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CORPORATE GOVERNANCE

3

Corporate Governance Report

OUR PEOPLE

Board of Directors

The Board is responsible for the stewardship of the Company, overseeing its conduct 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 as 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 66.

Competencies and experience

Ms. Lee leads the Group in her executive Chairman role. Ms. Lee is an independent non-executive director of HSBC Holdings plc, The Hongkong and Shanghai Banking Corporation Limited and Hang Seng Bank Limited. She is a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority. 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), CLP Holdings Limited and Cathay Pacific Airways 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.

Committee Ms. Lee is the Chairman of the Nomination Committee.

Non-Executive Directors

Churchouse Frederick Peter

Independent
Non-Executive Director



A

Board appointment Mr. Churchouse was appointed as an Independent Non-Executive Director in December 2012 and is aged 70.

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 Group Holdings Limited. 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 and Risk Management Committee.

Fan Yan Hok Philip

Independent
Non-Executive Director



A R N S

Board appointment Mr. Fan was appointed as an Independent Non-Executive Director in January 2010. He is aged 70.

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, a member of the Audit and Risk Management Committee, the Nomination Committee and Sustainability Committee.

Non-Executive Directors (continued)

Lau Lawrence Juen-Yee

Independent
Non-Executive Director



N

Board appointment Professor Lau was appointed as an Independent Non-Executive Director in December 2014. He is aged 75.

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, Semiconductor Manufacturing International Corporation ("SMIC") 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.

From June 2011 to December 2014, Professor Lau was a non-executive director of SMIC. Professor Lau is a member of the Currency Board Sub-committee of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, 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 the Hong Kong Trade Development Council (HKTDC) Belt and Road and Greater Bay Area Committee. He was appointed a Justice of the Peace in July 2007 and awarded the Gold Bauhinia Star in 2011 by the Government of the Hong Kong Special Administrative Region and served as a member of the 11th and 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



A R N

Board appointment Mr. Poon was appointed as an Independent Non-Executive Director in January 2010. He is aged 65.

Competencies and experience Mr. Poon is an independent non-executive director of AAC Technologies Holdings Inc., a non-executive director of Tai Chong Cheang Group, a member of Advising Committee of Asia Pacific Institute for Strategy and a board advisor of Clean Air Network. He was formerly the group managing director and deputy chief executive officer of Tai Chong Cheang Group, managing director and deputy chief executive of Hang Seng Bank Limited and held senior management posts in HSBC Group and a number of internationally 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 and Risk Management Committee, a member of the Remuneration Committee and the Nomination Committee.

Wong Ching Ying Belinda

Independent
Non-Executive Director



S

Board appointment Ms. Wong was appointed as an Independent Non-Executive Director in December 2018 and is aged 48.

Competencies and experience Ms. Wong is currently the chairman and chief executive officer of Starbucks China. Ms. Wong joined Starbucks Coffee Company in 2000 and held leadership positions across a variety of business units and geographies, including marketing director for the Asia Pacific region of Starbucks Coffee, managing director of Starbucks Singapore and general manager of Starbucks Hong Kong. Prior to joining Starbucks group in 2000, Ms. Wong was the marketing manager of McDonald's China

Development Company. She is also an independent non-executive director of Television Broadcasts Limited and has extensive experience in retail, food and beverage, people, brand development and growth strategy across the Greater China and Asia Pacific regions. She serves as a member on the Faculty Advisory Board for the University of British Columbia's Sauder School of Business.

Qualifications Ms. Wong holds a Bachelor of Commerce degree with a major in finance from the University of British Columbia in Canada.

Committee Ms. Wong is a member of the Sustainability Committee.

Jebsen Hans Michael B.B.S.

Non-Executive
Director



S

Board appointment Mr. Jebsen was appointed as a Non-Executive Director in 1994 and is aged 63.

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. Mr. Jebsen currently holds a number of public offices, namely, chairman of the Asian Cultural Council Hong Kong, chairman of the Advisory Council of the Business School of The Hong Kong University of Science and Technology, a trustee of World Wide Fund for Nature Hong Kong and a member of Board of Trustees of Asia Society Hong Kong Center, Hong Kong-Europe Business Council of the Hong Kong Trade Development Council as well as Advisory Board of the Hong Kong Red Cross. Since 2015, he has also been a member of the

Operations Review Committee of the Independent Commission Against Corruption. Mr. Jebsen was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2001, made a Knight of the Dannebrog by receiving the Silver Cross of the Order of Dannebrog by H. M. The Queen of Denmark in 2006, was awarded the Merit Cross of the Order of the Merit of the Federal Republic of Germany in 2009, received the title "Hofjægermester" by H. M. The Queen of Denmark in January 2011 and was awarded the Knight of 1st Class of the Order of Dannebrog, Denmark in 2014.

Qualifications Mr. Jebsen was awarded Doctor of Business Administration honoris causa of The Hong Kong University of Science and Technology in 2015.

Committee Mr. Jebsen is the Chairman of the Sustainability Committee.

Non-Executive Directors (continued)

Lee Anthony Hsien Pin Non-Executive Director



A

Board appointment Mr. Lee was appointed as a Non-Executive Director in 1994 and is aged 62.

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 and a member of the Board of Trustees of Princeton University. Mr. Lee is a member of the founding Lee family and a director of

Lee Hysan Company Limited, 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 and Risk Management Committee.

Lee Chien Non-Executive Director



N

Board appointment Mr. Lee was appointed as a Non-Executive Director in 1988 and is aged 66.

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 and a director of Lee Hysan Company Limited, 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.

Committee Mr. Lee is a member of the Nomination Committee.

Lee Tze Hau Michael Non-Executive Director



R

Board appointment Mr. Lee joined the Board in January 2010, having previously served as a Director from 1990 to 2007. He is aged 58.

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 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 Trinity 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 and a director of Lee Hysan Company Limited, 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.



Audit and Risk Management Committee



Remuneration Committee



Nomination Committee



Sustainability Committee



Committee Chairman

Senior Management



Lui Kon Wai Ricky MBA, MCIOB

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 54.



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 54.



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 47.



Lam Tze Pon Tiffany B.Soc.Sc. (Information Management)

Director, Marketing and Customer Experience

Ms. Lam is responsible for formulation of the Group's marketing strategies, leads marketing and customer experience operations, and serves as a director of certain Hysan subsidiaries. She 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 48.



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 43.

BEYOND CORPORATE GOVERNANCE COMPLIANCE

Hysan embraces strong governance as the foundation for delivering its strategic objective of achieving consistent and sustainable performance. During the year of 2019, 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 of the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Furthermore, Hysan remained committed to the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules.

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

Exceed Corporate Governance Code Provisions

Best Practices in Corporate Governance at Hysan



Formal Corporate Governance Guidelines* formulated since 2004 and further enhanced in 2018



Formal Board of Directors Mandate* and a detailed List of Matters Reserved for the Board Decisions* provide a clear division of roles established between the Board and management. Further enhanced in 2019



Formal criteria and requirements* established for Non-Executive Director appointments with expected time commitment, which was further enhanced in 2019. We issue formal appointment letters for Non-Executive Directors



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 and enriched in 2019 to invite joint venture partners, contractors and suppliers to demonstrate their commitment by adhering to the Code of Ethics and human rights policy in 2020



A separate Whistleblowing Policy* since 2016 and further enhanced in 2019; an independent third party is engaged as the whistleblowing channel, which directly reports to the Audit and Risk Management Committee



Corporate Disclosure Policy* since 2013 and further enhanced in 2019. A Disclosure Committee conducts regular assessments of inside information, and guides and promotes timely and accurately disseminated disclosure of inside information and stakeholder communications



Auditor Services Policy* for the engagement of auditors. Further enhanced in 2018 and 2019



Fraud handling policy and procedures to control and aid in the detection and prevention of fraud



Publication of separate Corporate Governance Report, Audit and Risk Management Committee Report, Remuneration Committee Report, Nomination Committee Report, Sustainability Committee Report and Risk Management and Internal Control Report

Exceed Corporate Governance Code Provisions

Best Practices in Corporate Governance at Hysan

- ✓ More than 20 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 communications, including introduction of shareholders' visits since 2016
- ✓ Adopted 10 % limit of and a discount of not more than 10 % on the share issue price to issue additional shares under general mandate since 2018 AGM
- ✓ Arrangements have been made since December 2015 to ascertain shareholders' preferences as to the means of receiving corporate communications, with the aim of protecting the environment and enhancing the use of the Group's corporate website as a platform for shareholder communications
- ✓ Proactive invitation to major nominee companies by Hysan to forward communication materials to the ultimate beneficial shareholders at the Group's expense
- ✓ Confirmation from senior management to the Audit and Risk Management Committee as verification compliance
- ✓ Additional assurance from Internal Audit on the review of continuing connected transactions
- ✓ Code for Securities Dealing by Directors and Employees enhanced with dealing clearance flowchart and illustrations in 2019
- ✓ Onboarding Guideline for Directors*

The Hysan Sustainability Report is made available for public viewing on Hysan's website: www.hysan.com.hk. Limited copies are printed and distributed, primarily to our shareholders. A summary of the Sustainability Report 2019 is provided on pages 98 to 101 of this Annual Report.

* Detailed policies/terms of reference are available on the Company's website: www.hysan.com.hk/governance.

OUR GOVERNANCE FRAMEWORK

System of Governance

Hysan operates within a clear and effective governance structure.

The Board is responsible for ensuring the effectiveness of the Group's system of governance. Through the strong governance system, effective decision-making, good procedures and strong internal reporting are embedded into the business processes, which is aligned to the Group's strategy. The purpose of the robust system of governance is to ensure the oversight of the business and affairs of the Group, which helps drive success and long-term value creation for our shareholders.

The system of governance comprises 3 key elements: the corporate governance framework, risk management framework and internal control framework.

Corporate Governance Framework

The corporate governance system provides a framework which supports the realization of its business strategy and long-term success. It provides effective and efficient decision-making by the Board and Board Committees. The framework ensures that both Directors and employees act within a robust chain of delegated authorities and powers. This safeguards compliance with applicable laws and regulations.

The Board 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 Hysan's key governance-related guidelines:

• Corporate Governance Guidelines	• Onboarding Guideline for Directors	• Board of Directors Mandate	• List of Matters Reserved for the Board Decisions
• Shareholders Communication Policy	• Nomination Policy	• Corporate Disclosure Policy	• Whistleblowing Policy
• Procedures for Shareholders to Convene General Meetings/Put Forward Proposals	Hysan's Key Governance-related Guidelines		• Terms of Reference of various corporate governance-related Board Committees
• Code of Ethics for Directors and Employees	• Diversity Policy	• Auditor Services Policy	• Roles and Requirements of Non-Executive Directors

Detailed policies/terms of reference are available on the Company's website: www.hysan.com.hk/governance.

Risk Management Framework

The risk management framework provides a system which risk management and control are embedded. The Board has the overall responsibility of maintaining an effective risk management system. The Group has adopted a consistent approach throughout the years to identify, measure, manage, monitor and report risks.

The risk management system is underpinned by the “Three Lines of Defence” model:

First line of defence: activities undertaken to ensure that risks are identified and controlled to bring them within appetite.

Second line of defence: independent review and challenge of the first line activities, providing assurance that controls are properly designed and operating effectively.

Third line of defence: the Group’s internal audit is responsible for evaluating the effectiveness of our risk management, control and governance processes.

For details, please refer to Risk Management and Internal Control Report on pages 91 to 97.

Internal Control Framework

The Group’s internal control system comprises 2 main areas:

1 Delegated authority framework

Authority is delegated from the Board to the Executive Committee through the **List of Matters Reserved for the Board Decisions**. The management for the daily operation of the Group is assumed by the Executive Committee, supported by several management level committees. Each senior management and other department heads of the Group is responsible for ensuring a similar process of delegation is in place with his or her department or area of responsibilities.

2 Regulatory compliance framework

The Group’s compliance policy sets out the control process to early identify and record compliance/non-compliance in order to prevent and/or mitigate the risks of liability and material loss arising from the failure to comply with the regulatory requirements. This effectively monitors the compliance of each business units of the Group, prioritize each case identified, with comprehensive reporting and follow up. For details, please refer to the section headed “Hysan’s Regulatory Compliance Framework” in Risk Management and Internal Control Report on page 95.

“Directors actively engage in discussions regarding various aspects of corporate strategy involving potential expansion of activities, different geographies and different asset classes.”

Directors’ comments received in Board Evaluation 2019.

GOVERNANCE AT A GLANCE

1 Leadership

BOARD GOVERNANCE

- Governance structure (see “Our Governance Framework” section on pages 48 to 49)
- Onboarding Guideline for Directors
- Board of Directors Mandate
- List of Matters Reserved for the Board Decisions
- Roles and Requirements of Non-Executive Directors

BOARD COMPOSITION

- 5 INEDs and 4 NEDs
- All Directors are appointed with a specific term of 3 years and are subject to rotation
- Diverse skills, knowledge and experience

CORPORATE STRATEGY

- Set strategy
- Oversee overall governance, financial performance and sustainable development of the Group (see “Governance at a Glance” section on pages 50 to 51)

2 Effectiveness

EVALUATION

- Formal board evaluation process via an electronic platform, covering the Board’s effectiveness and processes. The Board discusses the findings in detail at its meetings (see “Board Evaluation 2019” section on pages 58 to 59)

INFORMATION & SUPPORT

- Good information flow between the Board and the management
- Access to independent professional advice and the Company Secretary
- Management are invited to attend Board/Committee meetings to present and answer questions to facilitate the decision-making process

DIVERSITY

- Diversity Policy
- Diversity of skills and expertise (see “Balance, Diversity and Skills” section on pages 59 to 61)

COMMITMENT

- All Directors are committed to devoting sufficient time and attention to the Company’s affairs (see “Board Size, Composition and Appointments” section on page 62)

INDEPENDENCE

- Meetings of Non-Executive Directors without the Executive Director or Board members related to the founding Lee family
- Meetings of Chairman and Independent Non-Executive Directors

CONTINUOUS PROFESSIONAL DEVELOPMENT

- Directors receive various trainings and development programmes 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

- 4 governance-related Board Committees have been established
- Board Committees report to the Board (see “Audit and Risk Management Committee Report” on pages 74 to 77, “Remuneration Committee Report” on pages 78 to 85, “Nomination Committee Report” on pages 86 to 88 and “Sustainability Committee Report” on pages 89 to 90)

MANAGEMENT PROCESS

- Day-to-day management by Executive Committee
- Governance framework includes a number of executive and advisory groups (see “Leadership” section on pages 52 to 53)

RISK MANAGEMENT AND INTERNAL CONTROL

- Regularly review and monitor risk management process
- Robust assessment of principal risks and effectiveness of internal controls
- “Risk Management and Internal Control Report” (see pages 91 to 97)

FINANCIAL REPORT AND AUDITORS

- “Independent Auditor’s Report” (see pages 111 to 114)
- Internal Audit function
- External Auditor independence and appointment

SUSTAINABILITY

- Well established sustainability framework
- “Sustainability Committee Report” (see pages 89 to 90)
- Sustainability Executive Committee and Sustainability Task Force as a robust support
- Separate sustainability report since 2006

4 Engagement

CONSTRUCTIVE USE OF GENERAL MEETINGS

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

DIALOGUE WITH SHAREHOLDERS

- Enhance shareholder communication by electronic channels
- Organize shareholders’ visits for understanding the Group, its portfolio, history, sustainability activities and other business areas
- Updates on shareholders’ visits provided to the Board

COMMUNICATION CHANNELS WITH STAKEHOLDERS

- Teleconferences and webcasts for analysts and media briefings
- Investment community communications including roadshows
- Publication of financial reports, announcements, circulars and press releases
- Company’s website

1 Leadership

Board

The Board is collectively responsible for the long-term success of the Group. With due regard to the views of shareholders and other stakeholders (including its customers, communities, employees and partners), it provides leadership and direction to the Group by setting strategy and overseeing its implementation; oversees the control and risk management; provides insights on the Group's culture and values; and is responsible for corporate governance and the financial performance of the Group. The Board is governed by a formal **Board of Directors Mandate** (see the Company's website at www.hysan.com.hk/governance for details).

To retain control of key decisions and ensure there is a clear division of responsibilities between the Board and the management for the daily operation of the Group, the Board has identified certain "reserved matters" that only the Board can approve. Other matters, responsibilities and authorities have been effectively delegated as described. The **List of Matters Reserved for the Board Decisions** can be found at the Company's website at www.hysan.com.hk/governance.

