

**— Resilient. —**  
**— Responsive. —**  
**— Resourceful. —**

ANNUAL  
REPORT  
2020

## VISION

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

## MISSION

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

## VALUES

L E E G A R D E N S  
E X M O C E R N E U  
A C P O C S I T T S  
D E O D O P V R W T  
E L W U E I E O A  
R L E C N C N P R I  
S E R I T T G R K N  
H N M T A / E I A  
I C E I B D N N B  
P E N Z I R E G I  
T E L I U L  
N I V R I  
S T E S T  
H Y N H  
I I  
P P

We welcome stakeholders' feedback on this Report. Please share your thoughts at [hysan@hysan.com.hk](mailto:hysan@hysan.com.hk)

In an effort to reduce consumption of resources due to printing and distributing hard copies, the Hysan Sustainability Report has been prepared for electronic distribution and is available for public viewing on Hysan Development's website ([www.hysan.com.hk](http://www.hysan.com.hk)). Limited copies are printed and distributed, primarily to our shareholders.

A summary of the Sustainability Report is provided on pages 75 to 77 of this Annual Report.



Scan QR code to read the Sustainability Report 2020

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# Key Facts

## OUR PORTFOLIO



Hysan's investment portfolio is set predominantly in Lee Gardens, a unique part of Hong Kong's renowned commercial heart in Causeway Bay. Our ownership concentration makes us stand out, as it magnifies and drives synergies amongst our tenants and a vibrant community.

Within our approximately 4.5 million square feet of retail, office and residential tenant space, we strive to become partners with our tenants. By understanding and connecting our tenants' and our customers' needs, we create a sustainable ecosystem.

# VALUE CREATION

## Financial Achievements:

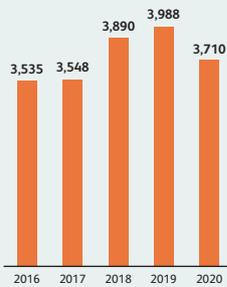
- Steady and progressive total return
- Strong Balance Sheet

### Active Management

Curate balanced office and retail portfolio with a diversified group of tenants; long-term partnerships with our tenants served us well in challenging times

#### Turnover

2016-2020 (HK\$ million)

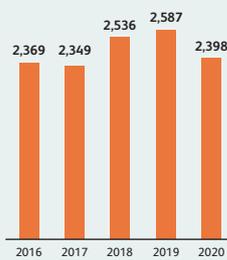


### Financial Achievements

Maintain resilience and strength in the face of adversity

#### Recurring Underlying Profit

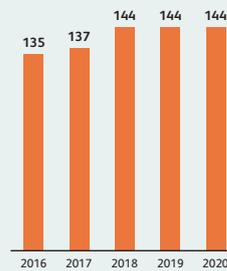
2016-2020 (HK\$ million)



### Dividends per Share

Provide steady return

2016-2020 (HK cents)



## Supported by Strong Underlying Non-Financial Achievements:

### Environment

Minimize our impact on the environment, and achieve higher efficiency at the same time

### Community

Make positive contributions to communities where we operate

### Employees

Create working environment for talent to thrive

### Governance

Strong governance is the heart of long-term sustainable performance



## OUR ASSETS



### Hysan Place

Greenest commercial building and trendiest shopping centre in town

Completed 2012

Approx. Gross Floor Area	Number of Floors	Parking Spaces
<b>716,000 ft<sup>2</sup></b>	<b>40</b>	<b>66</b>

### Lee Theatre Plaza

One of Hong Kong's best-loved shopping and dining complexes

Completed 1994 | Lower zone renovated 2013

Approx. Gross Floor Area	Number of Floors
<b>314,000 ft<sup>2</sup></b>	<b>26</b>

### Leighton Centre

Popular office complex amongst sports and lifestyle shops

Completed 1977 | Renovated 2011

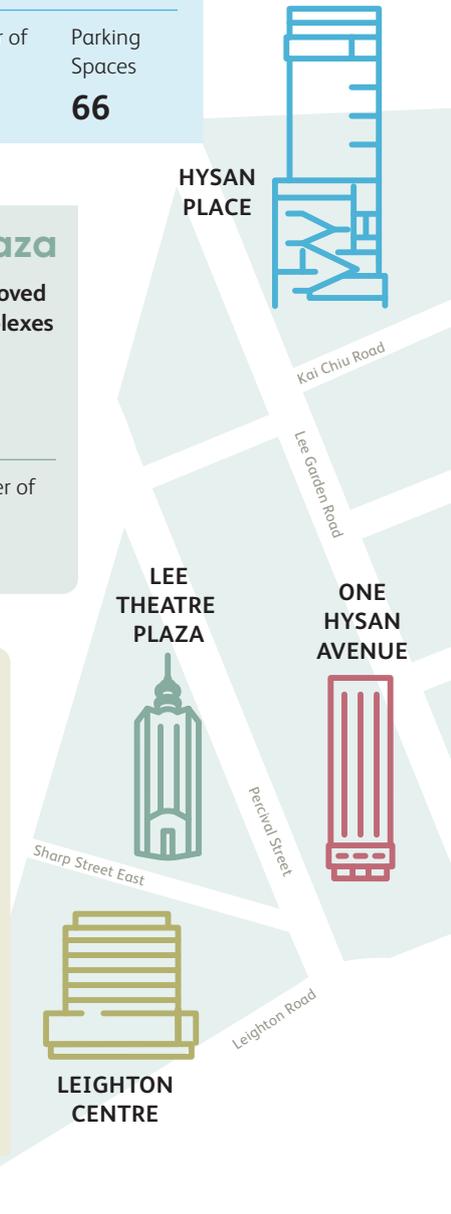
Approx. Gross Floor Area	Number of Floors
<b>430,000 ft<sup>2</sup></b>	<b>28</b>
Parking Spaces	
<b>321</b>	

### Bamboo Grove

Quality international living in Mid-Levels

Completed 1985 | Renovated 2019

Approx. Gross Floor Area	Number of Units	Parking Spaces
<b>691,000 ft<sup>2</sup></b>	<b>345</b>	<b>436</b>



## Lee Garden One

Home to international corporations and premium brands

Completed 1997

Approx. Gross Floor Area	Number of Floors	Parking Spaces
<b>903,000 ft<sup>2</sup></b>	<b>53</b>	<b>200</b>

## Lee Garden Two

Spacious offices and home to children's concept floors

Completed 1992 | Retail podium renovated 2019

Approx. Gross Floor Area	Number of Floors	Parking Spaces
<b>621,000 ft<sup>2</sup></b>	<b>34</b>	<b>167</b>

## Lee Garden Three

Newest commercial address in Lee Gardens

Completed 2017

Approx. Gross Floor Area	Number of Floors	Parking Spaces
<b>467,000 ft<sup>2</sup></b>	<b>32</b>	<b>201</b>

## Lee Garden Five

An office and retail complex at one of Hong Kong's most prestigious commercial areas

Completed 1989 | Renovated 2009

Approx. Gross Floor Area	Number of Floors
<b>132,000 ft<sup>2</sup></b>	<b>25</b>

