiary of the Company and also having a substantial shareholder which is an associate of Jebesen Hans Michael, Non-Executive Director of the Company.
- (g) On 27 March 2017, a memorandum was entered into, pursuant to which the rent for the period from 28 March 2017 to 27 March 2019 was reviewed and revised to the then prevailing market rent.
- (h) On 27 March 2017, new licence agreements were entered into to renew the existing licence agreements. The existing and new licence agreements on their own constituted continuing connected transactions of the Company which were fully exempted from Chapter 14A requirements as the annual consideration under the existing and new licence agreements fall below the applicable de minimis threshold under the Listing Rules.
- (i) As the aggregated annual consideration under the lease and various licence agreements entered into with Treasure Matrix exceeds the applicable de minimis threshold under the Listing Rules, they constituted continuing connected transactions of the Company being subject to announcement requirements but exempted from independent shareholders' approval requirements.
- (j) Office monthly operating charges for Lee Garden Two were revised with effect from 1 January 2018.
- (k) Annual consideration for 2017 included actual turnover rent received for the year 2017.
- (l) Retail monthly operating charges and promotion levies for Lee Garden Two were revised with effect from 1 January 2017 and further revised on 1 January 2018.
- (m) Office extra air-conditioning operating charges for One Hysan Avenue were revised with effect from 1 January 2017.
- (n) These represent the actual consideration received for the year ended 31 December 2017, calculated on the basis of the fee schedules as prescribed in the respective management agreements.

All the Transactions were entered in the ordinary and usual course of business of the respective companies within the Group after due negotiations on an arm's length basis with reference to the prevailing market conditions.

Announcements were published regarding the Transactions in accordance with the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules insofar as they are applicable.

### CONTINUING CONNECTED TRANSACTIONS continued

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 107 to 109 of the Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company's Internal Audit has reviewed the Transactions and the related internal control procedures, and concluded that the internal control procedures are adequate and effective. All Independent Non-Executive Directors of the Company have reviewed the Transactions and the report of the auditor and confirmed that the respective contracts and terms of the Transactions are:

1. in the ordinary and usual course of business of the Group;
2. on normal commercial terms; and
3. in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

### CONNECTED TRANSACTIONS

Certain transactions entered into by the Group constituted connected transactions which were subject to the notification and announcement requirements but exempt from the circular and shareholders' approval requirements under the Listing Rules during the year. Certain details of the transactions are set out as follows:

#### **I. Acquisitions of No. 9 Lan Fong Road (the "Property") and the Remaining Portion of Inland Lot No. 29 (the "Land"), Hong Kong**

On 17 March 2017, Jayton Investments Limited ("Jayton") and Oretta Limited ("Oretta"), both wholly-owned subsidiaries of the Company, entered into the following agreements:

- (1) Jayton entered into a conditional agreement with Dowling Development Ltd. ("Dowling Development"), a wholly-owned subsidiary of LHE to acquire the entire issued share capital of Sparkling Touch Investments Ltd., which owns the Property, for a consideration of HK\$75 million, with LHE guaranteeing the due and punctual performance of the obligations of Dowling Development; and
- (2) Oretta entered into an agreement with LHE to acquire the Land for a consideration of HK\$100.

Completion of the sale and purchase under the above agreements took place on 31 March 2017.

Dowling Development was dissolved on 2 January 2018. At the time of entering into the agreements, Dowling Development was a wholly-owned subsidiary of LHE, which in turn was interested in approximately 41.42% of the issued shares of the Company and was a substantial shareholder and connected person of the Company under the Listing Rules. The entering into of the agreements constituted connected transactions of the Company under Rule 14A.76(2) of the Listing Rules.

The abovementioned acquisitions are in line with the core business and strategic policy of the Group. Details of the acquisitions were disclosed in the Company's announcement dated 17 March 2017.



## CONNECTED TRANSACTIONS continued

### II. Project Financing

Gainwick Limited (“Gainwick”), a 60 % -owned subsidiary undertaking (as defined in Schedule 1 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)) of the Company, entered into a facility agreement with, among others, certain lenders (including Hang Seng Bank Limited (“Hang Seng”) and The Hongkong and Shanghai Banking Corporation Limited (“HSBC”)), pursuant to which the lenders agreed to severally provide to Gainwick their respective portion of the facility (with each of Hang Seng and HSBC providing a facility in the maximum amount of HK\$1,120 million (collectively the “Facilities”)) bearing non-refundable front end fee of 0.75 % on the facility amount, and interest rate at sum of HIBOR and interest margin of 0.65 % per annum of the relevant interest period.

Hang Seng holds approximately 24.64 % equity interest in Barrowgate, a non wholly-owned subsidiary of the Company, and therefore is a substantial shareholder of Barrowgate. HSBC is the holding company of Hang Seng. Accordingly, both Hang Seng and HSBC are connected persons of the Company at the subsidiary level under the Listing Rules. The provisions of the Facilities constituted connected transactions of the Company under Rule 14A.101 of the Listing Rules.

The Facilities serve to finance the costs of land premium, construction cost and all related costs to be incurred for developing the residential sites at Tai Po Town Lot Nos. 223 and 229, Lo Fai Road, Tai Po, New Territories, Hong Kong. Details of the Facilities were disclosed in the Company’s announcement dated 26 May 2017.

### INTEREST IN CONTRACTS OF SIGNIFICANCE

The lease and carpark licence agreement between Jebson and Company and Barrowgate is considered a contract of significance under paragraph 15 of Appendix 16 to the Listing Rules due to its annual consideration having a percentage ratio of 1.05 % from the calculation of the revenue test (the percentage ratios for assets ratio and consideration ratio are 0.05 % and 0.09 % respectively). Details of the transaction are set out under I(a)(i) of “Continuing Connected Transactions”.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, 24.73 % of the aggregate amount of purchases were attributable to the Group’s 5 largest suppliers with the largest supplier accounting for 6.30 % to the Group’s total purchases. The aggregate amount of turnover attributable to the Group’s 5 largest customers was less than 30 % (being the Listing Rule disclosure threshold) of total turnover of the Group.

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5 % of the Company’s issued shares) had any interest in the Group’s 5 largest suppliers.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the year ended 31 December 2017, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

### ISSUANCE OF SECURITIES

In October 2017, Hysan (MTN) Limited, a wholly-owned subsidiary of the Company, established the US\$1.5 billion Medium Term Note Programme (“MTN Programme”), which was listed on the Stock Exchange. Notes issued under the MTN Programme are unconditionally and irrevocably guaranteed by the Company. No notes have been issued under the MTN Programme for the year under review.

### PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

### DONATIONS

During the year, the Group made donations of approximately HK\$0.5 million to charitable and non-profit-making organisations.

#### **PERMITTED INDEMNITY PROVISION**

Pursuant to the Company's Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred by him or her in the execution the duties of his or her office or in relation thereto. The Directors and Officers Liability Insurance ("D&O Insurance") taken out by the Company throughout the year provides adequate cover for such indemnities to all the Directors of the Company and its subsidiaries. The relevant provisions in the Company's Articles and the D&O Insurance were in force during the financial year ended 31 December 2017 and as of the date of this report.

#### **AUDITOR**

A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company is to be proposed at the 2018 AGM.

By Order of the Board  
**Lee Irene Yun-Lien**  
*Chairman*

Hong Kong, 28 February 2018