Board Committees

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

The Audit Committee was renamed Audit and Risk Management Committee in February 2019 to reflect and emphasize its important role of assessing and making recommendations on the Group's risk appetite, profile and tolerance. Secondly, reflecting the strong commitment to the Group's sustainability development, the Board established a Sustainability Committee with effect from 1 January 2020. Lastly, the Board resolved to

assume the role of the Strategy Committee and incorporate the Company's strategy discussions as an integral part of the Board meetings. Accordingly, the Strategy Committee was discontinued and assumed by the Board with effect from 1 January 2019. This initiative further facilitates and enables the full Board to actively involve and participate in setting and reviewing longer-term directional strategy for the growth of the Group.

The terms of reference of each committee can be found at the Company's website at www.hysan.com.hk/governance.

Executive Committee and Management Committees

Day-to-day management of the Group is delegated to the Executive Committee. The Board retains control of the key decisions and certain "reserved matters" that will be reviewed annually. Executive Committee members include the Executive Director(s), the Chief Operating Officer, the Chief Financial Officer, and other members as may be appointed by the Board from time to time.

Hysan's strong governance framework requires a number of executive and advisory groups, which include amongst others, 3 governance-related management-level committees, namely the Risk Management Committee, the Sustainability Executive Committee and the Disclosure Committee. The Sustainability Executive Committee was renamed in 2020 from the Sustainability Committee to support the newly established Sustainability Committee of the Board. To enhance the Group's strategy and overall capabilities to address new business trends and next generational shifts, the Board has appointed Li Xinzhe Jennifer as an Advisor to the Board and a Next Generation Innovation Panel to advise the Board accordingly.

"Management's regular presentations of strategy matters, potential expansion, budgetary impacts are very well put together and very comprehensive."

Directors' comments received in Board Evaluation 2019.

Leadership Structure



Board Activities during 2019

This shows the key areas of Board activities during the year to support our strategies.

Strategic Objectives



Deliver sustainable long-term shareholder value



Maximize returns from the investment portfolio



Maximize development performance



Ensure a high level of stakeholder and customer satisfaction



Attract, develop, retain and motivate high performance individuals



Be a best-in-class counterparty to our partners and suppliers



Continually improve sustainability performance

Directions

- Discussed the Group's strategies and emphasized the continuity of the Company's vision and mission, focusing on the impact of global and Hong Kong changes and developments, and how the Group's business model may be affected
- Reviewed the Group's position and all the challenges the Group will be facing, the Company's culture, the impact of technology, changes in consumer behaviour as well as the resources and skills the business may require in future
- Discussed business plans and opportunities, as well as long-term directional strategy for the growth of the Group
- Considered and approved the Group's investment strategy

Link to strategic objectives:



Risk Management and Internal Controls






- Reviewed the Group's risk appetite and assessed external and internal risk level movements, imminent risks and mitigating actions
- Reviewed the effectiveness of Hysan's risk management and internal control systems
- Discussed crisis management
- Reviewed and approved an enhanced Whistleblowing Policy
- Met with the Company's valuers regularly during the year to discuss the portfolio valuation

Link to strategic objectives:





Accountability

- Discussed the outcome of the Board evaluation and effectiveness review, and agreed improvement opportunities
- The Chairmen of the Audit and Risk Management, Remuneration, Nomination and Sustainability Committees updated the Board on the proceedings of their meetings, including the key discussion points and any areas of concern
- Establishment of Sustainability Committee at Board level to emphasize the Board's commitment to drive the Group's sustainability development
- Reviewed key corporate governance related reports

Link to strategic objectives:     






People and Leadership

- Reviewed the Board structure, size, composition and diversity, as well as the "independence" of Directors
- Enhanced Terms of Reference of Audit and Risk Management Committee, Remuneration Committee and Nomination Committee
- Adopted Terms of Reference of Sustainability Committee
- Reviewed and evaluated the fees of Directors
- Reviewed the development of people and compensation for the senior management
- Considered the composition of the Next Generation Innovation Panel to enhance capabilities and support the strategic directions of the Board

Link to strategic objectives:  

Governance and Legal Matters

- Reviewed, enhanced and approved various policies
 - "Onboarding Guideline for Directors"
 - "Corporate Disclosure Policy"
 - "Code of Securities Dealing by Directors"
 - "Board of Directors Mandate"
 - "Roles and Requirements of Non-Executive Directors"
 - "Code of Ethics"
 - "Shareholders Communication Policy"
 - "Auditor Services Policy"
- Reviewed corporate structure
- Reviewed the recent developments in corporate governance and received and considered key legal and regulatory updates
- Reviewed the List of Matters Reserved for the Board Decisions

Link to strategic objectives:     

Financial, Operational and Business 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 the 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 business (Office, Retail, Residential and Property Development segments)
- Considered the half-year and full year valuation of the Group's portfolio by the external valuer

Link to strategic objectives:   

Meetings

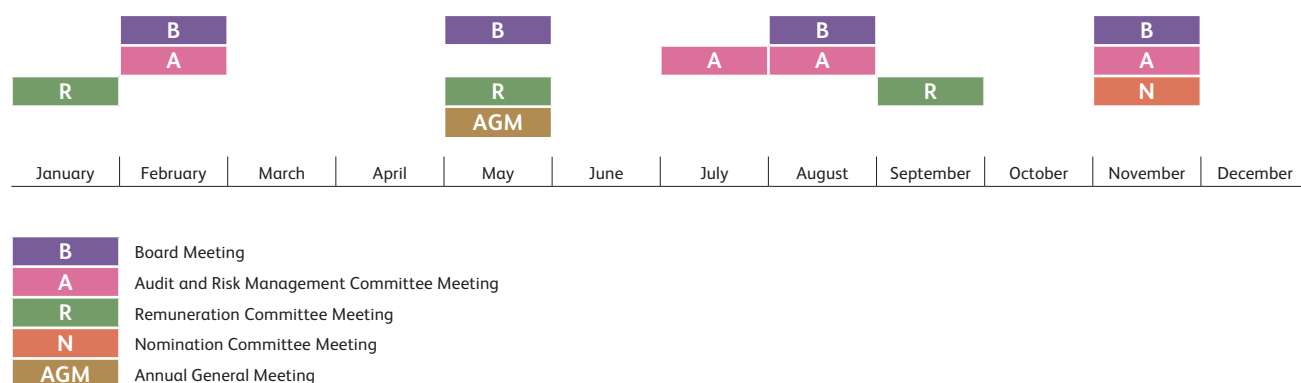
The Board meets regularly. Members are given full and timely access to meeting materials. Each Board meeting follows a carefully tailored agenda prepared by the Company Secretary and agreed in advance by the Board/Committee Chairman. The draft agenda is generally circulated to all Board members 3 weeks before the intended date of meeting. Board members are advised to inform the Board Chairman/Committee Chairman/Company Secretary if they wish to include any matters in the agenda of the meeting. There is an annual cycle of topics to be considered, including business, financial as well as legal and governance updates. Each Committee provides a summary of business discussed to the Board. To facilitate the meeting proceedings, an executive summary for the

agenda item is given to the Board members to allow them to grasp the key information quickly.

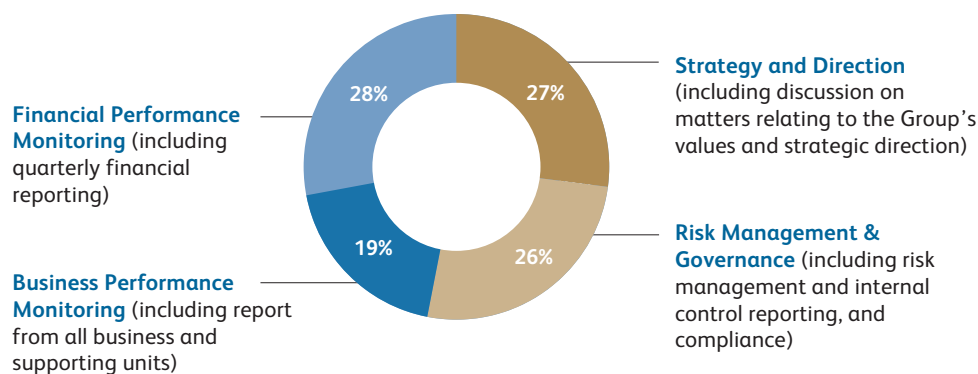
Senior employees below Board level are invited to present to the Board on operational topics during the year. Non-Executive Directors have direct and open access to employees below Board level.

Our Board meetings are generally followed by a luncheon hosted by the Board Chairman. This is typically attended by the Directors and employees from different departments and management trainees, which promotes a high level of involvement and engagement with employees at different levels of the business.

Board and Committee meetings in 2019




How the Board and Committees spent their time in 2019





Attendance at Meetings
























































































The following table shows Directors' attendance at the meetings:

 Attended

 Attended by tele-conference

 Attended by alternate

 Attended the meetings
(or part of meetings) as invitee

Directors	Meetings Held / Attended				
	Board Meeting	Audit and Risk Management Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
	(Total: 4) (Notes 1, 3&4)	(Total: 4) (Notes 5&6)	(Total: 3)	(Total: 1)	(Annually) (Notes 5&7)
Executive Director					
Lee Irene Yun-Lien	   	   	   (Note 2)		
Independent Non-Executive Directors					
Churchouse Frederick Peter	   	   	N/A	N/A	
Fan Yan Hok Philip	   	   	  		
Lau Lawrence Juen-Yee	   	N/A	N/A		
Poon Chung Yin Joseph	   	   	  		
Wong Ching Ying Belinda	   	N/A	N/A	N/A	
Non-Executive Directors					
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. In November 2019, a dedicated half-day session was held during the Board meeting to discuss the Group's business plans and long-term directional strategy.
2. Excused from the session to discuss the Executive Director's own compensation package.
3. Included a meeting of Non-Executive Directors without the Executive Director or Board members related to the founding Lee family.
4. Included a meeting of Chairman and Independent Non-Executive Directors.
5. Representatives of the external auditor participated in the Audit and Risk Management Committee meetings held in February, August and November 2019 and the AGM.
6. Representatives of the external valuer participated in the Audit and Risk Management Committee meetings held in February, August and November 2019.
7. Jebsen Hans Michael was unable to attend the 2019 AGM due to other overseas commitments. Yang Chi Hsin Trevor as his alternate attended the 2019 AGM to take shareholders' questions.

2 Effectiveness

Board Evaluation 2019

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 review examined the performance and effectiveness of the Board, and the respective committees, namely, the Audit and Risk Management Committee, the Remuneration Committee, and the Nomination Committee. The evaluation required each Director to complete anonymously a questionnaire that sought inputs on

matters such as the Board's performance, its dynamics and processes, its composition and diversity, monitoring and risk management as well as the logistics of Board meetings. The survey, being anonymous, encouraged the Directors to share suggestions, to provide comments and to raise any concerns. As a high-performing Board, the Board recognizes that it is important to continually assess and improve the effectiveness and performance of the Board and Board Committees.

Annual Evaluation Process



The Chairman, supported by the Company Secretary, collated the e-questionnaire responses into a detailed report. The report was prepared based on the collective comments from all the Directors, and responses of members from the Audit and Risk Management Committee, the Remuneration Committee, and the Nomination Committee. The questionnaire received a 100% response rate. The 2019 Board Evaluation Report was submitted to, considered, and discussed by the Board, and constructive feedback was received.

Parameters

We have structured our 2019 evaluation based on the Directors' views on the following 5 parameters affecting the effectiveness and performance of the Board. The evaluation consisted of a quantitative part on ratings and a qualitative part based on the Directors' written responses.

The evaluation examined 5 different aspects of the Board, the role, the composition, the meetings and processes, the Board in action and the training.

1. **Role** investigates the role of directors and the function of roles;
2. **Composition** discusses the size, structure, balance of knowledge and experience and skills of the Directors;
3. **Meetings and Processes** seeks feedback on the respective schedule, the quality of agendas, meeting papers and minutes, satisfaction with the integrity of financial statements & accounts, policies, operation & compliance controls, internal controls, environmental social governance (ESG) & risk management processes;
4. **The Board in Action** looks into performance effectiveness, supply of and access to information, strategy appropriateness, level of remuneration; and
5. **Training** investigates the quality of training and seeks inputs on areas of interest for future training events.

Conclusions from this year's Board evaluation

The conclusion of this year's Board evaluation was that the Board and its Committees continued to operate to a high standard and worked effectively. The results overall ranged from positive to very positive, and there were no material issues to report. All Board members were keen to use this evaluation process as a timely opportunity to identify ways to improve performance.

Directors favourably perceived their board leadership as highly effective. The Board has a good culture of having open and constructive dialogues. Board meetings are productive, participative and effectively engage Board members with management in formulating corporate strategies and tackling operational changes. The Board and its Committees receive materials in a timely manner and Directors have access to information, support and advice from the Company Secretary and the management team throughout the year. The Board was satisfied with the Board papers and presentations, which were well organized, comprehensive, focused and delivered in a timely manner.

Directors were also satisfied in terms of diversity in skills and experience. Directors supported and welcomed the establishment of a Sustainability Committee at Board level, which can oversee sustainability and enhance Hysan's performance in this key area.

The Directors agreed that the ongoing social issues in Hong Kong, macro challenges, business/market downturns and cyber security would be the major risks and concerns facing the Board in the coming years.

Independent Advice

Should the 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.

Balance, Diversity and Skills

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

We strive to maintain a well-rounded and diverse Board. Our Non-Executive Directors (including 5 Independent Non-Executive Directors) have diverse backgrounds in areas such as economics, finance, business management, professional practices, and property investment. Biographies of the Directors can be found on pages 40 to 44 as well as on the Company's website at www.hysan.com.hk/about-us.

CORPORATE GOVERNANCE REPORT

Recognizing the value of diversity to the Company, the Board adopted a separate Board Diversity Policy in 2016, which was strengthened and enhanced as the Diversity Policy applying to the Group in 2018. 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, knowledge 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 adopted a separate Nomination Policy to emphasize our commitment to a transparent nomination process.

The Board is also committed to strengthening diversity across the Group. Similar considerations are used when recruiting and selecting key management and other personnel across the Group's operations. For details on our hiring practices, please refer to our Sustainability Report 2019.

During the year, the Nomination Committee undertook a comprehensive review of the skills and experience of the Board, and the required expertise to guide the Company forward given the challenges facing the Group.

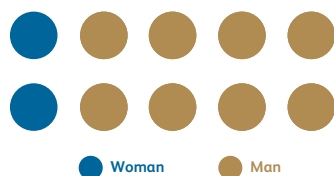
Our 9 Non-Executive Directors are from diverse and complementary backgrounds. The valuable experience and expertise they bring to our business are critical for the long-term growth of the Group:

Skills/ Experience	Summary	Combined
Strategy	Experience in defining strategic objectives, assessing business plans and driving execution in large and complex organizations.	
Risk Management	Experience in anticipating and identifying key risks to the organization and monitoring the effectiveness of risk management frameworks and controls.	
Financial Services and Investment	Experience in the financial services industry or experience in overseeing financial transactions and investment management.	
Financial Acumen	Understanding the financial drivers of the business, and experience in implementing or overseeing financial accounting, reporting and internal controls.	
Customer and Retail	Experience as a senior executive in a major retail, customer products, services or distribution company.	
Governance	Experience in and commitment to adhere to exceptional corporate governance standards.	
People and Culture	Experience in monitoring a company's culture, overseeing people management and succession planning, and setting remuneration frameworks.	
International and China	Experience in international and mainland China economics and relations.	
Property Investment	Experience as a senior executive in a major company in property investment, development or facilities management, or related industry or insights into real estate investment opportunities.	

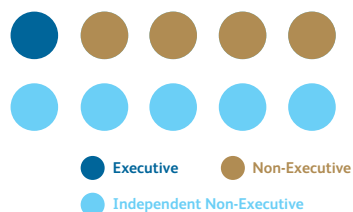
● Extensive ● Moderate

The Board | 10 |

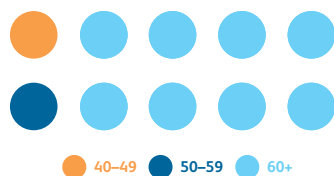
Gender



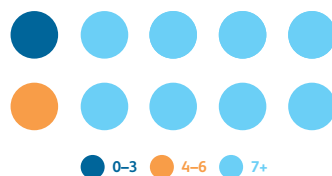
Category



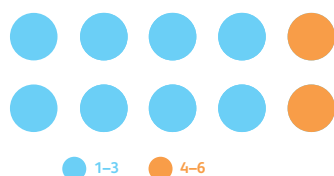
Age



Board Tenure (Years)



Other Public Companies Directorship(s) (Number of Companies)



Senior Management | 5 |

Gender



Age



(Directors and Senior Managements' full biographies, including relationships among members of the Board, are set out in pages 40 to 45 and are also available on the Company's website: www.hysan.com.hk/about-us)

Board Size, Composition and Appointments

The Board reviews its structure, size, composition and diversity from time to time; the last review was conducted in November 2019. Through the annual evaluation process, the Board members were able to ensure that they contributed to the Board and performed their responsibilities in a highly efficient manner and that they have spent sufficient time in doing so. 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 Committee meetings during the year. To ensure that our Directors have spent sufficient time on the affairs of the Company, the Directors disclose to the Company once a year the details of their other offices held in Hong Kong or overseas listed public companies and other significant commitments, as well as an indication of the time involved in those positions. In addition, the Directors usually inform the Company promptly whenever there are changes regarding their other positions.