## One Hysan Avenue

Efficient office and retail building in prime site

Completed 1976 | Renovated 2011

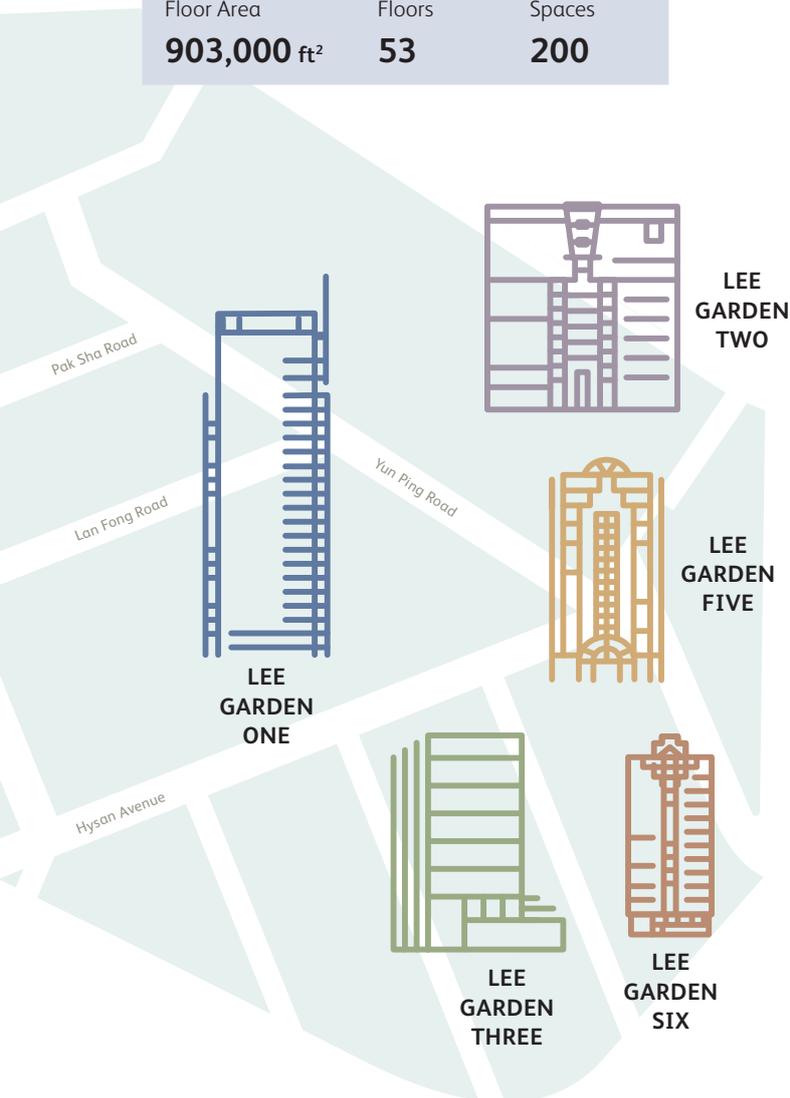
Approx. Gross Floor Area	Number of Floors
<b>169,000 ft<sup>2</sup></b>	<b>26</b>

## Lee Garden Six

Convenient office and retail location

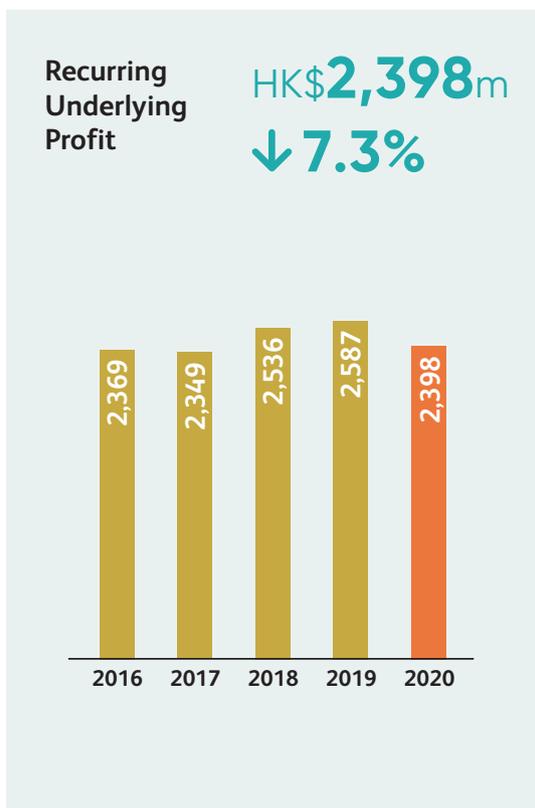
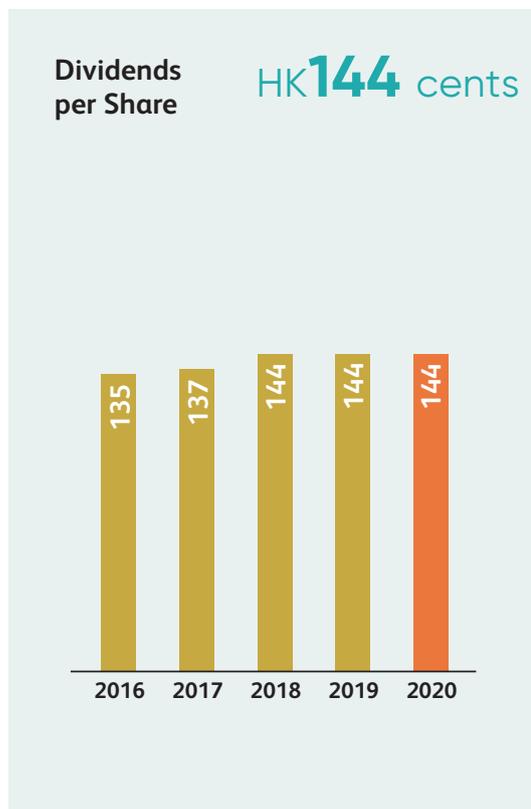
Completed 1988 | Renovated 2004

Approx. Gross Floor Area	Number of Floors
<b>80,000 ft<sup>2</sup></b>	<b>24</b>



# 2020 Performance at a Glance

## FINANCIAL PERFORMANCE





## Financial Prudence

### Net Interest Coverage <sup>(Note 1)</sup>

**9.8 times**

(2019: 17.0 times)

### Net Debt to Equity <sup>(Note 2)</sup>

**Net Cash**

(31 Dec 2019: 3.9%)

### Effective Interest Rate

**3.0%**

(2019: 3.4%)

### Average Debt Maturity

**6.8 years**

(31 Dec 2019: 6.6 years)

### Fixed Rate Debt

**88%**

(31 Dec 2019: 84%)

### Capital Market Issuances

**88%**

(31 Dec 2019: 84%)

### Credit Ratings

**Moody's: A3**

**Fitch: A-**

#### Notes:

1. Net Interest Coverage is defined as gross profit less administrative expenses before depreciation divided by net interest expenses
2. Net Debt to Equity is defined as borrowings less time deposits, cash and cash equivalents divided by shareholders' funds

# 2020 Performance at a Glance

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE RECOGNITIONS

- “Three-star” rating and “Green Star” designation: Global Real Estate Sustainability Benchmark (“GRESB”)
- “AA” Rating: Hang Seng Corporate Sustainability Index
- “A” Rating: MSCI ESG Ratings assessment
- Constituent member: FTSE4Good Index Series
- Gold Award in Fair Trade Hong Kong’s Fair Trade Award 2020
- Silver Award (Sustainability Report) and Honours Award (Annual Report) in MerComm, Inc’s 2020 International ARC Awards
- Honourable Mention in the Hong Kong Management Association’s 2020 Best Annual Reports Awards

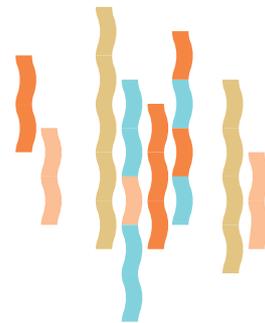


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- **Best IR Company, Best Annual Report, Best ESG-E, Best ESG-S, Best ESG-G (Mid Cap) in the Hong Kong Investor Relations Association's Investor Relations Awards 2020**
- **Winner of Construction and Real Estate In-House Team of the Year and Finalist of Compliance and Risk Management In-House Team of the Year in 2020 ALB Hong Kong Law Awards by Thomson Reuters**
- **Platinum Award (Non-Hang Seng Index – Medium Market Capitalization Category) in the Hong Kong Institute of Certified Public Accountants' Best Corporate Governance Awards 2020**
- **Most Innovative Deal – Deal of the Year (Real Estate) in The Asset's Triple A Sustainable Capital Markets Regional Awards 2020**



# A Conversation with Our Chairman



Ms. Irene Lee

2020 was a difficult year for businesses globally. What affected Hong Kong the most?