As at 31 December 2019, there were 10 Directors on the Board: the Chairman and 9 Non-Executive Directors (including 5 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.

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

Fan Yan Hok Philip and Poon Chung Yin Joseph have served as Independent Non-Executive Directors for more than 9 years. Fan Yan Hok Philip will also retire at the forthcoming AGM to be held on 13 May 2020 by rotation and Poon Chung Yin Joseph will remain on the Board for a further year. The Board highly values Fan Yan Hok Philip's and Poon Chung Yin Joseph's experience and wisdom; they continue to provide positive and significant contributions and guidance to the Company's strategies and business development, offering independent judgment from their areas of expertise and experience in governance, risk management, finance as well as people and culture, all of which are relevant to the Group's business. The Board and the Nomination Committee were of the view that both Fan Yan Hok Philip and Poon Chung Yin Joseph have demonstrated consistently that they maintain a healthy level of professional skepticism whenever appropriate, and they have not been reserved in asking probing questions and challenging executive management's views and recommendations. There was no evidence to suggest that their tenure has had any impact on their independence.

Lee Irene Yun-Lien, Fan Yan Hok Philip, Lee Tze Hau Michael and Lau Lawrence Juen-Yee will retire at the forthcoming AGM to be held on 13 May 2020. Lee Irene Yun-Lien, Fan Yan Hok Philip and Lee Tze Hau Michael will offer themselves for re-election. Lau Lawrence Juen-Yee will not stand for re-election at the AGM. He will retire as an Independent Non-Executive Director and a member of the Nomination Committee after the conclusion of the AGM. Details with respect to the candidates standing for re-election as Directors are set out in the AGM circular to shareholders. None of these Directors 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).

“Communication amongst Board members is robust. Regular and complete updates provided by Company Secretary.”

Directors' comments received in Board Evaluation 2019.

Independence of Directors

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

- Hysan's conflicts of interest policy applies to all Directors and employees and are contained in its Code of Ethics in compliance with the Hong Kong Companies Ordinance. It aims to avoid conflicts of interest or perception of conflicts of interest. The Board has delegated authority to the Nomination Committee to review the conflicts or potential conflicts of interest and determine any mitigating actions deemed appropriate. Board members are reminded twice a 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 related to the founding Lee family. There were 2 such separate discussions in 2019.

- 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**, in which 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 5 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.

5 Independent Non-Executive Directors have been drawn from diverse backgrounds, including economics, finance, business management, professional practices and property investment.

Appointment of 5 Independent Non-Executive Directors with diverse backgrounds

Clear "independence" standards for individual Directors

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

The Nomination Committee carries out a detailed annual review of Director's independence.

Detailed annual review of independence of individual Directors

Independence Status

Name	Management	Independent	Not Independent	November 2019 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 Lawrence Juen-Yee		✓		No business or other relationships with the Group or management that will affect independence (Notes 1, 2 & 5)
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
Wong Ching Ying Belinda		✓		No business or other relationships with the Group or management that will affect independence (Notes 3 to 5)

Notes:

- Lau Lawrence Juen-Yee's spouse is a partner with KPMG China and the Managing Partner in Hong Kong. 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. Lau Lawrence Juen-Yee has agreed not to participate in any resolutions involving KPMG group. Since operational matters (office/retail leasing) are unlikely to be considered at Board level, any conflict of interest is regarded as unlikely to occur in practice.
- Lau Lawrence Juen-Yee will retire at the forthcoming AGM to be held on 13 May 2020, and he will not stand for re-election at the AGM. Lau Lawrence Juen-Yee will retire as an Independent Non-Executive Director and a member of the Nomination Committee after the conclusion of the AGM in May.
- Wong Ching Ying Belinda is also a director of certain entities of Starbucks Coffee Company. Shanghai Starbucks Coffee Enterprises Co., Ltd., a wholly-owned subsidiary of Starbucks Corporation (listed on NASDAQ), is one of the tenants of a commercial complex located in Shanghai, the People's Republic of China owned by an associate of the Company. The revenue or profit derived from those leases, indirectly as share of results of an associate, is immaterial (less than 1% of the Company's turnover or equity attributable to owners of the Company or total assets of the Company for the year ended 31 December 2019) to the Group. During her term as Independent Non-Executive Director of the Company, Wong Ching Ying Belinda will abstain from voting on any Board resolution in relation to any business dealings with the Starbucks group. Wong Ching Ying Belinda has agreed not to participate in any resolutions involving the Starbucks group. Since operational matters (office/retail leasing) are unlikely to be considered at Board level, any conflict of interest is regarded as unlikely to occur in practice.
- Wong Ching Ying Belinda holds a cross-directorship with Lee Anthony Hsien Pin since they both serve on the boards of the Company and Television Broadcasts Limited. However, given that Wong Ching Ying Belinda plays a non-executive role and does not hold any shares in the 2 companies, the Company considered that such cross-directorship would not undermine the independence of Wong Ching Ying Belinda with respect to her directorship at the Company.
- The Board and its Nomination Committee had assessed the independence of Lau Lawrence Juen-Yee and Wong Ching Ying Belinda in light of the circumstances, including (i) their respective backgrounds, experiences, achievements, as well as characters; (ii) the nature of the Company's relationship with KPMG and the Starbucks group and Mrs. Lau's and Wong Ching Ying Belinda's roles as well as mitigating actions as described above; and concluded that their independence would not be affected. It was decided that potential conflicts, which are minimal, could be managed and that the benefits of their appointment outweighed any risk of conflict. In addition, the mitigation principles and actions are adequate and appropriate to deal with any such issues.

Professional Development, Support and Training

The Company ensures that Directors keep their skills and knowledge up to date to allow them to fulfil their roles on the Board and Board Committees. The Company arranges periodic specific knowledge development sessions.

During the year of 2019, the knowledge development sessions included a sharing session on the future of office space presented by a leading global professional services firm that specializes in real estate and investment management, a deep-dive presentation by our Next Generation Innovation Panelist on how the family firms perform compared to non-family firms on environmental, social and governance (ESG) dimensions, and a portfolio visit to our new F&B tenant followed by a luncheon with the management trainees to know the new blood. Directors have expressed the view that the trainings have been stimulating and very relevant. Directors have also indicated that there were adequate training opportunities during the year. Directors are required to provide their training details to the Company once a year.

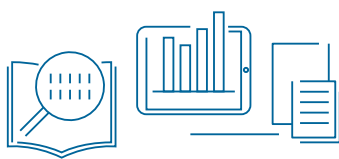
During the year of 2019, member of the senior management and the Company Secretary have access to a variety of training activities, including attending seminars, workshops and conferences relevant to their business and

duties. They have received sufficient training both internally by Hysan and externally to equip them to fulfil their roles to support the Company.

In addition, on a regular basis, Directors receive updated reports facilitating greater awareness and understanding of the Group's business and the compliance regulatory updates. Information on training opportunities and seminars is also circulated to Directors.

New Director's onboarding is the process of integrating a new Director with the Company and its business, governance and the Board and Board Committee dynamics. During the year, the Board adopted an Onboarding Guideline for Directors. When newly-appointed Directors join the Group, they would receive a properly tailored induction programme that would give them an understanding of the Group, its business and operations (including the major risks it faces) having regard to the Director's unique background, experience and skills. The induction programme would include an introduction session with the Company Secretary, individual meetings with the Board Chairman, Committee Chairmen, and senior management, portfolio visits, and meetings with the Company's external advisers. Individual briefings would be arranged on topics such as Directors' responsibilities and an overview of the Group's business.

The priorities of our induction programme



Providing an overview of

- the Group's business and challenges
- the Group's strategies and key risks being encountered
- the Group's corporate and organization structure
- the Board's culture, governance and dynamics
- the legal and regulatory obligations of a Director



Getting to know the Board and Senior Management

- access to the Board Chairman, Committee Chairmen and senior management
- access to external advisers (for knowledge and insight)

Directors' continuous professional development in 2019

Directors	Attending trainings organized by Hysan	Attending expert briefings / seminars / conferences / site visits relevant to the Company's business	Perusing legal, regulatory, industry and directors' duties related updates prepared by Hysan quarterly
Executive Director			
Lee Irene Yun-Lien	✓	✓	✓
Independent Non-Executive Directors			
Churchouse Frederick Peter	✓	✓	✓
Fan Yan Hok Philip	✓	✓	✓
Lau Lawrence Juen-Yee	✓	✓	✓
Poon Chung Yin Joseph	✓	✓	✓
Wong Ching Ying Belinda	✓	✓	✓
Non-Executive Directors			
Jebsen Hans Michael	✓	✓	✓
Lee Anthony Hsien Pin	✓	✓	✓
Lee Chien	✓	✓	✓
Lee Tze Hau Michael	✓	✓	✓

Ongoing training and development sessions for Hysan's management are also designed to strengthen their expertise and enrich aspiring leaders. Throughout the year, various seminars on real estate, regulatory obligations, compliance requirements and best practices and procedures were provided to the senior management and certain subsidiaries' directors. We also engaged a legal adviser to conduct a corporate disclosure drill for operating staff. During the year, the Company Secretary undertook appropriate professional training to update relevant skills and knowledge.

Hysan has a management trainee programme launched since 2017 to cultivate our future leaders, with the aim of developing our talent pipeline to meet our long-term business needs. More management trainees were recruited in 2019 to continue the pipeline.

Employee training is also an integral part of our control measures. During the year, Hysan launched various mobile learning courses, covering topics on dawn raids, competition law, connected transactions, intellectual properties rights and inside information, all of which offer learning opportunities for every member of staff anytime and anywhere.

3 Accountability

Board Committees in 2019

The Board has 4 Board Committees that provide effective oversight and leadership in accordance with the Group's Corporate Governance Guidelines, namely the Audit and Risk Management Committee, the Remuneration Committee, the Nomination Committee and the Sustainability Committee. Each Committee has access to independent professional advice and counsel as and when required, and each is supported by the Company Secretary. All of the Board Committees report to the Board.

The highlights of the Audit and Risk Management Committee, the Remuneration Committee, the Nomination Committee and the Sustainability Committee are set out in the respective reports of the Committees. Terms of reference and membership of all Board Committees are disclosed on the websites of the Company and the Stock Exchange. They are also available upon request to the Company Secretary.

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

- "Audit and Risk Management Committee Report" on pages 74 to 77;
- "Remuneration Committee Report" on pages 78 to 85;
- "Nomination Committee Report" on pages 86 to 88; and
- "Sustainability Committee Report" on pages 89 to 90.

Directors' Commitment

The Directors have spent sufficient time on the affairs of the Company. The Directors have given certain confirmations and made disclosures about their other commitments. Directors have disclosed to the Company annually the number, identity and nature of other offices held in Hong Kong or overseas listed public companies and organizations and other significant commitments, together with an indication of the time involved. By disclosing their other commitments, it is assessed and confirmed that they have given sufficient time and attention to the affairs of the Company.

Management Process

The Board is regularly kept up-to-date on key events and business outlook of the Group, as well as the Group's financial and transactions entered through monthly financial reports. The reports give adequate transparency of the Company's operation to the Board.

Our Board and Committees meetings have regularly invited the senior management to make presentation and to answer questions that the Board and the Committee members may have. Our Board and Committees meetings are typically with the attendance of the senior management (Chief Operating Officer, Chief Financial Officer, Director of Office and Residential, Director of Retail, Director of Marketing and Customer Experience, General Counsel and Company Secretary, Head of Corporate Communications, Head of Human Resources and Administration). The Board Meetings are generally followed by a board luncheon hosted by the Chairman. Employees from different departments and management trainees are invited to join the board luncheon. This provides a good opportunity for Directors to engage the employees in an informal setting and to understand the culture of the Group.

Risk Management and Internal Control

The Board has the overall responsibility of maintaining an effective risk management and internal control system. The Audit and Risk Management Committee supports the Board to review the process by which risks are identified, prioritized, managed and mitigated. The risk registers are compiled both from top down, which identify macro-economic risks, as well as bottom-up, the results of greater consultation with all the functions within the Group.

Full details of the risk management and internal control activities during the year are set out in:

- "Risk Management and Internal Control Report" on pages 91 to 97.

Financial Report and Auditors

The Board supported by the Audit and Risk Management Committee monitors the integrity of the Group's reporting process and financial management. It scrutinizes the full and half-yearly financial statements, and reviews in detail the work of the external auditor and external valuer and any financial judgement and estimates made by the management.

The Group maintains its own internal audit function. In addition to the external audit support, internal audit team has carried out during the year internal audits on leasing business, accounting and financial reporting practice, corporate communication process etc. The internal audit team also provides assurance to the Audit and Risk Management Committee on the adequacy and effectiveness of the related internal control procedures.

Sustainability

The Board established a Sustainability Committee with effect from 1 January 2020 demonstrates our commitment to our stakeholders that Hysan is taking its corporate responsibility and sustainable development to the next level. The Sustainability Committee, supported by the Sustainability Executive Committee at the management level, will provide long-term direction and supervise sustainability-related matters, and it will also review and monitor management's execution of the sustainability projects.

Full details of Hysan's sustainability development and activities during the year are set out in :

- "Sustainability Report 2019" on Hysan's website: www.hysan.com.hk; and
- A summary of the Sustainability Report 2019 on pages 98 to 101.

4 Engagement

Engaging our Investors

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

We maintain a comprehensive investor relations timetable for institutional investors, private shareholders and other investors. This aims to help our existing and potential investors understand our business, strategy and performance, and just as importantly, provides the opportunity to receive valuable feedback from them.

Private Shareholders

All private shareholders are encouraged to give feedback to and communicate with the Directors through the Company Secretary. They are also able to meet the Directors and Senior Management at our AGM every May.

They are invited to join the shareholders' visits to the Company's portfolio every year. The visits include a briefing on the Company's history, sustainable activities and other business areas, followed by a walking tour in the Lee Gardens area arranged by the Group. The shareholders' visits are constructive opportunities for the management to communicate with shareholders.

"All Board members, to me, have devoted due attention and efforts to help the Company shape its strategy and tackle operational challenges. The different perspectives offered by different directors are something to be treasured and sustained."

Directors' comments received in Board Evaluation 2019.

Calendar of our main investor relations events

AGM 2019

We held our AGM at Hong Kong Convention and Exhibition Centre and around 300 private shareholders attended. Our AGM provided all shareholders with an opportunity to understand the business performance of the Company. The Company gave a general business update before the statutory session, and Shareholders were also shown a short video with a portfolio update of the Company.

The results of the voting at all general meetings are published at the Company's website : www.hysan.com.hk.

Results Announcement

The senior management presented the annual and interim results through press conferences, webcasts, the Company's website, and face-to-face meetings to communicate with shareholders, investors and analysts. The regular and proactive communication enhanced the understanding of the Company's latest business development, financial performance, strategy, and competitive edges of the Company.

Institutional Investors

Our investor relations team held non-deal specific meetings with institutional investors and analysts after the half-year and full year results.

Banks

Regular dialogue is maintained with our key relationship banks, including regular meetings with our treasury team led by the Chief Financial Officer.

2019

1st Quarter

- Annual results announcement
 - Press conferences
 - Analyst briefings (live audio webcasts are also available)
- Post-results roadshows in Hong Kong

2nd Quarter

- Annual General Meeting
- Investor conferences in Hong Kong
- Property Tours

3rd Quarter

- Interim results announcement
 - Press conferences
 - Analyst briefings (live audio webcasts are also available)
- Post-results roadshows in Hong Kong
- Investor conferences in Hong Kong

4th Quarter

- Shareholders' Visits
- Property Tours

Engagement at a Glance



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.



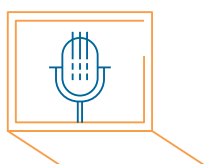
Information Online

- Key corporate governance policies, terms of reference of Board Committees, Group's financial reports, press releases and announcements are available on the Company's 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.



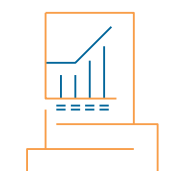
Dynamic engagement with Shareholders

- 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 also disseminated by webcasts.