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

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

How has Hysan managed to be so resilient during these difficult times?

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

How did Hysan respond to the structural changes in the office and retail sectors, magnified by the events of 2020?

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

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

How will Hysan use technology to stay relevant whilst staying true to its roots?

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

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





How will Hysan continue to evolve in the coming decade?

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

What is your outlook for Hong Kong's 2021?

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

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

# Management's Discussion and Analysis

## STRATEGY

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

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

## REVIEW OF RESULTS

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

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

The Group recorded a Reported Loss of HK\$2,547 million in 2020 as compared with a Reported Profit of HK\$4,845 million in 2019, mainly due to fair value changes of investment properties of the Group and its associates between two years. More details regarding the fair value change are presented in the section "Financial Review – Revaluation of Investment Properties" and "Financial Review – Investments in Associates and a Joint Venture".

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

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

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

## REVIEW OF OPERATIONS

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

The turnover of each sector is shown as below:

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

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

## Key Performance Indicators

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

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

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

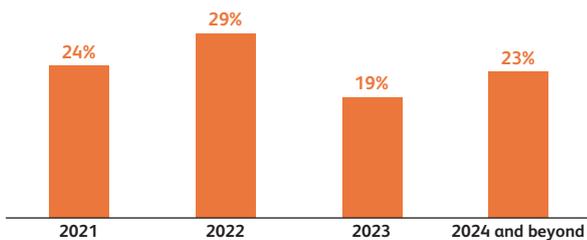
## Office

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

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

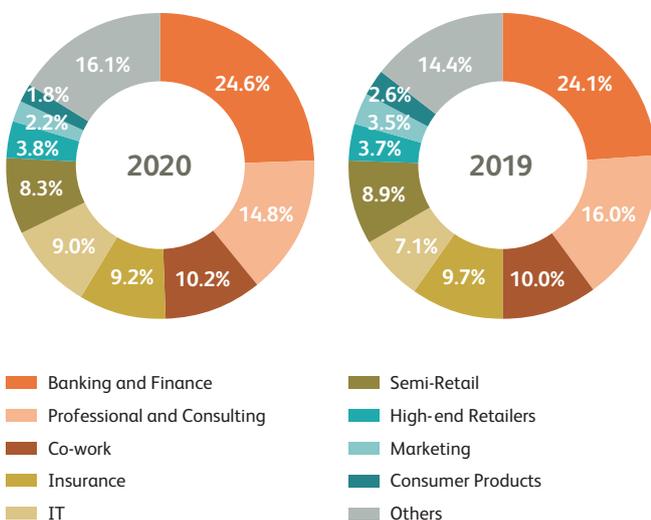
The overall rental reversion rate on renewals, rent review and new letting, while remaining positive, was narrowing as compared to that of 2019. The portfolio recorded an occupancy rate of 95% as at 31 December 2020 (31 December 2019: 98%).

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



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

### Office Tenant Profile by Area Occupied as at Year-end



"We continue to see a wide variety of companies in Hong Kong accelerating their hybrid workplace approach as a result of the pandemic. Two of IWG's locations are with Hysan in Lee Garden Three and Hysan Place at Causeway Bay, where we have seen a vast pick up on demand. IWG launched Signature at Hysan Place in August 2020 and its addition enabled us to continue supporting companies in rethinking their real estate strategies through flexible workspace.

Hysan is a forward thinking developer with great buildings and amenities. Our partnership has strengthened during 2020 by working together to add quality flexible workspace which is now an essential amenity to companies."



**Paul MacAndrew**

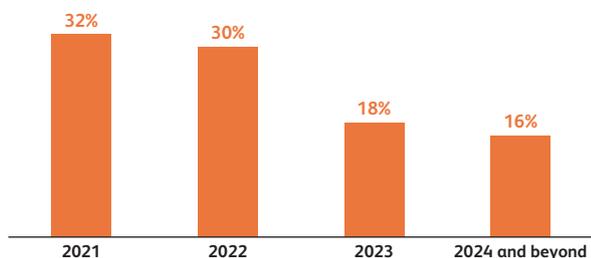
Country Manager, HK & Singapore  
IWG plc

## Retail

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

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

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



“Hysan truly views tenants as their business partners. Upon the outbreak of COVID-19 in Hong Kong, we received a call from their leasing team to understand more about our difficulties. At that point, we did not realise the extent of the challenges F&B operators would have to face in 2020, with limitations on the opening hours and the number of customers within the restaurants. Throughout the year, Hysan worked closely with us to ensure a safe environment for our customers. Their enhanced cleaning and sanitizing measures at the mall clearly benefitted us in building customer confidence and traffic. Hysan also offered rental assistance to us and their marketing programmes like e-coupons further gave us a helping hand in securing more business.

The Hysan team demonstrated their professionalism right from the start at the handing over of the shop space and we saw this shine even further during the virus-hit year. We are more than happy to remain Hysan's partner in the foreseeable future.”



**Kent Wong**

Chairman, Taste • Gourmet Group  
(operating Nabe Urawa at Hysan Place)

## Marketing Initiatives and Loyalty Programmes



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

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

“Throughout COVID, many people avoid going out and I have been one of them. Fortunately, I live only 10 minutes away from Lee Gardens which has ample anti-virus measures. They make me feel safe shopping around the portfolio. With the sales people from my favourite brands plus the Lee Gardens App tempting me with attractive offers, as well as great outdoor restaurants for lunch or tea with friends, there is no reason why I should not come to shop and relieve my boredom!

I recently joined an international brand’s launch event at the Club Avenue Lounge and really appreciated the effort made to keep the guests safe. Members still enjoyed the latest shopping information via a mini show and had plenty of personal space during fitting to try on items. It was a smart way to cope with COVID and the thoughtful details ensure I will continue to frequent Lee Gardens as a shopping and leisure destination.”



**Nancy Chan**

Member  
Lee Gardens Club Avenue

## Residential

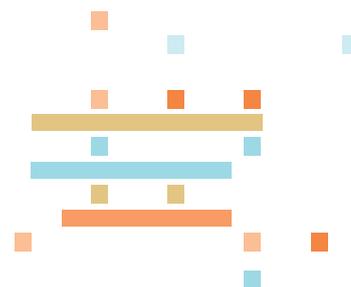
The residential portfolio mainly comprises units in Bamboo Grove, an apartment complex on Kennedy Road in the Mid-Levels. The sector experienced a 7.2% drop in turnover to HK\$296 million during the year (2019: HK\$319 million). Occupancy stood at 74% as at 31 December 2020 (31 December 2019: 87%).

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

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

## Property Development – Tai Po Luxury Residential Project

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



## Applying Business Technology

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

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

## Sustainability and Community Activities

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

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



“2020 was a year of challenges, but our evolution from Information Technology to Business Technology has equipped us well to adapt to changes. In the past year, apart from enhancing the digital infrastructure, we launched a host of client-facing tech-based solutions which were well-received by the users. As a member of our tightly-knit Business Technology team, I look forward to helping Hysan become more efficient and productive, and improving the portfolio for everyone to better enjoy.”



**Dorothy Yeung**

*Senior Manager, Business Technology  
Hysan Development*

## FINANCIAL REVIEW

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

### Operating Costs

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

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

### Finance Costs

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

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

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

### Revaluation of Investment Properties

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

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

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

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

## Investments in Associates and a Joint Venture

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

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

## Bank Deposits and Other Investments

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

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

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

## Cash Flow

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

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

n/m: not meaningful

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

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

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

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

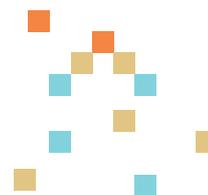
Cash placed in bank deposits and other investments was HK\$5,110 million (2019: HK\$5,065 million), which was mainly attributable to additional deposits with a longer tenor.

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

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

## Capital Expenditure and Management

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



## TREASURY POLICY

### Market Highlights

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

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

### Capital Structure Management

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

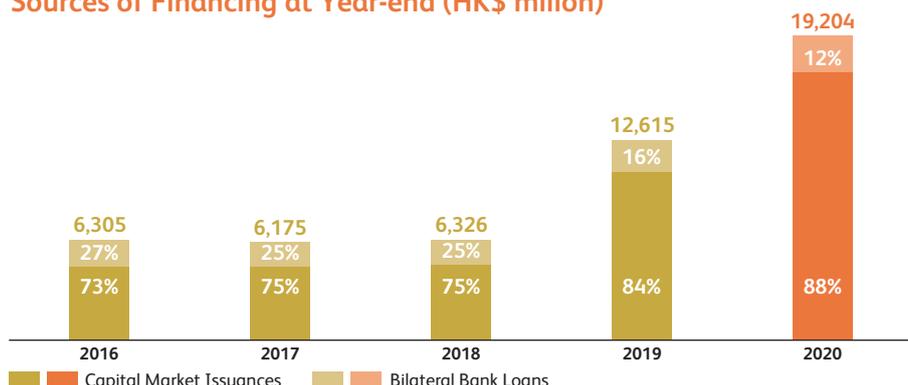
### Funding Sources

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

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

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

### Sources of Financing at Year-end (HK\$ million)



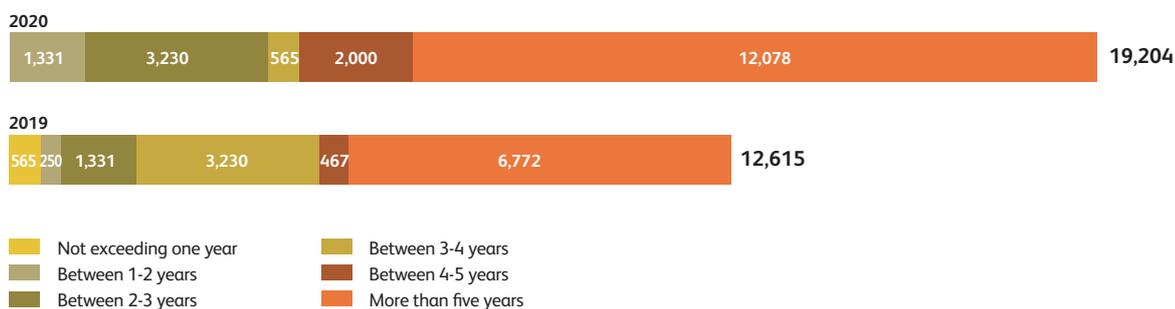
The Group strives to maintain an appropriate debt maturity profile to match the nature of our assets and operations. As at 31 December 2020, the average maturity of our debt portfolio was about 6.8 years (2019: 6.6 years), of which no debt will be due in 2021.

## Maturity Profile

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

### Debt Maturity Profile at 2019 and 2020 Year-end

Gross Debt Amount (HK\$ million)

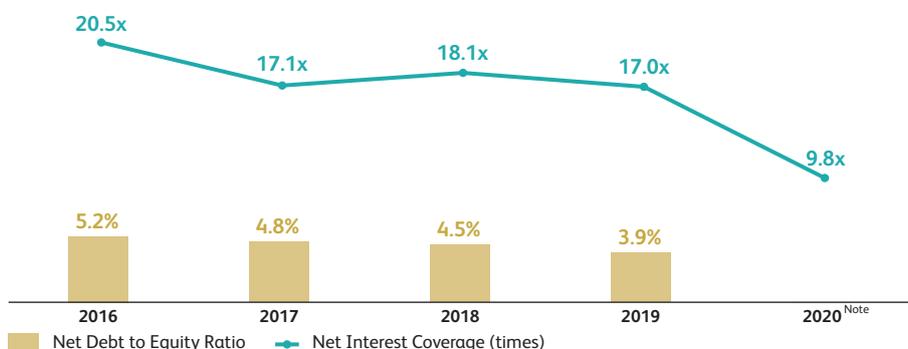


## Gearing ratio and net interest coverage

The Group's gearing ratio, as measured by Net Debt to Equity ratio<sup>1</sup>, was 3.9% at year-end 2019. It is improved at year-end 2020 with a net cash position. The Group issued US\$1,350 million of perpetual securities to strengthen our equity base and fortify our financial position in 2020. As a result, total cash and bank deposits now exceed total Gross Debts. The Group's Net Interest Coverage<sup>2</sup> decreased to 9.8 times for 2020 (2019: 17.0 times) due to the increase in the total debt level.

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

### Net Debt to Equity Ratio and Net Interest Coverage at Year-end



Note: Net cash position at year-end 2020

1. Net Debt to Equity ratio is defined as borrowings less time deposits, cash and cash equivalents divided by shareholders' funds.
2. Net Interest Coverage is defined as gross profit less administrative expenses before depreciation divided by net interest expenses.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Credit Rating

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

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

### Liquidity Management

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

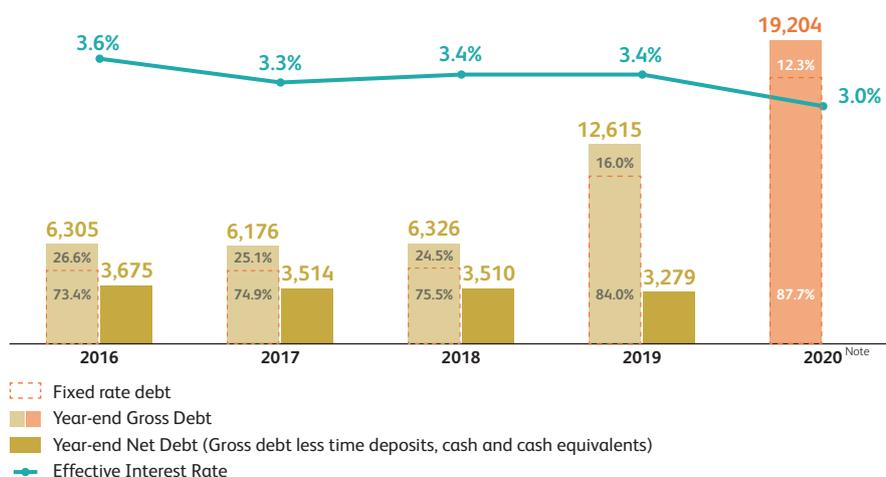
Further liquidity, if needed, is available from the undrawn committed facilities offered by the Group's relationship banks. These facilities amounted to HK\$5,450 million as at the end of 2020 (2019: HK\$3,250 million), allowing the Group to obtain additional liquidity as the need arises.

### Interest Rate Management

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

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

### Debt Level and Effective Interest Rate



Note: Net cash position at year-end 2020

## Foreign Exchange Management

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

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

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

## Use of Derivatives

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

## Counterparty Credit Risk

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

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



# Corporate Governance Report

## CORPORATE GOVERNANCE HIGHLIGHTS

Hysan embraces good corporate governance as one of our core values, and as the foundation of achieving consistent and sustainable performance. We are committed to achieving best practice in all aspects of corporate governance, going above and beyond regulatory compliance under the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

In 2020, Hysan continued to comply fully with the requirements of the provisions contained in the Corporate

Governance Code (the “Corporate Governance Code”) set out in Appendix 14 of the Listing Rules. Furthermore, Hysan remained committed to the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules.