Electronic Communication

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



Shareholders Communication Policy

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



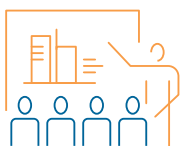
Provision of Sufficient and Timely Information

- The 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.



Voting

- Since 2004, we have conducted all voting at AGMs by poll.
- The poll is conducted by the Company's Registrar and scrutinized by the Group's auditors.
- Procedures for conducting the 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.



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.
- Senior Management and external auditor participate at AGMs.
- Since 2004, a business review session has been included in our AGMs. Topics at the last AGM included: the business environment in 2018, a review of business activities, and the Company's outlook for 2019.



Shareholders' Visits

- The shareholders' visits are opportunities every year for the management to communicate with shareholders, who gain insights into the Company's history, sustainable activities and other business areas.
- An overwhelming response has been received since the visits were launched in 2016.
- Shareholders and accompanying guests were overall satisfied with the visits, and were actively engaged in knowing the latest development of Hysan and the Lee Gardens area.



Corporate Disclosure Policy

- The Group's Corporate Disclosure Policy provides guidance on the disclosure of material information to investors, analysts and media.
- This policy identifies the spokespersons and clearly outlines the responsibilities for communication with each stakeholder group.
- Details are available at the Company's website: www.hysan.com.hk/governance.



Shareholders' Communication via Nominee Companies

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



Dividend Policy

- Hysan's longstanding policy is to provide stable ordinary dividends to shareholders.
- The dividend payment will be based on the Group's financial performance, future capital requirements, general economic and business conditions, etc.



Shareholders' Rights under 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").
- 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.
- 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 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.
- Details of Procedures for Shareholders to Convene General Meetings/Put Forward Proposals are available on the Company's website.
- No changes have been made to our Articles of Association during the year.

Directors' Interests in Shares

As at 31 December 2019, 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				Total	% of the total no. of issued shares (Note a)
	Personal interests	Family interests	Corporate interests	Other interests		
Jebsen Hans Michael	60,984	–	2,473,316 (Note b)	–	2,534,300	0.243
Lee Chien	800,000	–	–	–	800,000	0.077
Lee Irene Yun-Lien	354,000	–	–	–	354,000	0.034

Notes:

(a) This percentage was compiled based on the total number of issued shares of the Company (i.e. 1,043,820,891 ordinary shares) as at 31 December 2019.

(b) Such shares were held through a corporation in which Jebsen Hans Michael was a member entitled to exercise no less than one-third of the voting power at general meeting.

Executive Director(s) of the Company have been granted share options under the Company's share option schemes adopted on 10 May 2005 (the "2005 Scheme") and 15 May 2015 (the "New Scheme") (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 2019 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 of 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 and Lee Tze Hau Michael 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 directorships 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. Jebsen Hans Michael is also a substantial shareholder of the companies.

Jebsen Hans Michael 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 and Risk Management 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, 20 February 2020

Audit and Risk Management Committee Report

Dear Shareholders,

We are pleased to present the Committee's report, which provides an overview of the works undertaken by the Committee during the year. The Committee continues to play a key role to assist the Board in reviewing the risk management and internal control systems, monitoring internal and external auditors and overseeing the financial reporting process, as part of the overall strategy-setting of the Group. In February 2019, the Committee was renamed the "Audit and Risk Management Committee" from the "Audit Committee" to reflect and emphasize its ongoing role of evaluating, overseeing and monitoring the Group's risk appetite, profile and tolerance. In February 2019, the terms of reference were at the same time updated to embrace the Committee's key objectives on risk management.

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

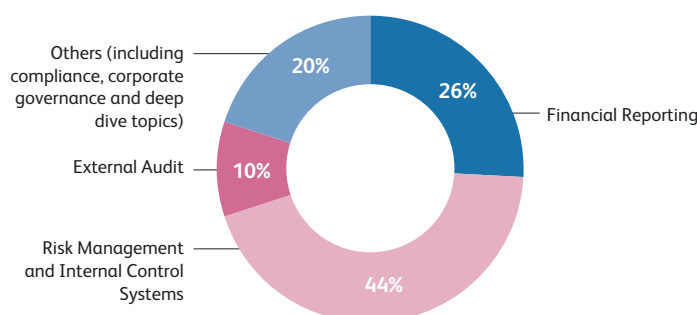
Highlights in 2019

- Engaged an external professional and evaluated the Group's cyber risk
- Reviewed the Group's privacy compliance updates
- Reviewed the Corporate Disclosure Policy and framework
- Reviewed the Group's risk appetite framework
- Reviewed the Group's crisis management protocol
- Reviewed the Group's corporate structure to address new business operations and risk management
- Reviewed internal control process on share dealing and share repurchase

Key responsibilities

- Oversee the integrity of the Group's financial management and reporting processes
- Review the major risks identified and monitor the effectiveness of risk management and internal control systems
- Review the risk management and internal control framework
- Oversee the relationship with the external auditor and provision of non-audit services

Audit and Risk Management Committee activities and agenda time during the year



Meetings Schedule

Starting from 2019, the Audit and Risk Management Committee has held an additional meeting (making a total of 4 meetings during the year) to address dynamic risks and enhance the risk management oversight function. By the invitation of the Audit and Risk Management Committee, the Board Chairman and members of management (including the Chief Operating Officer and the Chief Financial Officer), internal auditor, external auditor and external valuer (as appropriate) attend the meetings to present and answer relevant questions and to facilitate the Committee's decision-making process. Pre-meeting sessions with external and internal auditors are held without management's presence.

- Review the effectiveness of the Company's internal audit function.
- Oversee the Company's relationship with the external auditor.
- Report to the Board on its findings after each Audit and Risk Management Committee meeting.

Activities

Details on the meeting held in February 2019 were set out in the 2018 Annual Report.

From March 2019 to February 2020, the Audit and Risk Management Committee held 4 meetings to:

Roles and Authorities

- Oversee the Group's financial management and reporting processes and monitor the works carried out by the external auditor. 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.
- Review the Company's risk management and internal control systems.
- Review reports on major risks the Group is facing.
- Review the adequacy of resources, qualifications and experience of staff of the Group's internal audit, accounting and financial reporting functions, as well as their training programmes and budget.
- Review the Group's Whistleblowing Policy with an extended application coverage and enhanced reporting procedures. Under this policy, employees and related third parties who deal with the Group (e.g. consultants, contractors, suppliers, agents and customers) can raise concerns, in confidence or anonymously, about misconduct, malpractice or irregularities in any matters related to the Group. The Audit and Risk Management Committee ensures that the concerns raised are investigated and followed up as appropriate.

Financial Reporting

- Review and discuss with management and the external auditor, as well as recommend to the Board to approve, the unaudited financial statements for the first 6 months ended 30 June 2019; the audited financial statements for the year ended 31 December 2019; and the Independent Auditor's Report for the year ended 31 December 2019, prior to their publication based on the external auditor's review work and the following:
 - Discuss with the external auditor and internal auditor the scope of their respective review and findings.
 - Discuss with management significant parameters and judgments affecting the Group's financial statements, including valuation of investment properties as at 30 June 2019 and 31 December 2019 by the independent professional valuer, Knight Frank Petty Limited.
 - 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 2019.

Review of Risk Management and Internal Control Systems

- Evaluate the Group's enterprise-wide cyber risks. An independent team of Deloitte Touche Tohmatsu was engaged as part of our digital new service pre-launch due diligence. Following the assessment and evaluation of the Group's enterprise-wide cyber security management, the Group adopted the IT Outsourcing Management Policy and Procedure, and the Cloud Services Policy and Procedure, and conducted an intrusion test on its IT systems to strengthen cyber security management. A Key Risk Indicator framework is also in place to incorporate cyber risk assessment into our daily operations.
- Review the Group's privacy compliance updates.
- Review the Corporate Disclosure Policy and framework.
- Review the Group's risk appetite framework, and identify the key corporate risks, including overall business environment, operational risks, ESG risks and compliance, etc., with the tone being set by senior management. Consider the key imminent risks and risk registers presented by the management.
- Review the Group's crisis management protocol managing the impact of social unrest in 2019.
- Review and assess the Group's corporate structure in relation to new business operations and risk management, and respond to new regulatory requirements.
- Review internal control measures on share dealing and share repurchase, and enhance the Code for Securities Dealing by Directors and employees.
- Review the company-wide corporate disclosure training programme as one of the internal control measures to raise awareness and provide guidance to employees when making proper and timely decisions on disclosure.
- Review the property market trends of the retail, office and residential sectors presented by an independent professional valuer, Knight Frank Petty Limited.
- Endorse the enhanced Code of Ethics, which extends to joint ventures, contractors and suppliers working for the Company whom are encouraged to follow this Code of Ethics.
- 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 adequacy of resources for ESG performance and reporting.
- Review the whistleblowing reports. No material issues were raised during the year.
- Review the legal and regulatory updates/trends that may affect the Group and their implications.
- Review 2019 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 2019, as well as the adequacy and effectiveness of the related internal control procedures
 - regular reports by management of major risks, risk level movement and mitigating actions, and special reports on selected major risk items detailed above
 - regular reports of the Internal Audit, including status of implementation of its recommendations
 - certification and confirmation of controls' effectiveness by management, covering financial, operational and compliance controls, ESG compliance, internal audit, 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 in respect of the Group's financial reporting cycle during the course of its audit.

The Audit and Risk Management 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, their training programmes and budget as well as the adequacy of resources for ESG performance and reporting). No significant areas of concern that might affect financial, operational and compliance controls, ESG compliance, internal audit, risk management and internal controls functions were identified.

External Auditor

- Review and consider the terms of engagement of the external auditor in respect of the 2019 final results (including 2019 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, including independence. This is performed through review of the management's detailed assessment of the independence, quality of service, level of remuneration and annual confirmation of auditor's independence issued by the external auditor.

In particular, the assessment was satisfied that the auditor's independence and objectivity have not been impaired by reason of the provision of non-audit services. All services were pre-approved by the Audit and Risk Management 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. Deloitte Touche Tohmatsu confirmed its independence with regard to the non-audit services provided. A rotation arrangement for the lead audit partner was also established and implemented by the auditor. The lead audit partner is required to comply with professional ethics and independence policies and requirements applicable to the work performed.

External Auditor's Services and Fees

	2019 HK\$ million	2018 HK\$ million
Audit Services	2.9	2.9
Non-audit Services (Note)	2.5	1.5
Total	5.4	4.4

Note:

"Non-audit services" include review and consultancy services, agreed-upon-procedures reports, statutory compliance, regulatory or government procedures required to comply with financial, accounting or regulatory report matters.

- Review and consider the 2020 audit service plan of the external auditor, and the terms of its engagement in respect of the 2020 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 2020.

Internal Audit

- Review the internal audit plan, any matters identified as a result of internal audits, and management responses to audit reports issued during the year; as well as the progress made in implementing improvement actions.
- During 2019, the internal audit plan included reviews of leasing business, accounting and financial reporting practice, and corporate communications process, etc. No significant issues were raised during the review.
- Consider and approve the scope of work to be undertaken by the Internal Audit function in 2020. During 2020, it is expected that the internal audit plan will include reviews of leasing business, marketing, information technology management practice, etc.

Members' attendance records are disclosed in the table on page 57.

Evaluation

The Board and Committee evaluation process, which took place during the year, concluded that the Audit and Risk Management Committee was effective in fulfilling its roles in 2019. For details, please refer to Corporate Governance Report – "Board Evaluation 2019" (from pages 58 to 59).

Members of the Audit and Risk Management Committee

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

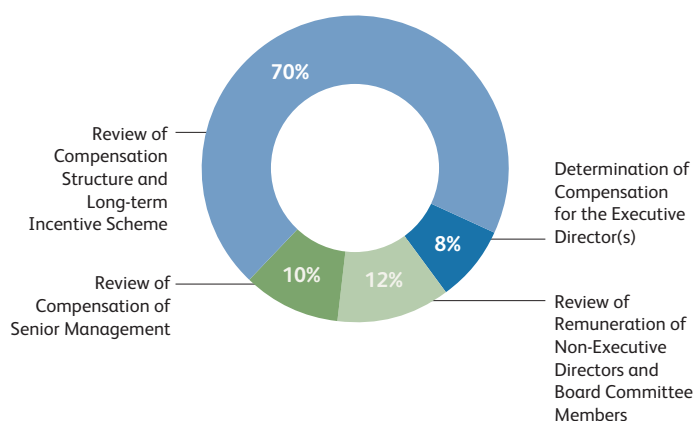
Hong Kong, 20 February 2020

Remuneration Committee Report

Dear Shareholders,

We are pleased to present our 2019's Remuneration Committee Report. The primary roles of the Remuneration Committee are advising the Board on formulating the remuneration policy for Directors and senior management, determining remuneration and incentives packages for Directors and senior management, and ensuring that the Directors and senior management have remuneration commensurate with their qualifications and competencies.

Remuneration Committee activities and agenda time during the year



Composition

Majority are Independent Non-Executive Directors

Committee members

Fan Yan Hok Philip* (Chairman)

Lee Tze Hau Michael

Poon Chung Yin Joseph*

* Independent Non-Executive Director

Highlights in 2019

- Considered remuneration for Directors and senior management
- Considered the compensation structure and long-term incentive scheme
- Reviewed the Terms of Reference

Key responsibilities

- Review Hysan's framework and general policies for the remuneration of Executive Director(s) and senior management
- Review the remuneration packages of Executive Director(s), Non-Executive Director(s) and senior management
- Review share incentive plans

Meetings Schedule

The Remuneration Committee generally meets at least once every year. 2019 was an active year for the Remuneration Committee, which held 3 meetings during the year. The Executive Director(s) and management may be invited to Remuneration Committee meetings to present and/or answer relevant questions in order to facilitate the decision-making process. No Director is involved in deciding his/her own remuneration.

Roles and Authorities

- Review Hysan's framework and general policies for the remuneration of Executive Director(s) and members of senior management, as recommended by management, and make recommendations to the Board.
- Review and determine the remuneration of Executive Director(s) and senior management.
- Review the fees payable to Non-Executive Directors and Board Committee members prior to shareholders' approval at the AGM.
- Review new share incentive plans, changes to key terms of pension plans, and key terms of new compensation and benefits plans that have material financial, reputational, and strategic impact.

Activities

During the year of 2019, the Remuneration Committee held 3 meetings to:

- Approve the 2019 Executive Director's compensation package and the 2018 performance-based bonus.
- Review the fees for Non-Executive Directors and Board Committee members based on the recommendations of an independent global consultancy company specializing in human resources and compensation.
- Review and determine compensation of senior management.
- Review and consider the long-term incentive scheme and proposals based on the recommendations of an independent global consultancy company specializing in human resources and compensation.
- Review the terms of reference of the Remuneration Committee.

In January 2020, the Remuneration Committee also held a meeting to:

- Approve the 2020 Executive Director's compensation package and the 2019 performance-based bonus.
- Review the fees for Non-Executive Directors and Board Committee members.
- Review and determine compensation of senior management.
- Review and consider the long-term incentive scheme.

Members' attendance records are disclosed in the table on page 57.

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

The Group's remuneration policy aims to provide a fair market remuneration to attract, retain and motivate high quality Executive Director(s), senior management and employees. At the same time, awards must be aligned with shareholders' interests. From December 2018 and continue in 2019, the Group engaged an independent global consultancy company specializing in human resources and compensation to conduct an overall review of the Group's compensation structure for Executive Director(s), Non-Executive Directors and Board Committee members, with the objective of introducing refinements to better support the Group's strategic objectives ("Independent

Compensation Review"). The Remuneration Committee considered the Independent Compensation Review in depth at the meeting held in January 2019.

In May 2019, the Remuneration Committee instructed the said independent global consultancy company specializing in human resources and compensation to conduct an overall review of the Group's long-term incentive scheme and review comparable market schemes. In September 2019, the Remuneration Committee invited the said independent consultant to present and answer questions from the members of Remuneration Committee.

The following principles have been established:

- Remuneration packages and structure to reflect a fair system of rewards for all participants, with the emphasis on performance, comprising the following components:

	Components	Determining Factors	Fixed and variable compensation
Fixed compensation	Base salary and allowances	<ul style="list-style-type: none"> • Market trend – pay increments in general and in real estate industry • Market benchmark – relevant role and job scope • Company's performance • Individual performance and contribution – achieved against annual financial and operational targets (Turnover, Expense Ratio, EPS, Portfolio Year End Occupancy, key strategic initiatives achievement, etc.) 	Base salary and benefits
Variable compensation	Performance bonus	<ul style="list-style-type: none"> • Company's performance • Individual performance and contribution – achieved against annual financial and operational targets (Turnover, Expense Ratio, EPS, Portfolio Year End Occupancy, key strategic initiatives achievement, etc.) • Actual pay out ranges from 0–200 % of the target bonus (which is set as a % of annual base salary) 	Short-term Performance-based component (bonus)
	Share options	<ul style="list-style-type: none"> • Company's performance • Individual performance and potential, and the long-term contribution to Company • Grant level is based on a prescribed grant multiple of annual base salary 	Long-term Long-term incentives (share options)

- Remuneration packages to be set at levels to ensure comparability and competitiveness with Hong Kong-based companies competing for a similar talent pool, with special emphasis on the real estate industry. Independent professional advice is to be sought where appropriate.
- The Remuneration Committee to determine the overall amount of each component of remuneration, taking into account both quantitative and qualitative assessment of performance and achievement of financial and operational key performance targets that align with the Group's long-term strategy.
- Remuneration policy and practice to be as transparent as possible.
- Share option grantees to 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 to be taken into account.
- The remuneration policy for Executive Director(s) and senior management to be reviewed regularly, independent of executive management.
- In January 2020, the Remuneration Committee also held a meeting to consider the annual base salary of Lee Irene Yun-Lien and concluded that her 2020 annual fixed base salary is HK\$8,000,000.

Details of Directors' (including individual Executive Director(s)) and Senior Management's emoluments for the year of 2019 and option movements for Executive Director(s) during the year are set out in notes 11, 12 and 37, respectively, to the consolidated financial statements.

Non-Executive Directors' Remuneration Policy

The Independent Compensation Review also included consideration and review of the Group's compensation structure for Non-Executive Directors and Board Committee members.

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

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

For the year of 2019, Non-Executive Directors had received no other compensation from the Group except for the fees disclosed below. None of the Non-Executive Directors had received any pension benefits from the Company, nor did they participate in any bonus or incentive schemes.

Non-Executive Directors (including Independent Non-Executive Directors) received fees totalling HK\$3,106,000 for the year of 2019.

Director Fee Levels

Director fees are subject to shareholders' approval at general meetings. The Remuneration Committee in 2019 considered the recommendations of the Independent Compensation Review, and the level of responsibility, experience and abilities required of the Directors, level of care and amount of time required, as well as the fees offered for similar positions in companies requiring the same talents. Revision to fees of Non-Executive Directors and Chairman and member of the Audit and Risk Management Committee, the Remuneration Committee and the Nomination Committee were proposed, and approved, at the AGM held on 16 May 2019.

REMUNERATION COMMITTEE REPORT

In January 2020, the Remuneration Committee decided that the fees of the Directors shall remain unchanged. It also considered that the newly established Sustainability Committee has an important role to support the Board in overseeing the Group's corporate social responsibility and sustainability strategy. It was proposed to the Board for consideration and the Board approved that the Sustainability Committee Chairman and members be remunerated with appropriate chairmanship and membership fees.

The current fees for Non-Executive Directors and Board Committee members and the fees for 2020 are set out below. Executive Director(s) will not receive any director fee(s).

	2019 Fee Per annum HK\$	2020 Fee Per annum HK\$
Board of Directors		
Non-Executive Director	280,000 (Note 2)	Unchanged
Audit and Risk Management Committee		
Chairman	180,000 (Note 2)	Unchanged
Member	108,000 (Note 2)	Unchanged
Remuneration Committee		
Chairman	75,000 (Note 2)	Unchanged
Member	45,000 (Note 2)	Unchanged
Nomination Committee		
Chairman	50,000 (Note 2)	Unchanged
Member	30,000 (Note 2)	Unchanged
Sustainability Committee (Note 1)		
Chairman	N/A	50,000
Member	N/A	30,000

Notes:

1. Sustainability Committee has been established with effect from 1 January 2020.
2. Approved by shareholders in the 2019 AGM and took effect on 1 June 2019.

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 2019 was 514. The Group's human resources practices are aligned with our corporate objectives in order to maximize shareholder value and achieve growth. Details of our human resources programmes, training and development are set out in the "Sustainability Report 2019".

Long-term incentives: Share Option Schemes

The Company may grant options under executive share option schemes as adopted from time to time. The purpose of the schemes is to strengthen the connection between individual staff and shareholders' interests. The power to grant options to Executive Director(s) is vested in the Remuneration Committee and endorsement by all Independent Non-Executive Directors is required under the Listing Rules. The Chairman or the Chief Executive Officer may make grants to management staff below the 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 (the "2005 AGM"), which had 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 to 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 maximum number of shares permissible under the Listing Rules, being 10% of the total number of shares in issue as at the date of the 2005 AGM (being 104,996,365 shares).

The maximum entitlement of each participant under the 2005 Scheme must not, during any 12-month period, exceed the maximum number of shares permissible under the Listing Rules (which is 1% of the total number of shares in issue as at the date of the 2005 AGM, 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 for 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.

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 (the “2015 AGM”), 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 to 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 maximum number of shares permissible under the Listing Rules, currently being 10 % of the total number of shares in issue as at the date of the 2015 AGM (being 106,389,669 shares). Under the Listing Rules, a listed issuer may seek approval by its shareholders in a general meeting for “refreshing” the 10 % limit under the New Scheme. The limit on the total number of shares that 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 maximum number of shares permissible under the Listing Rules). No options may be granted if such a grant would result in such 30 % limit or maximum permissible limit being exceeded.

The maximum entitlement of each participant under the New Scheme must not, during any 12-month period, exceed the maximum number of shares permissible under the Listing Rules (which is 1 % of the total number of shares in issue as at the date of the 2015 AGM, 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 for 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 are to 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 performance grades. The Board reviews the grant and vesting structures from time to time.

Movement of share options

During the year, a total of 1,286,200 shares options were granted under the New Scheme. The 2005 Scheme had expired on 9 May 2015 and no further option has been granted under the 2005 Scheme.

As at the date of this Annual Report:

- share options exercisable into a total of 1,322,667 ordinary shares of the Company granted and fully-vested under the 2005 Scheme remained outstanding, representing approximately 0.13 % of the total number of issued shares of the Company;
- share options exercisable into a total of 3,170,067 ordinary shares of the Company granted (including fully-vested share options exercisable into 1,134,392 ordinary shares of the Company) under the New Scheme remained outstanding, representing approximately 0.30 % of the total number of issued shares of the Company; and
- 102,853,005 shares are issuable under the New Scheme, representing approximately 9.86 % of the total number of issued shares of the Company.

REMUNERATION COMMITTEE REPORT

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 1.1.2019	Changes during the year			Balance as at 31.12.2019
					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)	31.3.2010	22.45	31.3.2011 – 30.3.2020	50,000	–	–	–	50,000
	31.3.2011	32.00	31.3.2012 – 30.3.2021	32,000	–	–	–	32,000
	30.3.2012	31.61	30.3.2013 – 29.3.2022	70,000	–	–	–	70,000
	28.3.2013	39.20	28.3.2014 – 27.3.2023	85,000	–	–	–	85,000
	31.3.2014	33.75	31.3.2015 – 30.3.2024	46,000	–	–	–	46,000
	31.3.2015	34.00	31.3.2016 – 30.3.2025	62,667	–	–	–	62,667
				1,322,667	–	–	–	1,322,667

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2019	Changes during the year			Balance as at 31.12.2019
					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	23.2.2018 – 22.2.2027	300,000	–	–	–	300,000
	1.3.2018	44.60	1.3.2019 – 29.2.2028	373,200	–	–	–	373,200
	22.2.2019	42.40 (Note d)	22.2.2020 – 21.2.2029	–	494,200	–	–	494,200
Eligible employees (Note c)	31.3.2016	33.05	31.3.2017 – 30.3.2026	174,000	–	(49,000) (Note e)	–	125,000
	31.3.2017	35.33	31.3.2018 – 30.3.2027	248,667	–	–	(4,000)	244,667
	29.3.2018	41.50	29.3.2019 – 28.3.2028	513,000	–	–	(17,000)	496,000
	29.3.2019	42.05 (Note f)	29.3.2020 – 28.3.2029	–	792,000	–	(30,000)	762,000
				1,983,867	1,286,200	(49,000)	(51,000)	3,170,067

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 the resignations of certain eligible employees.
- (c) Eligible employees are those working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.
- (d) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 21 February 2019) was HK\$41.75.
- (e) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$41.31.
- (f) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 28 March 2019) was HK\$41.90.

Apart from the above, the Company has not granted 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 37 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 3-year vesting period of the options.

The fair values of share options granted by the Company were determined by using 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 so adopted may materially affect the estimation of the fair value of an option.

The inputs into the Model were as follows:

Date of grant	29.3.2019	22.2.2019
Closing share price at the date of grant	HK\$42.050	HK\$42.400
Exercise price	HK\$42.050	HK\$42.400
Risk free rate (Note a)	1.406 %	1.552 %
Expected life of option (Note b)	5 years	5 years
Expected volatility (Note c)	17.689 %	17.710 %
Expected dividend per annum (Note d)	HK\$1.342	HK\$1.342
Estimated fair values per share option	HK\$4.460	HK\$4.750

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

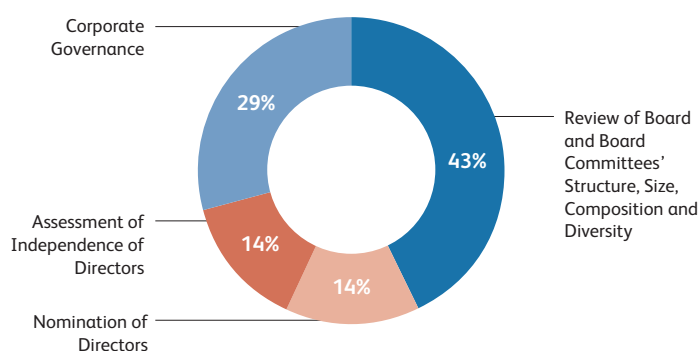
Hong Kong, 20 February 2020

Nomination Committee Report

Dear Shareholders,

We are pleased to present our 2019's Nomination Committee Report. The primary roles of the Nomination Committee are to review the Board structure, composition and diversity, and to recommend Board appointments. The roles of the Non-Executive Directors continue to evolve in line with growing demands and the fast-changing business environment. The Board is constantly looking ahead to ensure that our Non-Executive Directors have the required skills and experience to drive the highest performance.

Nomination Committee activities and agenda time during the year



Composition

Majority are Independent Non-Executive Directors

Committee members

Lee Irene Yun-Lien (Chairman)

Fan Yan Hok Philip*

Lau Lawrence Juen-Yee*

Lee Chien

Poon Chung Yin Joseph*

* Independent Non-Executive Director

Highlights in 2019

- Considered the re-appointment and independence of Directors
- Adopted the Onboarding Guideline for Directors
- Reviewed the Board of Directors Mandate and the Roles and Requirements of Non-Executive Directors
- Reviewed the Terms of Reference

Key responsibilities

- Review the structure, size, composition and diversity of the Board and make recommendations to the Board
- Assess independence of the Independent Non-Executive Directors

Meeting Schedule

The Nomination Committee generally meets at least once every year.

Roles and Authorities

- Review and make recommendations on the structure, size, composition and diversity of the Board to complement the Company's corporate strategies.
- Review the Diversity Policy.
- Review the independence of Directors pursuant to the Listing Rules' requirements.
- Generally oversee the succession planning of the Board.
- Review the time commitment and the efforts required from Directors to discharge their responsibilities.
- Review the training and continuous professional development of the Directors.
- Consider the nomination of Directors after careful consideration of the attributes and values required to support the effective functioning of the Board in accordance with the Company's Nomination Policy. In addition, to take into account diversity aspects (including but not limited to gender, age, cultural/educational and professional background, skills, knowledge and experience), with due regard for the benefits of diversity, as set out under the Diversity Policy.

Director Recruitment Process



- 1** A wide and diverse range of candidates with different skills and business backgrounds that would be attributable to the business needs are identified



- 2** Nomination Committee Chairman meets with shortlisted candidates



- 3** Nomination Committee assesses the suitability of the candidates based on a range of criteria



- 4** All Directors are given the opportunity to meet with the preferred candidate



- 5** Nomination Committee makes a recommendation to the Board

Activities

During the year of 2019, the Nomination Committee held a meeting to:

Board Composition

- Review the Board's structure, size, composition and diversity, and monitor the progress made towards enriching the skills and experience of Board members while improving diversity within the Board. The Nomination Committee was satisfied that, with the establishment of the Sustainability Committee at Board level on 1 January 2020, the current composition and size of the Board remained appropriate for the time being. These matters shall continue to be kept under regular review.
- Continue with the appointment of Li Xinzhe Jennifer as an advisor to the Board, to continue to enrich the Board's skills and diversity.
- The recent Board performance evaluation concluded that the Board has operated very well. The Nomination 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 recorded in the table on page 57.
- Review the contribution of the Directors who are due to retire and are subject to re-appointment at the forthcoming AGM with the support of the Board.
- Review the training of the Directors and senior management.

Independence of Non-Executive Directors

- Assess the independence, effectiveness and commitment of each of the Company's Independent Non-Executive Directors.
- Consider that 2 Directors, Fan Yan Hok Philip and Poon Chung Yin Joseph, have served as Independent Non-Executive Directors for more than 9 years. Fan Yan Hok Philip will also retire at the forthcoming AGM to be held on 13 May 2020 by rotation and Poon Chung Yin Joseph will remain on the Board for a further year. The Nomination Committee was of the view that both Fan Yan Hok Philip and Poon Chung Yin Joseph have demonstrated consistently that they maintain a healthy level of professional skepticism whenever appropriate, and they have not been reserved in asking probing

questions and challenging executive management's views and recommendations. There was no evidence to suggest that their tenure has had any impact on their independence.

- The Nomination Committee was satisfied that notwithstanding the length of service of such Directors, as well as their number and nature of office(s) held in other public companies and their other commitments, they remained highly committed to the Company, are independent and impartial, and continue to be in a position to discharge their duties and responsibilities in the coming year.

Review of Policy and Guidelines

- Adopt the Onboarding Guideline for Directors to establish a robust onboarding process to help new Directors to engage with fellow Directors and management
- Enhance our Board of Directors Mandate and the Roles and Requirements of Non-Executive Directors so that they align with the latest developments and ensure good corporate governance
- Review its terms of reference taking into account the corporate governance roles of the Nomination Committee. In February 2019, the terms of reference were updated to address key objectives.

Sustainability Committee and Next Generation Innovation Panel

- Consider the establishment and composition of the Sustainability Committee at Board level, which oversees the Group's sustainability development and strategies, governance and reporting with effect from 1 January 2020.
- Consider the nature and composition of the Next Generation Innovation Panel, which improves capabilities and supports the strategic direction-making of the Board.

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, 20 February 2020

Sustainability Committee Report

Dear Shareholders,

The Board is constantly looking ahead to ensure that our Company is aligned with the latest international sustainability and ESG best practices, which led to the establishment of the Sustainability Committee on 1 January 2020.

The primary roles of the Sustainability Committee are to review and oversee the Group's corporate responsibility and sustainability development and policies. The Committee is tasked with overseeing the overall corporate responsibility and sustainability vision and action plans for the Group while bringing any related issues to the attention of the Board. It also assesses and makes recommendations on matters concerning the Group's sustainability opportunities and risks.

Composition

Majority are Independent Non-Executive Directors

Committee members

Jebsen Hans Michael B.B.S. (Chairman)

Fan Yan Hok Philip*

Wong Ching Ying Belinda*

* Independent Non-Executive Director

Highlights in 2020

- Sustainability Committee was established on 1 January 2020
- Reviewed and endorsed Hysan's sustainability strategy

Key responsibilities

- Review Hysan's sustainability roadmap and making recommendations to the Board
- Review and report to the Board on sustainability risks and opportunities.
- Monitor and review existing and/or emerging issues, trends and investments related to corporate responsibility and the sustainability of the Group.
- Monitor and review the Group's corporate responsibility and sustainability policies and practices to ensure they remain relevant and compliant with legal and regulatory requirements (including, but not limited to, the relevant Hong Kong Stock Exchange Environmental, Social, Governance Reporting Guide and the Listing Rules).
- Review and provide recommendations to the Board for approval of the annual corporate responsibility/ sustainability report and relevant disclosures in the Company's annual report.