This section outlines the highlights and major areas in which Hysan’s corporate governance practices have exceeded the Corporate Governance Code, both in 2020 and over the past five years.

### Hysan’s Corporate Governance Achievements (Beyond Compliance)

Sustainability Committee established on 1 January 2020

Terms of Reference for Audit and Risk Management Committee, Nomination Committee, Remuneration Committee, Sustainability Committee, and Executive Committee updated in 2021

Established green finance framework\* in 2018. Issuance of first Green Bond in 2019

New Anti-Fraud Policy\* adopted in 2021, with supporting fraud handling policy and procedures to control and aid in the detection and prevention of fraud

New Tax Governance Policy\* adopted in 2021, with supporting tax compliance policy and procedures in place

New Human Rights Policy\* adopted in 2020, as well as a Code of Ethics\* applicable to all staff and Directors, joint venture partners, contractors and suppliers

Board independence: four INEDs out of nine Directors, exceeding the Listing Rules requirement

Effective and detailed digital Board evaluation of its own performance and that of its committees. Directors’ feedback was analysed and discussed in meetings

Comprehensive Onboarding Guideline for Directors\*

Individual reports for each Board Committee

Appointment of directors through formal letters of appointment. Formal criteria and requirements\* established for Non-Executive Director appointments, including expected time commitment

A separate Whistleblowing Policy\* established in 2016. An independent third party is engaged as the whistleblowing channel, which directly reports to the Audit and Risk Management Committee

A formal Board of Directors Mandate\* and a detailed List of Matters Reserved for the Board Decision\* provide for a clear division of roles between the Board and management

Formal Corporate Governance Guidelines\* formulated in 2004 and further reviewed in 2021

Corporate Disclosure Policy\* formulated in 2013 and further enhanced in 2019. Hysan’s Disclosure Committee conducts regular assessments of inside information, and guides and promotes the timely and accurately disseminated disclosure of inside information and stakeholder communications

Formal Code for Securities Dealing by Directors and Employees, including clearance and approval procedures

More than 20 business days’ notice for AGMs

Early announcement of audited financial results within two months and publication of Annual Report within three months after the financial year-end

Adopted limits on the issuance of additional shares under general mandate from 2018 onwards: namely, such issuance shall not exceed 10% of the total number of the Company’s issued shares, and the discount for any shares to be issued shall not exceed 10%

Proactive invitation to major nominee companies by Hysan to forward communication materials to the ultimate beneficial shareholders at the Group’s expense

Auditor Services Policy\* for the engagement of auditors

Confirmation from senior management to the Audit and Risk Management Committee regarding verification compliance. Additional assurance from Internal Audit regarding the review of continuing connected transactions

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

# OUR LEADERSHIP TEAM

## Board of Directors

The Board is the governing body of our Group, and assumes the responsibility of overseeing the corporate governance of our Group.

## Executive Director



### Lee Irene Yun-Lien

Chairman of the Board

N

**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 67.

**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.

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



Audit and Risk Management Committee



Remuneration Committee



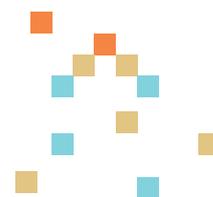
Nomination Committee



Sustainability Committee



Committee Chairman



Non-Executive Directors



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

A N

**Board Appointment** Mr. Churchouse was appointed as an Independent Non-Executive Director in December 2012 and is aged 71.

**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 was 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.

**Committees** Mr. Churchouse is a member of the Audit and Risk Management Committee and the Nomination 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 71.

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

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

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

A Audit and Risk Management Committee    R Remuneration Committee    N Nomination Committee    S Sustainability Committee    Committee Chairman



## Poon Chung Yin Joseph

### Independent Non-Executive Director



**Board Appointment** Mr. Poon was appointed as an Independent Non-Executive Director in January 2010. He is aged 66.

**Competencies and Experience** Mr. Poon is 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 an independent non-executive director of AAC Technologies Holdings Inc., 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, and a member of the Remuneration Committee and the Nomination Committee.



## Wong Ching Ying Belinda

### Independent Non-Executive Director



**Board Appointment** Ms. Wong was appointed as an Independent Non-Executive Director in December 2018 and is aged 49.

**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 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.

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

Non-Executive Directors (continued)



**Jebsen Hans Michael B.B.S.**  
Non-Executive Director



**Board Appointment** Mr. Jebsen was appointed as a Non-Executive Director in 1994 and is aged 64.

**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.

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



**Lee Anthony Hsien Pin**  
Non-Executive Director



**Board Appointment** Mr. Lee was appointed as a Non-Executive Director in 1994 and is aged 63.

**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.

**Committees** Mr. Lee is a member of the Audit and Risk Management Committee.

**A** Audit and Risk Management Committee    **R** Remuneration Committee    **N** Nomination Committee

**S** Sustainability Committee    **○** Committee Chairman



## Lee Chien

### Non-Executive Director

N

**Board Appointment** Mr. Lee was appointed as a Non-Executive Director in 1988 and is aged 67.

**Competencies and Experience** Mr. Lee is 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.

**Committees** 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 59.

**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 the deputy chairman of the Board of Stewards 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.

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

## Senior Management



**Lui Kon Wai Ricky**

MBA, MCIQB

**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 achievement. 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 global property industry, covering acquisitions, development and asset management for residential, office, retail and large-scale mixed use developments in Hong Kong, the Mainland and overseas. He is aged 55.



**Hao Shu Yan Roger**

BBA (Hons), CPA, ACA, ACCA

**Chief Financial Officer**

Mr. Hao is responsible for the Group's financial control and treasury functions, and serves as a director of certain Hysan subsidiaries. He joined the Group in 2008. Mr. Hao has accumulated extensive experience in auditing, financial management and control while holding senior positions in multinational corporations. He is aged 55.



**Choy Man Wai Kitty**

BEcon, MSc, MBA

**Director, Retail**

Ms. Choy is responsible for the Group's retail portfolio and asset management strategies, as well as serving 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 48.



**Lam Tze Pon Tiffany**

B.Soc.Sc. (Information Management)

**Director, Marketing and Customer Experience**

Ms. Lam is responsible for the formulation of the Group's marketing strategies, leads the Group's 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 has 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 49.



**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 44.

## OUR GOVERNANCE STRUCTURE

The Board is responsible for the stewardship of the Group and ensuring the effectiveness and adequacy of the Group's corporate governance system. A strong corporate governance system allows the Group to enhance business efficacy with precision, in order to successfully achieve its intended results while also supporting Hysan's strategic objective of optimizing consistent long-term financial returns for its shareholders.

The Board is the governing body of our Group, and assumes the responsibility of shaping business goals and strategies in the best interests of the Group. In carrying out its duties, the Board may, within defined limits and authority, delegate tasks to its Board Committees.

Our Board has four Board Committees, namely:

- Audit and Risk Management Committee
- Remuneration Committee
- Nomination Committee
- Sustainability Committee

The Executive Committee and different Management Committees at group level are empowered to implement and execute the Group's business goals and strategies as determined and led by the Board.

Details are set out under the "Leadership" section on page 36.

## OUR GOVERNANCE SYSTEM

Hysan operates within a clear and effective corporate governance system.

The Corporate Governance Guidelines (last updated in January 2021) is the main code governing the Board's commitment to high standards of corporate governance and its roles and responsibilities in supervising the management of the business and affairs of the Group.