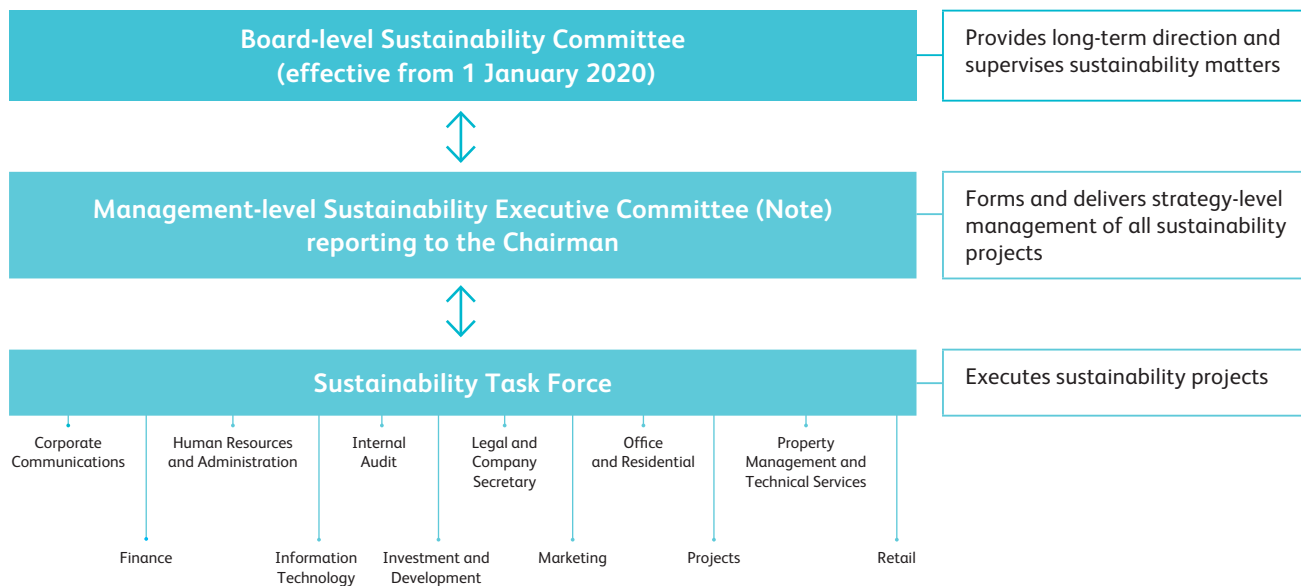
Meeting Schedule

The Sustainability Committee generally meets at least once every year.

Roles and Authorities

- Review, endorse and report to the Board the Group's corporate responsibility and sustainability plans, strategies, priorities, policies, practices and frameworks.
- Review and evaluate the adequacy and effectiveness of the actions taken by the Group based on its corporate responsibility and sustainability plans, strategies, priorities, policies and frameworks, and recommend improvements.

Hysan's Sustainability Governance Structure



Note:

In 2020, the management-level sustainability committee was renamed as the Sustainability Executive Committee to support the newly established Sustainability Committee of the Board. The management-level Sustainability Executive Committee consists of all department heads of the Company and is chaired by the Chief Operating Officer.

Activities

In February 2020, the Sustainability Committee held a meeting to:

Review Hysan's Sustainability Strategy

- Discuss and review Hysan's sustainability strategy. The Sustainability Committee considered the action plan and identified potential risks and challenges related thereto, benchmarking international standards and industry peers.

Discuss ESG Overview and Direction

- Hysan has consistently engaged with the community in which it operates since the community is core to the Group's heritage. The Committee reviews the engagement strategy on a regular basis in order to prepare for the future.

Members of the Sustainability Committee

Jebsen Hans Michael B.B.S. (Chairman)

Fan Yan Hok Philip

Wong Ching Ying Belinda

Hong Kong, 20 February 2020

Risk Management and Internal Control Report

Responsibility

Responsibility for risk management is shared among the Board of Directors and the management of the Group. The Board has the overall responsibility of reviewing and maintaining sound and effective risk management and internal control systems. Management's role is to design and implement these systems, and report to the Board and the Audit and Risk Management Committee on the risks identified and how they are managed. This process is essential for the Group to achieve its business objectives.

Our Risk Management and Internal Control Framework

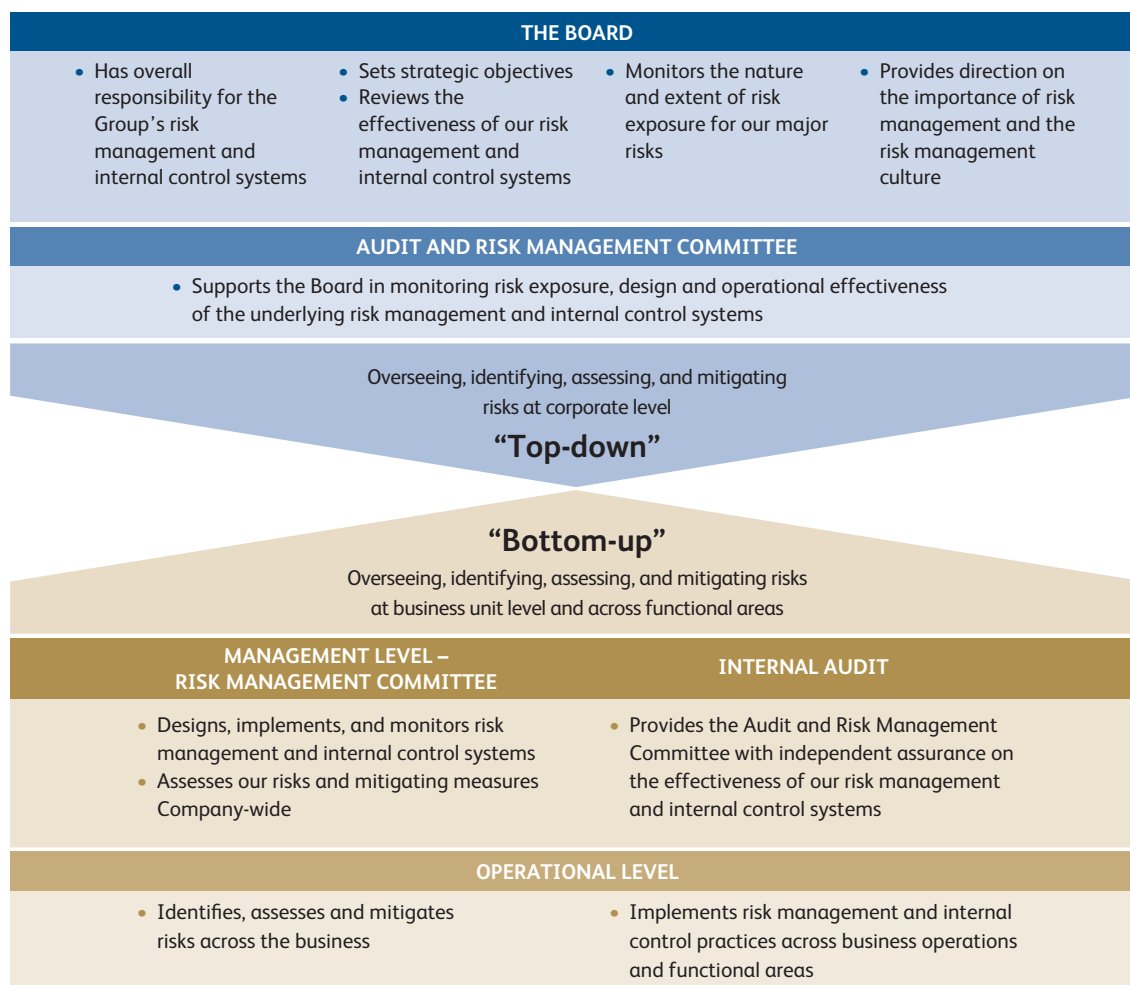
The Audit and Risk Management Committee supports the Board in monitoring our risk exposures, as well as the design and operating effectiveness of the underlying risk management and internal control systems. Acting on behalf of the Board, the Committee oversees the following process on a consistent basis:

- i. Reviewing the principal business risks and control measures in order to mitigate, transfer or avoid such risks; the strengths and weaknesses of the overall risk management and internal control systems; and action plans to address the weaknesses or improve the assessment process;
- ii. Reviewing the business process and operations reported by Internal Audit, including action plans to address the identified control weaknesses, as well as status updates and monitoring the implementation of audit recommendations; and
- iii. Reporting by the external and internal auditors of any control issues identified in the course of their work, and discussing with the external and internal auditors the scope of their respective review and findings.

The Audit and Risk Management Committee reports its findings to the Board, which then considers these findings in order to form its own view of the effectiveness of the Group's risk management and internal control systems.

Please also see the "Audit and Risk Management Committee Report" from pages 74 to 77 regarding the Audit and Risk Management Committee's detailed review work, including the forms of assurance received from management, the external auditor and internal auditor.

Hysan's Top-Down/Bottom-Up Risk Management Framework



2019 Review of Risk Management and Internal Control Effectiveness

In respect of the year ended 31 December 2019, the Board, with confirmation from Chief Operating Officer, Chief Financial Officer, Head of Internal Audit as well as General Counsel and Company Secretary, considered the risk management and internal control systems to be effective and adequate. No significant areas of concern that may affect the financial, operational and compliance controls, ESG compliance, internal audit, risk management and internal control functions of the Group were identified. The risk management and internal control systems are designed to manage rather than to eliminate the risks of failure to achieve business objectives, and can only provide reasonable, not absolute, assurance against material misstatement or loss.

During the review, the Board also considered the resources, qualifications/experience of staff of the Group's internal audit, accounting, financial reporting and business support functions and found their training and budgets to be adequate.

Our Risk Management and Internal Control Model

Our risk management and internal control model is based on that of the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in the U.S. for internal control, but with due consideration given to our organizational structure and business nature.

Our model has 5 components. How the model fits into our operational and control environment is described as follows:

- **Control Environment** – this sets the tone for risk management and internal control. As Hysan is a tightly-knit organization, the actions of management and its commitment to effective governance are transparent to all.

We have a strong tradition of good corporate governance and we are committed to maintaining a high standard of integrity, openness, probity and accountability. A formal Code of Ethics is communicated to all staff (including new recruits). We have maintained a separate Whistleblowing Policy since 2016, under which whistle blowers can raise concerns, in confidence, through an independent third party who then reports to the Audit and Risk Management Committee. We are committed to building risk awareness and control responsibility into our corporate culture, which thereby forms the foundation of our risk management and internal control systems.

- **Risk Assessment** – we continue to improve our risk management process and the quality of information generated, while maintaining a simple and practical approach. Instead of establishing a separate risk management department, we seek to embed risk management into all our operations (retail, office, residential, property management & technical services, projects, marketing and investment & development) and functional areas (including finance, human resources & administration, IT, legal & secretarial and corporate communications).

On an annual basis, department heads review and update their risk registers, providing assurances that controls are appropriately embedded and operating effectively.

At management level, the Risk Management Committee, comprising Executive Director(s), Chief Operating Officer, Chief Financial Officer, Financial Controller, General Counsel and Company Secretary, as well as Head of Internal Audit, sets relevant policies and regularly monitors potential weaknesses and action items. This Committee is also responsible for identifying and assessing risks of a more macro and strategic nature, including emerging risks.

This bottom-up approach, in which operating unit heads identify operational risks, together with top-down stewardship, ensures a comprehensive assessment of the Group's major risks. Discussion sessions with all department heads further enhance the participatory and interactive aspects of the overall risk assessment and risk challenge process.

- **Control Activities and Information and Communicating** – our core property leasing and management business involves well-established business processes. Control activities have traditionally been built on supervisor reviews, segregation of duties, and well defined control points, both physical and digital. These control policies have been formalized as written policies and procedures, with defined limits of delegated authority and segregated duties and controls.

The annual budgeting and planning process, one of our key control activities, takes into consideration all risk factors as well as the latest economic and social trends. All operating units, in preparing their respective plans, are required to identify material risks that may have an impact on the achievement of their business objectives. Action items to mitigate identified risks are required to be developed for implementation. Variance analyses are regularly performed and reported to management and the Board, which help to identify deficiencies for timely remedial actions to be taken.

Another significant control activity is the monitoring of major project expenditures, as they are a particularly capital-intensive aspect of our property business. For each project, a detailed analysis of expected risks and returns is submitted to the operating unit heads, Chief Operating Officer, Chief Financial Officer, Executive Director(s) and the Board for approval as appropriate. Criteria used to assess business and financial feasibility are generally based on net present value, payback period, and internal rate of return from projected cash flow as well as on sensitivity analysis.

Management also conducts an annual internal control self-assessment. All department/unit heads must complete a relevant control self-assessment questionnaire and confirm with management that appropriate internal control policies and procedures have been established and properly complied with.

- **Monitoring Activities** – the Board and the Audit and Risk Management Committee oversee the control process, with the assistance from our Internal Audit team. Management provides update reports to the Audit and Risk Management Committee on major risks and appropriate mitigating measures. In 2019, the Audit and Risk Management Committee held 4 meetings (2018: 3 meetings) to address the dynamic risks and enhance the risk management oversight function. Each meeting has a dedicated discussion regarding risk management, internal control systems and recent development.

Strengthening our Underlying Systems

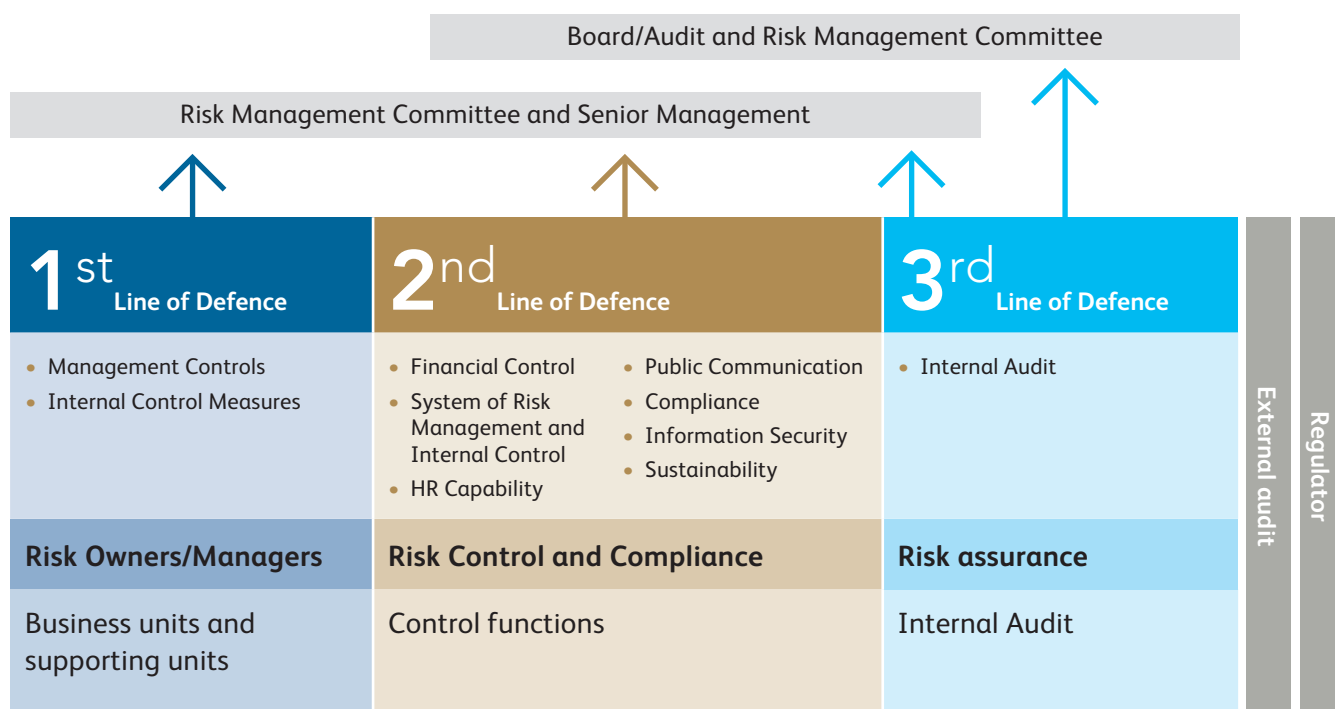
Since 2012, we have adopted a COSO-based framework and transformed a process-based risk management framework into a risk-based one. The risk-based approach ensures our ability to analyse risks and respond to opportunities as we pursue our strategic objectives, including sustainability.

Management reporting to the Audit and Risk Management Committee has been continuously enhanced, including regular and special reports on imminent risk topics. We have also integrated risk management and internal control into our business processes, including annual budgeting and planning as well as major project management.

Ultimately, our objective is to make risk management a “living” process that is practised on a day-to-day basis by operating units, incorporating up-to-date and fit for purpose market best practice.

Hysan’s “Three Lines of Defence” Model

Clear responsibilities and robust controls are vital to help manage risks. Since 2017, we have reinforced our risk governance structure by adopting a “Three Lines of Defence” model to address how specific duties related to risk and control should be assigned and coordinated within the Group. This has reinforced Hysan’s risk management capabilities and compliance culture across all divisions and functions.



The model aims to reinforce Hysan’s risk management capabilities and compliance culture throughout the Group. The responsibilities of each of the defence lines are as follows:

Business units and Supporting units	Corporate monitoring and control functions	Group internal audit
<ul style="list-style-type: none"> Ultimately accountable for all risks and controls in all business processes 	<ul style="list-style-type: none"> Responsible for the Group’s policy framework and independent risk assessment 	<ul style="list-style-type: none"> Responsible for providing independent and objective assurance on the effectiveness of risk management, internal controls and governance processes

Hysan's Regulatory Compliance Framework

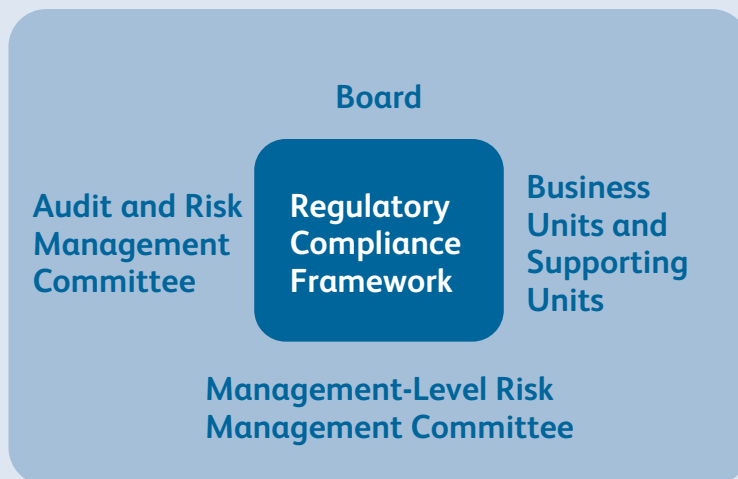
The Board, supported by the Audit and Risk Management Committee, shall have overall regulatory compliance authority in all matters. We have a regulatory compliance framework in place, which is fundamental to our commitment to achieving a high standard of internal control and governance.

Monitor

- Semi-annual compliance reported to the Audit and Risk Management Committee and the Board.
- Quarterly legal and regulatory update to the Audit and Risk Management Committee and the Board.
- Corporate governance policies regularly reviewed by the Board.

Identify

- Each business unit and supporting unit confirms compliance semi-annually (including compliance with laws affecting its operation).
- Compliance/Non-compliance is properly identified and recorded.



Respond

- Advise business units and supporting units on appropriate legal steps/actions.
- Assist the units to initiate and follow up on the required action.
- Report to the management-level Risk Management Committee.

Prioritize

- Prioritize for immediate action, corporate governance/policy planning, comprehensive reporting and follow up.

Assess

- Review and assess the impact. Seek external legal advice, where necessary.
- Report to the management-level Risk Management Committee.

Our Past Efforts to Enhance the Internal Control Environment and Activities

In addition, the following are examples of the improvements we have made over the past few years to strengthen our risk management and internal control systems:

Control Environment – policy of compliance

- Updated corporate governance policies including Whistleblowing Policy, Code of Ethics, Onboarding Guideline for Directors, Board of Directors Mandate, Roles and Requirements of Non-Executive Directors, Corporate Disclosure Policy, Shareholders Communication Policy, Code for Securities Dealing by Directors and employees in 2019, and human rights policy in 2020.

Ongoing review/ refinement of processes and structures to enhance compliance.

Risk Assessment – enhanced monitoring of “emerging risks”

- Strengthened the monitoring of material risks and “emerging risks”, i.e. new or evolving risks with potential significant impact, such as socio-political, economic or cyber security risks.
- The management-level Risk Management Committee plays a key role in identifying and tracking these risks, with top management leading discussions with all department heads.

In the context of a fast-changing global and local environment, the monitoring of “emerging risks” will be a focus.

Control Activities – e-compliance system

- The half-yearly compliance reporting was carried out electronically in July and December 2019.
- The legal compliance and connected transactions reporting systems were combined into one. This facilitates timely reporting, good record tracking and improves efficiency.

Continual review and refinement of internal risk management and reporting procedures to ensure prompt and timely response and escalation.

Control Activities – internal controls and policies

- Legal & Secretarial Department carried out a Corporate Disclosure Drill with an external professional in November 2019. Working level employees from Finance Department (Financial Reporting Team and Treasury Team), Investment & Development Department, Corporate Communications Department, Legal & Secretarial Department all attended an interactive drill with case studies.
- Regular trainings and education provided across the Group during the year by Legal & Secretarial Department and external professional advisors, including commercial contract negotiation as well as rental recovery solutions to support daily operations.
- General Counsel and Company Secretary worked with Human Resources Department to launch a group wide awareness education programme in May 2019. Key modules have been uploaded to Hysan’s mobile learning platform, including inside information, intellectual properties rights, competition law, connected transactions and dawn raids. New staff are requested to complete the modules within a prescribed period.

Continual review and refinement of policies and procedures, keeping risk management and internal controls in line with fast-changing external and internal business environments, are essential.

Monitoring Activities – enhanced “management assurance” to the Audit and Risk Management Committee and the Board

- Enhanced management update reports to the Audit and Risk Management Committee and to the Board on major risks, including deep-dive reports on topics such as enterprise-wide cyber security updates and assessments, privacy compliance updates and analysis of corporate structure in relation to new business and risk management.
- To strengthen management’s “assurance” to the Audit and Risk Management Committee and the Board, self-assessment questionnaires were distributed to all departments. Department heads were required to review and certify the effectiveness of their departmental controls, including the identification of any control issues. This initiative backs up management’s certification to the Audit and Risk Management Committee and the Board.

Facilitate and enhance the work of the Audit and Risk Management Committee and the Board in monitoring our risk exposure.

Our Risk Profile

Our approach for managing risk is underpinned by our understanding of our current risk exposures, and how our risks are changing over time. The following illustrates the nature of our major risks. Further analysis of our strategies is set out in other sections of the Annual Report as indicated below:

Risk area	Risk level changes during 2019	Description of risk change	Our mitigating measures
Overall business environment	↑	<ul style="list-style-type: none"> Retail industry hit by ongoing social unrest. Uncertainties arising from China-U.S. trade tensions. 	<ul style="list-style-type: none"> Proactive measures taken to ease tenants' business pressures. Focus on portfolio curation as well as prudent and sound financial management to ensure Hysan's business resilience.
Office sector	↑	<ul style="list-style-type: none"> Decentralization from Central continued to benefit office space in Causeway Bay. However, signs of a slow down were clear. Net take-up of Grade A office space in Hong Kong dropped 62 % year-on-year. Co-working continued to disrupt the traditional office leasing business. Expected consolidation may disturb the market. 	<ul style="list-style-type: none"> Diverse and flexible leasing efforts as well as maintaining a diversified tenant mix ensure a more resilient tenant portfolio. Offer tailored solutions to increase marketability of office units. Embrace co-working trend by collaborating with leading and strong co-working brands. Mutual empowerment with our Retail portfolio
Retail sector	↑	<ul style="list-style-type: none"> Retail spending in Hong Kong declined sharply amid the ongoing social unrest coupled with uncertainties from global economies. Causeway Bay is one of the major areas affected by social unrest. Brands consolidating their outlets for cost savings. Peer competition has intensified. 	<ul style="list-style-type: none"> Diverse and flexible leasing effort as well as active curation of tenant mix to ensure a more resilient and sustainable tenant portfolio. Short-term support to ease tenants' business pressure and reinforce long-term business partnership. Use mobile and business technology to drive loyalty programme as well as shopping experiences to distinguish our offerings. Focus on marketing efforts to target relevant existing and potential new shoppers. Area rejuvenation of Lee Gardens to enrich shopper experience.
Residential sector	↑	<ul style="list-style-type: none"> Uncertainties in the economy affect demand for luxury residential units from expatriates as well as affordable rent levels due to their tighter budget. 	<ul style="list-style-type: none"> Continue to invest in renovation of residential units and common areas to attract new tenants and improve rentals.
Tai Po Residential Development Project	↑	<ul style="list-style-type: none"> Recent signs of the cooling of the property market, as well as the looming "vacancy tax", may affect future profitability. 	<ul style="list-style-type: none"> Ensure the sites are carefully and professionally developed to capture the target market. Approach the market at the right moment. Sensible tender price mitigates pressure on profit.
Human Resources	↔	<ul style="list-style-type: none"> The service industry continues to face labour shortages. We are facing competition for skilled personnel for our frontline operations as well as for management to support our growth strategy. 	<ul style="list-style-type: none"> Improved working environment, benefits and an emphasis on well-being will help recruit new blood and retain talented people more effectively. Enhance staff productivity with technology enablement and process automation.
Cyber Security	↑	<ul style="list-style-type: none"> With fast developments in business technology, Hysan continues to leverage technology to improve our offering to shoppers and tenants, as well as to enhance our operations and management. Disturbances to business due to cyber security risks can be significant and costly to rectify. 	<ul style="list-style-type: none"> Regular cyber security review and upgrade to mitigate the risks. Engage external professionals to conduct a cyber security audit and a deep-dive review. Ongoing monitoring of key risk indicators.
ESG compliance	↔	<ul style="list-style-type: none"> Increasing attention from investors and the general public in assessing public companies. New requirements on compliance. 	<ul style="list-style-type: none"> Professional independent consultant conducted an overall review of the Group's sustainability and climate change performance. The Group executed the sustainable development principles and attained targets set. Sustainability Committee at Board level was established in 2020.

Notes: ↑ where "inherent risks" (i.e. before taking into consideration mitigating activities) have increased

↓ where "inherent risks" have decreased

↔ where "inherent risks" have remained broadly the same

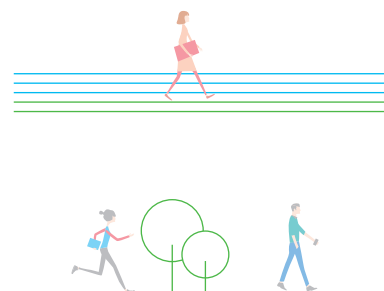
Sustainability Report 2019 – Summary

This section provides a summary of Hysan’s sustainability strategy overview and accomplishments. The reporting period is from 1 January 2019 to 31 December 2019, unless otherwise specified. During this period, Hysan continued to comply fully with the requirements of the provisions contained in the Environmental, Social and Governance Reporting Guide, Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Since Hysan published its first corporate responsibility/sustainability report back in 2006, the global and local communities in which it plays a part have changed quite significantly. The establishment of a Board-level Sustainability Committee at the start of 2020 demonstrates to our stakeholders that Hysan is taking its corporate responsibility and sustainable development to the next level. The Committee will provide long-term direction and supervise sustainability-related matters, and it will also review and monitor management’s execution of the sustainability projects.

In 2019, Hysan’s Sustainability Executive Committee engaged an independent consultant specialized in advising sustainable business to conduct an overall review of Hysan’s sustainability arrangement and performance, which included an extensive stakeholder engagement exercise. It yielded a range of material environmental, social and governance recommendations that aligned well with a number of Sustainability Development Goals (“SDG”) as set by the United Nations General Assembly in 2015. The recommendations will be turned into specific, measurable and time bound goals for Hysan in 2020 and beyond.

Hysan takes pride in being not only a business of owning and managing properties, but a Business of Life. A Business of Life creates a sustainable community where people can live, work and enjoy for generations to come. Indeed, the “Life” within our Business of Life mindset has become the core of our strategic sustainable development principles, which Hysan follows in all its daily management and operational activities.



Sustainable Development Principles of "Life"

Leap into smart and eco-business

Smart use of natural resources and technology for reducing the environmental impacts of Hysan's daily operations

Integrate with our communities

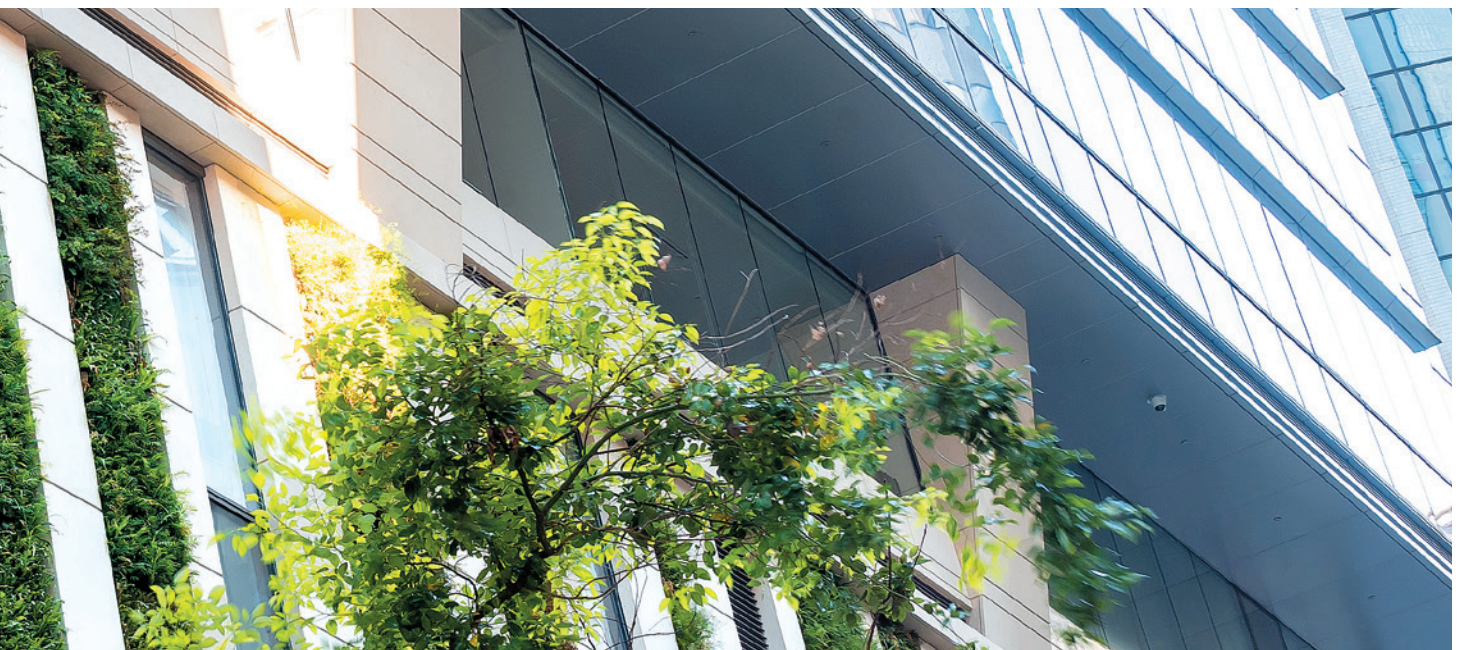
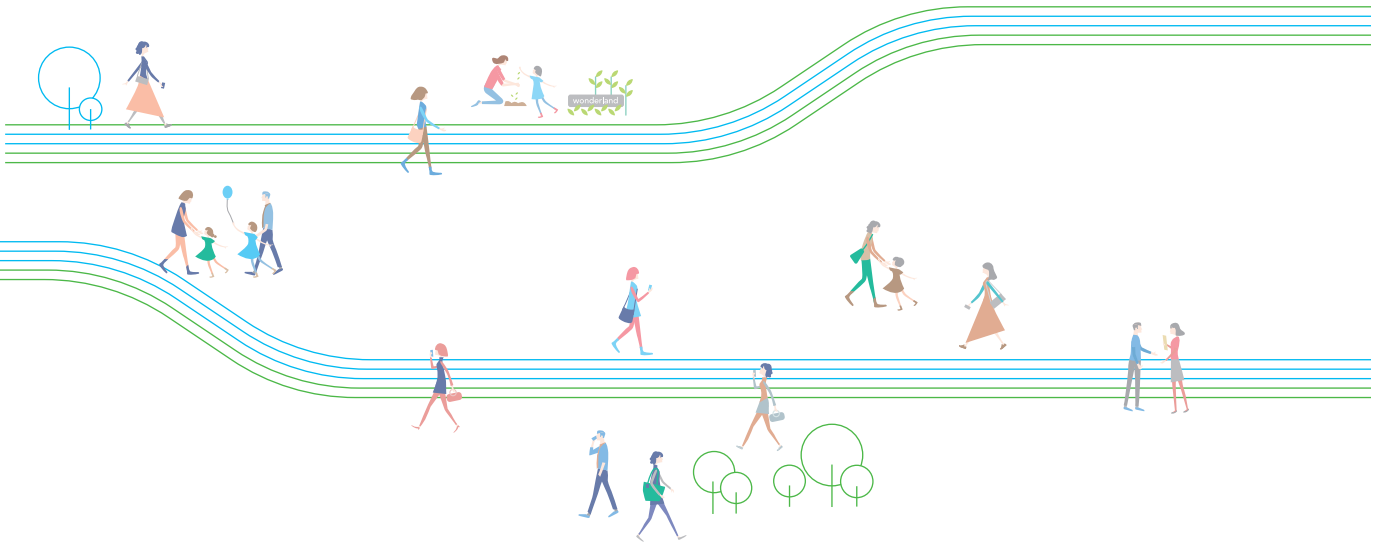
Integrate of community needs into our core business operations and partnerships, provide support to community projects, and develop sustainable partnership with our tenants

Foster partnership with our people

Build a diverse and inclusive workforce, treat our people fairly and help them realize their full potential

Establish strong corporate governance

Build a strong governance structure, maintain an ethical workplace and promote green finance

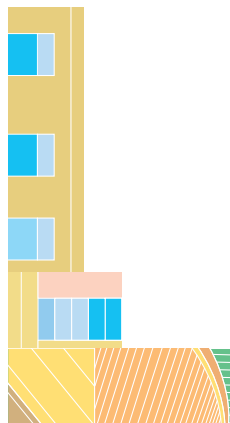


Sustainability Achievements in 2019

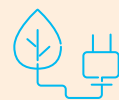
With a strong sustainability governance structure and continuous learning from industry norms and indices, Hysan regularly sets and reviews targets and effective measures across all its major business units in accordance with the principles of Life.