Our corporate governance system comprises, inter alia:

- Corporate Governance Framework
- Risk Management and Internal Control Framework

At Hysan, we recognize the importance of achieving good corporate governance from top to bottom: not only at the Board level, but also throughout the whole Hysan Group. Our corporate governance procedures and practices are embedded in a wide range of corporate policies and

guidelines, including, but not limited to, the following key policies and guidelines. All Directors and employees are expected to follow our corporate governance policies and guidelines.

- Corporate Governance Guidelines
- Onboarding Guideline for Directors
- Board of Directors Mandate
- Roles and Requirements of Non-Executive Directors
- List of Matters Reserved for the Board Decision
- Terms of Reference of each Board Committee
- Diversity Policy
- Nomination Policy
- Auditor Services Policy
- Code of Ethics for Directors and Employees
- Corporate Disclosure Policy
- Anti-Fraud Policy
- Whistleblowing Policy
- Procedures for Shareholders to Convene General Meetings/Put Forward Proposals
- Shareholders Communication Policy
- Tax Governance Policy
- Human Rights Policy

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

## OUR CORPORATE GOVERNANCE FRAMEWORK

Our Corporate Governance Framework is carefully and regularly assessed and tailored in accordance with developments in regulatory regimes, international best practices, and the Company's needs.

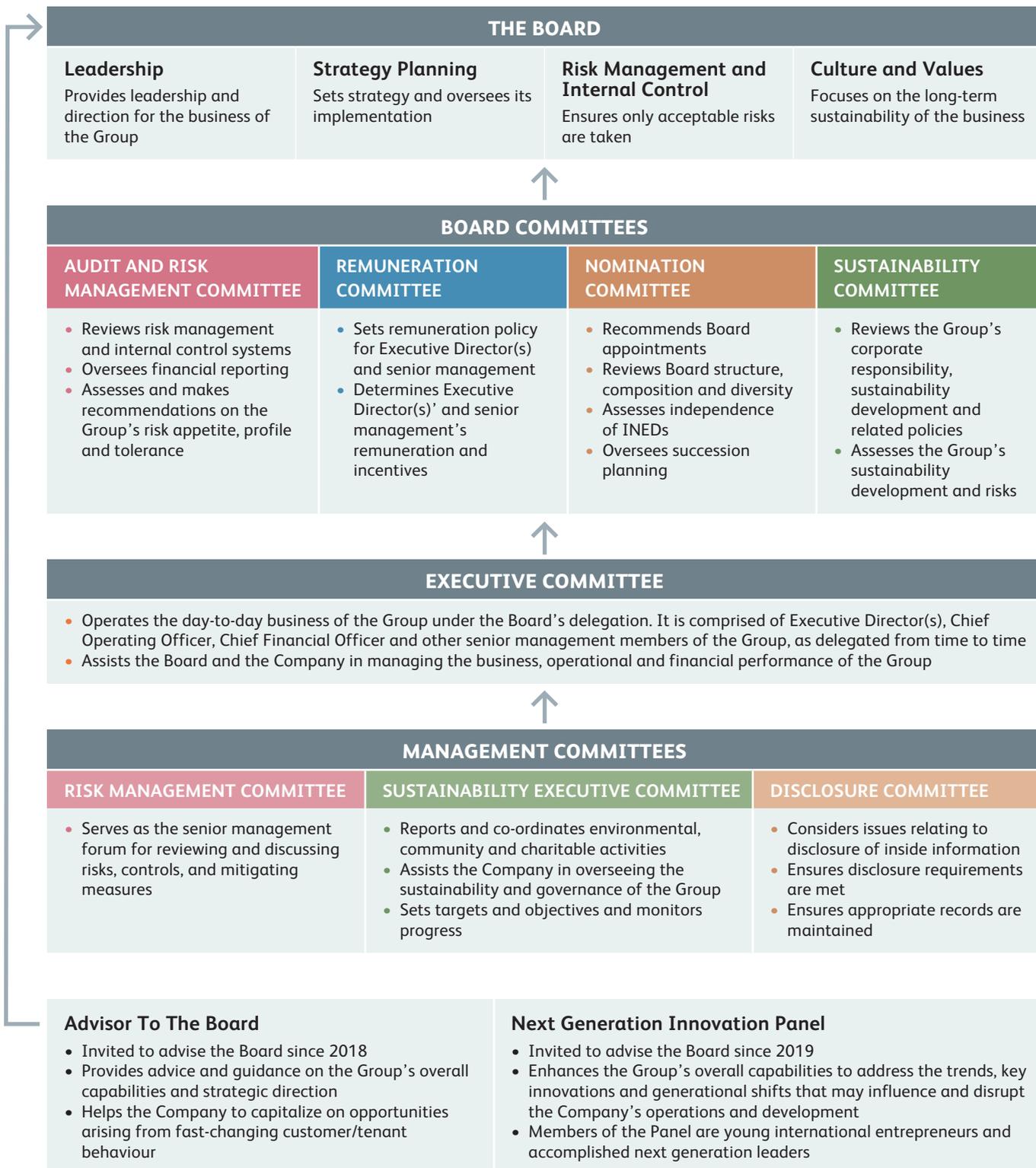
This framework is the centrepiece of our Corporate Governance System. It aims to ensure that both Directors and employees act within a robust chain of delegated authority and powers, in accordance with our corporate governance principles.

- |                        |                         |
|------------------------|-------------------------|
| <b>1 Leadership</b>    | <b>3 Accountability</b> |
| <b>2 Effectiveness</b> | <b>4 Engagement</b>     |

# 1 Leadership

Our Group’s business operation and affairs are effectively managed and carried out through a chain of delegation within defined limits.

## Leadership at a glance



## Board

All Directors are recruited through formal letters of appointment which set out clearly the terms and conditions of their appointments. Directors serve for a term of three years and are subject to rotation.

Main roles and responsibilities of the Board:

- Setting business goals and strategies in the best interests of the Group and overseeing their implementation;
- Providing insights on the Group's culture and values;
- Determining the risk appetite and evaluating the risks that the Group is willing to take;
- Overseeing and ensuring the adequacy and effectiveness of the Group's internal controls and risk management system; and
- Responsible for the corporate governance and financial performance of the Group.

The Board is governed by a formal **Board of Directors Mandate**.

To retain control of key decisions and ensure that 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. Details set out in the **List of Matters Reserved for the Board Decision**.

## Board Committees

The Board has four Board Committees, namely the Audit and Risk Management Committee, Remuneration Committee, Nomination Committee and Sustainability Committee.

All Committee meetings are conducted prior to the full Board meetings to ensure that all vital matters are reported to the Board, and considered thoroughly and decided by the full Board in timely manner.

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.

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

- "Audit and Risk Management Committee Report" on pages 61 to 64
- "Remuneration Committee Report" on pages 65 to 70

- "Nomination Committee Report" on pages 71 to 72
- "Sustainability Committee Report" on pages 73 to 74

The Terms of Reference for each Committee have been updated in 2021.

## Executive Committee and Management Committees

The Executive Committee is entrusted with the task of implementing and executing business goals and strategies as determined by the Board. The Board retains control of key decisions and certain reserved matters specified in the **List of Matters Reserved for the Board Decision**, which is reviewed annually.

The 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. The Terms of Reference for the Executive Committee was updated in 2021.

Hysan's strong governance framework requires a number of executive and advisory groups. These include, among others, three governance-related management level committees:

- the Risk Management Committee;
- the Sustainability Executive Committee; and
- the Disclosure Committee.

To enhance the Group's strategy and overall capabilities in addressing new business trends and emerging generational shifts, the Board has appointed Li Xinzhe Jennifer as an Advisor to the Board, as well as establishing a Next Generation Innovation Panel to advise the Board accordingly.

“Monthly financial updates are good, timely, concise, and easily intelligible.”

Directors' comments received in Board Evaluation 2020.

## 2 Effectiveness

Board effectiveness stems from achieving the right composition, size, diversity, commitment, and independence. This can be attained through a proper nomination process, ongoing reviews, and a board evaluation process.

### Board Size

As at 31 December 2020, there were nine Directors on the Board: the Chairman and eight Non-Executive Directors (including four Independent Non-Executive Directors).

Lee Irene Yun-Lien is currently the Board Chairman. She leads the Board, particularly regarding the long-term strategic development of the Group and matters that drive shareholder value.

Lau Lawrence Juen-Yee retired at the conclusion of the AGM held on 13 May 2020.

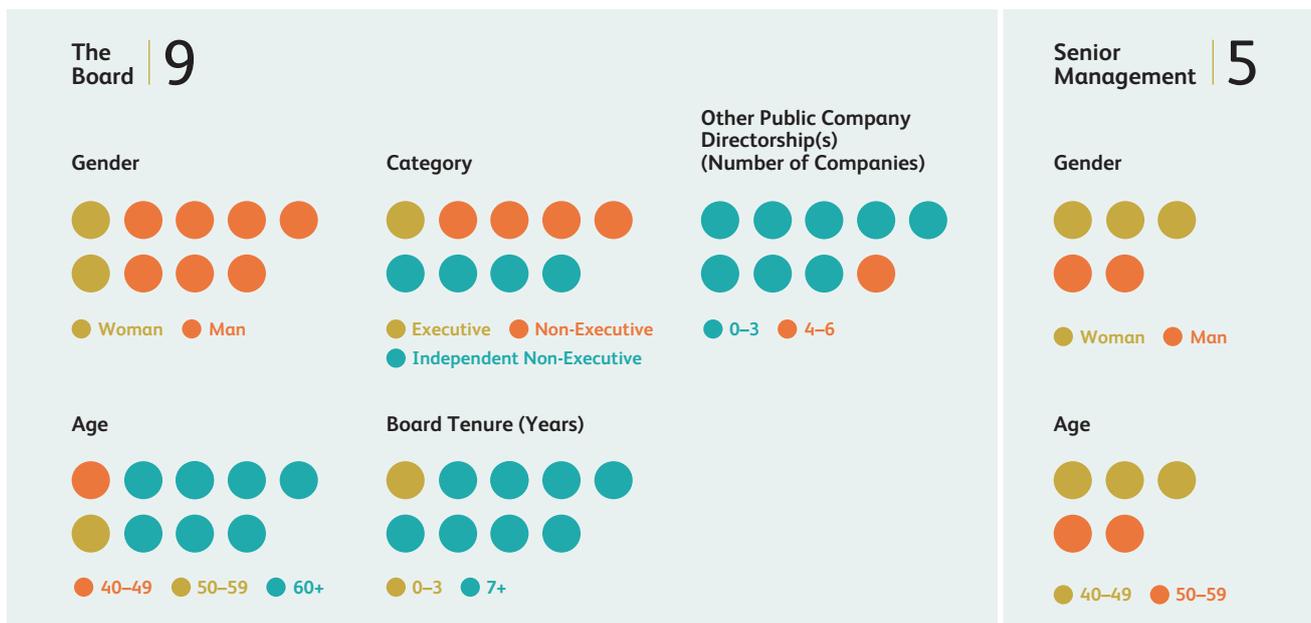
Fan Yan Hok Philip and Poon Chung Yin Joseph have served as Independent Non-Executive Directors for more than nine years. Fan Yan Hok Philip has been re-elected at the 2020 AGM, while Poon Chung Yin Joseph will retire by rotation at the forthcoming AGM to be held on 21 May 2021. The Board highly values 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, people and culture, and technology, all of which are relevant to the Group's business. The Board and the Nomination Committee are of the view that both Fan Yan Hok Philip and Poon Chung Yin Joseph have consistently demonstrated a healthy level of professional scepticism whenever appropriate, and have not held back from asking probing questions and challenging executive management's views and recommendations. There is no evidence to suggest that their tenure has had any impact on their independence.

Churchouse Frederick Peter, Poon Chung Yin Joseph and Lee Chien will retire at the forthcoming AGM to be held on 21 May 2021. Churchouse Frederick Peter, Poon Chung Yin Joseph and Lee Chien will offer themselves for re-election. Details with respect to the candidates standing for re-election as Directors are set out in the AGM circular to shareholders. None of these Directors has a service contract with the Company or any of its subsidiaries that is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Board, through the Nomination Committee, has determined that the Board size of nine Directors is adequate and effective in terms of carrying out its duties and responsibilities, and recommends the re-election of the retiring Directors.

### The Board and Senior Management Composition



(Directors' full biographies, including relationships among members of the Board and Senior Management's full biographies, are set out in pages 29 to 34, and are also available on the Company's website: [www.hysan.com.hk/about/leadership](http://www.hysan.com.hk/about/leadership))

## Board Diversity

Hysan recognizes the importance of diversity among its Board members, and has adopted the Diversity Policy (last updated in January 2021), which requires the Nomination Committee to annually review the following and report to the Board:

- the structure, size and composition of the Board; and
- the diversity of background, skills, and experience (including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board.

Our Board currently has two women Directors out of nine Directors, and is committed to improving gender diversity as and when suitable candidates are identified.

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.

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

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

● Extensive    ● Moderate

### Board Commitment

Board effectiveness is attained through significant commitment and contribution from each Director.

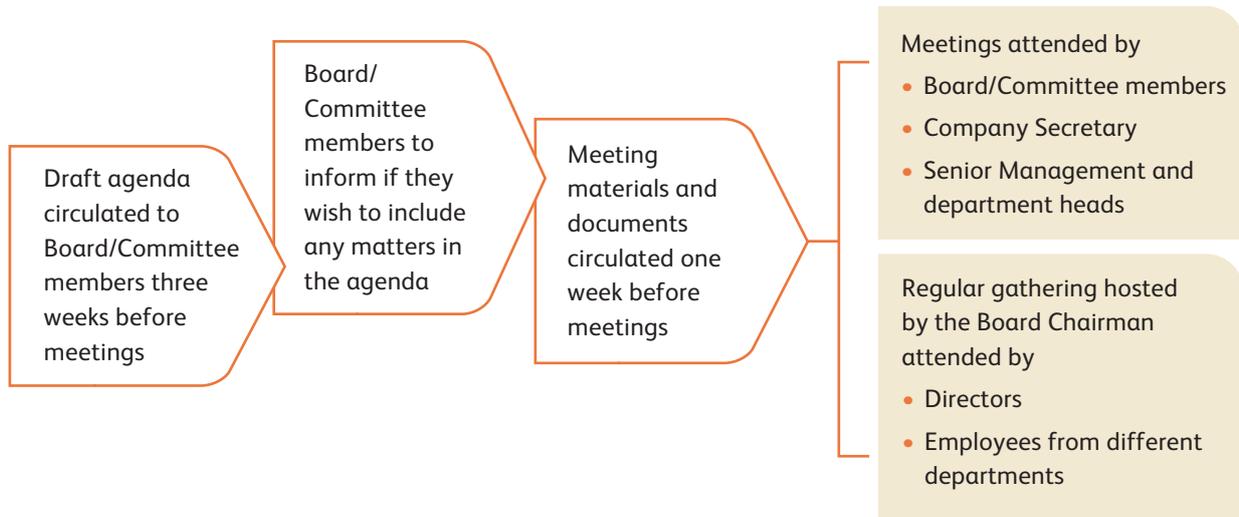
To ensure that our Directors have spent sufficient time engaged in the affairs of the Company, the Directors disclose to the Company once a year the details of their other offices held in Hong Kong or overseas listed public companies and other significant commitments, as well as an indication of the time involved in those positions. In addition, the Directors usually inform the Company promptly whenever there are changes regarding their other positions.