Hysan supports the United Nations SDGs and has identified 9 out of 17 SDGs that best align with Hysan's operations and sustainability objectives.

SUSTAINABLE DEVELOPMENT GOALS



Leap into smart and eco-business



Energy Conservation and Renewables

- In progress to adopt ISO 50001 Energy Management System
- In progress to implement building analytics technology for energy performance enhancement
- Installed solar and/or LED lighting at Bamboo Grove and Lee Garden Three



Integrate with our communities



Transformation of Spaces and Public Facilities

- Created an artistic and cultural space for the public, Urban Sky
- Commenced opening of a unique living and working space, Bizhouse
- Launched new mobile app for queries, navigation and parking
- Kick-started an art programme: local artists were invited to help revitalize the common areas of our buildings

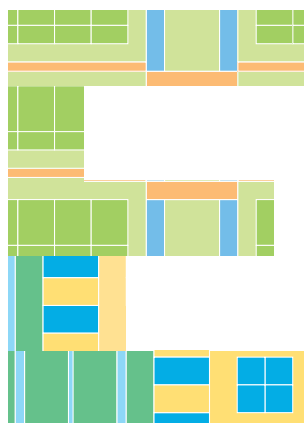


Foster partnership with our people



Human Resources Policies

- Enhanced communication and employee engagement channels.
- Enhanced employee benefits and compensation
- Upgraded work schedule for frontline supervisors from 6 to 5.5 days per week



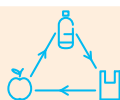
Establish strong corporate governance





Water Conservation

- Installed rainwater harvesting system at Lee Garden One and Bamboo Grove for irrigation and/or cleaning
- Replaced 100% of existing faucets of the renovation project at retail floors of Lee Garden Two with water efficient type



Waste Minimization and Diversion

- Saved 74,981 single-use plastic bottles through the installation of water refill stations
- Engaged 38 of our food and beverage tenants in "Be Straw Free Campaign"
- Supported local non-governmental organization EcoDrive on a "Go Green 2.0 x Enough Plastic Campaign"
- Installed reverse vending machine at Hysan Place to promote plastic bottle recycling



Green Building Recognition and Certifications

- Obtained Gold level under the United States Green Building Council's LEED (Core and Shell) and Final Platinum rating under BEAM Plus (New Buildings) for Lee Garden Three



Volunteering

- Organized a total of 15 charity activities with cumulated volunteer service hours of 812



Engaging Our Stakeholders and Surrounding Communities

- Organized and supported 77 community engagement events with over 36,000 participants
- Held 131 environmental education and outreach workshops under Green Wonders and Urban Farm
- Partnered with 14 NGOs and provided venue and media support



Employee Wellness

- Secured cumulative participation of over 740 colleagues in our employee wellness and recreation programme
- Turned Properties Services Division's Lee Garden Two workplace into a flex office space



Talent Attraction and Retention

- Upgraded mobile learning app with over 115 learning modules
- Acquired new intakes for Management Trainee Programme and Apprenticeship Scheme
- Designed a brand new Young Leaders Development Programme for employees with strong potential



Health and Safety

- Obtained "Excellent Class" or "Good Class" of Indoor Air Quality ("IAQ") Certification for 100% of public area in our retail and office buildings
- Achieved a significant increase in per-employee training hours from 11.05 to 20.39 (Head Office) and from 20.10 to 25.40 (Principal Operating Subsidiaries)



Corporate Governance

- Established the Board-level Sustainability Committee
- Updated 10 group-wide corporate governance related policies and procedures
- Added 5 new e-courses covering compliance to the Hysan mobile learning platform
- Organized a Corporate Disclosure Drill for key responsible departments regarding corporate disclosure responsibilities



Risk Management and Internal Control

- Assessed and reviewed the risk registers across business operations and functional areas
- Ensured continuous compliance by conducting half-yearly reporting with all departments
- Distributed internal control effectiveness questionnaires to all departments to review and certify the effectiveness of their departmental controls



Green Finance

- Issued a total of HK\$1,550 million green bonds through private placements under the existing Medium-Term-Note Programme

Directors' Report

The Directors submitted their report together with the audited consolidated financial statements for the year ended 31 December 2019, which were approved by the Board of Directors on 20 February 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Group continued throughout 2019 to be property investment, management, and development. Details of the Group's principal subsidiaries, associates and a joint venture as at 31 December 2019 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 2019 are set out in the consolidated statement of profit or loss on page 115.

The first interim dividend of HK27 cents per share, amounting to approximately HK\$283 million, was paid to shareholders during the year.

The Board declared a second interim dividend of HK117 cents per share to the shareholders on the register of members on 6 March 2020, totalling approximately HK\$1,221 million. The dividends declared and paid for ordinary shares in respect of the full year 2019 will total approximately HK\$1,504 million, and the balance of the profit will be retained.

BUSINESS REVIEW AND PERFORMANCE

A fair review of the business of the Group 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 relating to 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 Group's business – "Management's Discussion and Analysis";
- (b) The Group's risk management framework, the principal risks the Group is facing and the controls in place – "Risk Management and Internal Control Report";
- (c) Particulars of important events affecting the Group that have occurred since the end of the financial year 2019 – "Chairman's Statement", "Management's Discussion and Analysis" and "Notes to the Consolidated Financial Statements";
- (d) Future development of the Group's business – "Key Facts" and "Chairman's Statement";
- (e) Analysis using financial key performance indicators – "Management's Discussion and Analysis";
- (f) Discussion of the Group's environmental policies and performance – "Sustainability Report 2019 – Summary";
- (g) Discussion of the Group's compliance with the relevant laws and regulations that have a significant impact on the Group – "Corporate Governance Report", "Sustainability Report 2019 – Summary" and "Independent Auditor's Report"; and
- (h) An account of the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Group and on which the Group's success depends – "Directors' Report" and "Sustainability Report 2019 – Summary".

A detailed discussion of the Group's environmental policies and performance, its compliance with the relevant laws and regulations that have a significant impact on the Group, and its key relationships with stakeholders, is contained in the separate Sustainability Report 2019, which is available on the Company's website: www.hysan.com.hk.

These discussions form part of this Directors' Report.

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 118 and 119 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 2019, 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 2019 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 40 to 73) – 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, and Directors' interests in shares, contracts and competing business;
- (b) "Audit and Risk Management Committee Report" (pages 74 to 77) – this sets out the terms of reference, work performed and findings of the Audit and Risk Management Committee for the year;
- (c) "Remuneration Committee Report" (pages 78 to 85) – this gives detailed information on Directors' remuneration and interests (including information on Directors' compensation);
- (d) "Nomination Committee Report" (pages 86 to 88) – this sets out the terms of reference, work performed and findings of the Nomination Committee for the year;
- (e) "Sustainability Committee Report" (pages 89 to 90) – this sets out the terms of reference, work performed and findings of the Sustainability Committee; and
- (f) "Risk Management and Internal Control Report" (pages 91 to 97) – this sets out the Company's framework for risk assessment and internal control (including control environment, control activities and work completed during the year).

Further information on the Company's sustainability policies and practices is contained in the separate Sustainability Report 2019, which is available on the Company's website: www.hysan.com.hk.

THE BOARD

The Board is currently chaired by Lee Irene Yun-Lien, Chairman. There are 9 other Non-Executive Directors.

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

Save as otherwise mentioned above, other Directors whose names and biographies appear on pages 40 to 44 have been Directors of the Company throughout the year and up to the date of this report.

According to Article 97 of the Company's current Articles of Association ("Articles"), a Director appointed either to fill a casual vacancy or as an addition to the Board shall hold office only until the next following Annual General Meeting ("AGM").

Under Article 114 of the Company's 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, of those who have been longest in office shall retire from office by rotation at each 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 or her 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 Directors' independence in a meeting held in November 2019. (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.

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 40 to 73.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 December 2019, 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)
Lee Hysan Company Limited	Beneficial owner	433,130,735	41.49
Silchester International Investors LLP	Investment manager	83,647,000	8.01
First Eagle Investment Management, LLC	Investment manager	52,460,214	5.03

Note:

The percentage was compiled based on the total number of issued shares of the Company as at 31 December 2019 (i.e. 1,043,820,891 ordinary shares).

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 2019.

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 that were negotiated on normal commercial terms and on an arm’s length basis. Further details are set out in note 35 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 that 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. Lease granted by the Group

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 person:

Connected person	Date of agreement	Term	Premises	Annual consideration (Note a)
Jebsen and Company Limited (Note b)	22 June 2018 (Lease, Carpark Licence Agreements and Licence Agreements) (Note c)	3 years commencing from 1 September 2018	Office units on the 28th, 30th and 31st Floors, 4 carparking spaces and 2 portions of spaces near the carparking spaces	2019: HK\$38,703,964 2020: HK\$38,665,356 2021: HK\$25,776,904 (on pro-rata basis) (Note d)

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	(i) 22 March 2016	3 years commencing from 1 April 2016	Whole premises of Lee Garden Two	HK\$9,072,656 (Note e)
	(ii) 20 March 2019	3 years commencing from 1 April 2019	Whole premises of Lee Garden Two	HK\$21,589,050 (Note f)

- (b) The following management agreement was entered into by Hysan Property Management Limited (“HPML”), 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	(i) 22 March 2016	3 years commencing from 1 April 2016	Whole premises of Lee Garden Two	HK\$1,090,898 (Note e)
	(ii) 20 March 2019	3 years commencing from 1 April 2019	Whole premises of Lee Garden Two	HK\$3,272,692 (Note f)

CONTINUING CONNECTED TRANSACTIONS continued

Notes:

- (a) The annual considerations were based on prevailing rates of rental, operating charges and licence fees for each of the relevant financial years as provided in the relevant agreements. The rental, operating charges and licence fees (as the case may be) are payable monthly in advance.
- (b) Jebson and Company Limited ("Jebson and Company") is a beneficial substantial shareholder of Barrowgate and has an equity interest of 10% in Barrowgate. Jebson Hans Michael, Non-Executive Director of the Company, is a controlling shareholder of Jebson and Company.
- (c) As the aggregated annual consideration under the lease and various licence agreements entered into with Jebson and Company 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.
- (d) Office monthly operating charges for Lee Garden Two were revised with effect from 1 January 2019 and further revised with effect from 1 September 2019.
- (e) These represent the actual consideration received for the period from 1 January 2019 to 31 March 2019, calculated on the basis of the fee schedules as prescribed in the respective management agreements.
- (f) These represent the actual consideration received for the period from 1 April 2019 to 31 December 2019, 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.

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 105 to 106 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 TRANSACTION

The following transaction entered into by the Group constituted a connected transaction. Details of the transaction are set out as follows:

Lease granted by the Group**Lee Garden Two, 28 Yun Ping Road, Hong Kong**

The following lease was entered into by HPML, a wholly-owned subsidiary of the Company, with the following connected person:

Connected person	Date of agreement	Term	Premises	Annual consideration (Note a)
Barrowgate Limited	16 August 2019 (Lease) (Note b)	3 years commencing from 17 August 2019	Room 601 on the 6th Floor	2019: HK\$2,056,066 (on pro-rata basis) 2020: HK\$5,502,564 2021: HK\$5,502,564 2022: HK\$3,446,498 (on pro-rata basis)

CONNECTED TRANSACTION continued

Lee Garden Two, 28 Yun Ping Road, Hong Kong continued

Notes:

- The annual considerations were based on prevailing rates of rental and operating charges for each of the relevant financial years as provided in the relevant agreement. The rental and operating charges are payable monthly in advance.
- On an individual company level basis, HPML (being a lessee) recognized a right-of-use asset and a lease liability in its financial statements in accordance with HKFRS 16 “Leases” at the commencement date and Barrowgate (being a lessor) recognized the lease payments from the lease as lease income. From the perspective of HPML, the lease constituted a one-off connected transaction (i.e. an acquisition of right-of-use asset) under Rule 14A.24(1). As the applicable percentage ratios calculated based on the value of the right-of-use asset recognized by HPML under the lease fall below the applicable de minimis threshold under the Listing Rules, the lease constituted an exempted connected transaction of the Company.

DIRECTORS’ INTEREST IN CONTRACTS OF SIGNIFICANCE

The lease, carpark licence agreements and licence agreements between Jebesen and Company and Barrowgate are considered a contract of significance under paragraph 15 of Appendix 16 to the Listing Rules due to the annual consideration having a percentage ratio of 0.97 % from the calculation of the revenue test (the percentage ratios for assets ratio and consideration ratio are 0.04 % and 0.12 % respectively). Details of the transaction are set out under (I) of “Continuing Connected Transactions”.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, 26.85 % of the aggregate amount of purchases was attributable to the Group’s 5 largest suppliers, with the largest supplier accounting for 9.59 % of 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

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

During the year, the Company repurchased an aggregate of 3,000,000 ordinary shares for a total consideration of approximately HK\$92 million on the Stock Exchange. Out of 3,000,000 ordinary shares repurchased during 2019, 2,730,000 shares were cancelled during the year ended 31 December 2019 while the remaining 270,000 ordinary shares were cancelled in February 2020. Details of the shares repurchased are as follows:

Month of repurchase in 2019	Number of ordinary shares repurchased	Consideration per share		Aggregate consideration paid HK\$ million
		Highest HK\$	Lowest HK\$	
August	50,000	33.80	31.75	2
September	250,000	31.70	30.65	8
October	1,550,000	31.10	28.70	47
November	400,000	31.15	30.70	12
December	750,000	31.00	28.95	23
	<u>3,000,000</u>			<u>92</u>

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

ISSUANCE OF SECURITIES

During the year ended 31 December 2019, 49,000 shares were issued by the Company as a result of the exercise of share options granted under the share option schemes of the Company. For further details, please refer to the paragraphs headed "Movement of share options" in the Remuneration Committee Report.

During the year, we have issued several Fixed Rate Notes for general corporate purposes under the US\$1.5 billion Medium Term Note Programme ("MTN Programme"), which was subsequently extended to US\$2.5 billion in October 2019. These Fixed Rate Notes are unconditionally and irrevocably guaranteed by the Company. The list of these Fixed Rate Notes issued during the year is as below:

1. HK\$300 million 3.33 % Fixed Rate Note due in January 2026
2. HK\$500 million 3.64 % Fixed Rate Note due in March 2034
3. HK\$500 million 3.10 % Fixed Rate Note due in April 2029
4. HK\$250 million 3.05 % Fixed Rate Note due in June 2029
5. HK\$400 million 2.90 % Fixed Rate Note due in July 2031
6. HK\$250 million 2.81 % Fixed Rate Note due in August 2034
7. US\$500 million 2.82 % Fixed Rate Notes due in September 2029

The issuer under the MTN Programme is Hysan (MTN) Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company. For further details of the above mentioned Fixed Rate Notes, please refer to note 27 to the consolidated financial statements. Save as disclosed above, the Group has not issued any debentures during the year.

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\$0.1 million to charitable and non-profit-making organizations.

PERMITTED INDEMNITY PROVISION

Pursuant to the 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 of 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 Articles and the D&O Insurance were in force during the financial year ended 31 December 2019 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 2020 AGM.

By Order of the Board
Lee Irene Yun-Lien
Chairman

Hong Kong, 20 February 2020