The Board and the Board Committees meet regularly each year. Board and Board Committee members are given full and timely access to meeting agendas and materials before the meetings to allow them to read materials thoroughly. During the meetings, the Senior Management and other department heads are invited to present to the Board on operational topics during the year and to engage in open discussions with the Board.

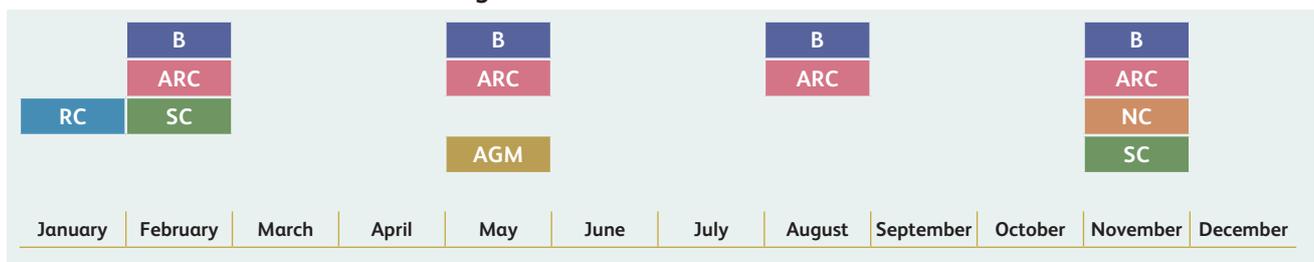
During the year, efficient hybrid (physical and virtual) Board and Board Committee meetings took place using effective technology and a digital board portal, after giving due weight and consideration to the health and safety of Board members and employees within the context of the COVID-19 pandemic situation. Such effective technology connections continue to promote a high level of involvement and engagement with employees at different levels of the business.

### Meeting Process

In 2020, the Directors participated extensively in the Company’s affairs and the Board’s discussions and decisions, as reflected in their high attendance record in Board and Board Committee meetings during the year. The Independent Non-Executive Directors held a separate board session with the Board Chairman to discuss Board and relevant matters.



### Board and Board Committee meetings in 2020



- B Board Meeting
- ARC Audit and Risk Management Committee Meeting
- RC Remuneration Committee Meeting
- NC Nomination Committee Meeting
- SC Sustainability Committee Meeting
- AGM Annual General Meeting

## Directors' Attendance at Meetings and Training in 2020

The following table shows Directors' attendance at meetings and training:

Directors	B (Total: 5)	ARC (Total: 4)	RC (Total: 1)	NC (Total: 1)	SC (Total: 2)	AGM (Annually)	Training (Note 5)
Lee Irene Yun-Lien	👤👤👤👤👤	👤👤👤👤 (Note 1)	👤 (Note 1)	👤	👤👤 (Note 1)	👤	✓
Churchouse Frederick Peter	👤👤👤👤👤	👤👤👤👤	–	👤	–	👤	✓
Fan Yan Hok Philip	📞👤👤👤👤	📞📞👤👤	👤	👤	📞👤	📞	✓
Poon Chung Yin Joseph	📞👤📞📞📞	📞📞👤📞	👤	📞	–	📞	✓
Wong Ching Ying Belinda	📞📞📞📞📞	–	–	–	📞📞	📞	✓
Jebsen Hans Michael	👤👤📞👤👤 (Note 2)	–	–	–	👤👤	📞	✓
Lee Anthony Hsien Pin	📞📞📞📞📞	📞📞📞📞	–	–	–	📞	✓
Lee Chien	📞👤👤👤👤	–	–	👤	–	👤	✓
Lee Tze Hau Michael	📞👤📞📞📞 (Note 3)	–	👤	–	–	👤	✓
Lau Lawrence Juen-Yee	📞👤_ _ _ (Note 4)	–	–	–	–	📞	✓

👤 Attended    📞 Attended by alternate    📞 Attended by tele/video conference    📞 Apologies

### Notes:

- Lee Irene Yun-Lien was invited to present updates and/or answer relevant questions in order to facilitate the decision-making process. She was expressly excused from the session in Remuneration Committee when the Executive Director's own compensation package was discussed.
- Jebsen Hans Michael attended the May Board Meeting and 2020 AGM through his alternate. He was unable to attend the August Board Meeting due to other commitments.
- Lee Tze Hau Michael was unable to attend the February Board Meeting due to other commitments.
- Lau Lawrence Juen-Yee retired at the conclusion of 2020 AGM.
- This includes (i) trainings organized by Hysan; (ii) expert briefings / seminars / conferences / site visits relevant to the Company's business; and (iii) reading legal, regulatory, industry and directors' duties related updates prepared by Hysan on a quarterly basis.

## Continuous Professional Development

In addition to regular Board and Board Committee meetings, the Directors attended various knowledge development sessions during the year to keep abreast of industry trends, knowledge and skills.

In 2020, the knowledge development sessions included a deep-dive presentation by our Next Generation Innovation Panel titled "What Will the Future of Luxury Look Like?", a co-project with the Group's retail and marketing teams that profiled the future of retail; a directors' forum on the topic of "Challenges and Opportunities for China" by guest speaker Professor Lau Lawrence Juen-Yee, who holds the titles of Ralph and Claire Landau Professor of Economics at The Chinese University of Hong Kong and Kwoh-Ting Li Professor in Economic Development, Emeritus, at Stanford University; and a portfolio visit to our prestigious loyalty

programme Club Avenue's new lounge and customer experience. All Directors also received various legal and regulatory updates and have access to a comprehensive online board portal containing memoranda on Directors' Duties and Responsibilities and anti-corruption training materials. Directors have expressed the view that the training sessions have been stimulating and highly relevant, and that there were adequate training opportunities during the year. Directors are required to provide details of training undertaken to the Company once a year.

In 2020, members of the senior management and the Company Secretary have had access to a variety of training activities, including attending seminars, workshops and conferences and receiving regulatory updates relevant to their business and duties. They have received sufficient internal and external training to equip them to fulfil their roles in supporting the Company.

## Board Independence

Hysan's Board has always maintained its independence. As at 31 December 2020, four out of our nine Directors were

Independent Non-Executive Directors (exceeding the Listing Rules requirement).

### Criteria of independence

- Clearly set out in our Corporate Governance Guidelines
- Must be free from any business or other relationship that may interfere with the exercise of their independent judgment

### Regularly Reviewed and Maintained Independence

- Separate discussions amongst Non-Executive Directors, without the presence of Executive Director(s) or Board members related to the founding Lee family
- Full disclosure of cross-directorships or other business relationships that may interfere with Directors' independence, which are disclosed in Annual Reports
- Full Board approval of connected transactions (as described clearly in the List of Matters Reserved for the Board Decision), with exempted transactions required to be reported to the full Board after obtaining management approval
- Review by the Nomination Committee of potential conflicts of interest, and recommendation on appropriate actions to take

During the reporting year, the Nomination Committee carried out a detailed review of the Directors' independence

and was satisfied that each of the four Independent Non-Executive Directors was independent at the time of review.

## Independence Status

Name	Management	Independent	Not Independent	November 2020 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		✓		
Poon Chung Yin Joseph		✓		
Wong Ching Ying Belinda		✓		
Jebsen Hans Michael			✓	
Lee Anthony Hsien Pin			✓	
Lee Chien			✓	
Lee Irene Yun-Lien	✓			
Lee Tze Hau Michael			✓	

### Notes:

- Wong Ching Ying Belinda is also a director of certain entities of Starbucks Coffee Company. Shanghai Starbucks Coffee Enterprise Co., Ltd., a wholly-owned subsidiary of Starbucks Corporation (listed on NASDAQ), is one of the tenants of a commercial complex located in Shanghai, People's Republic of China, which is owned by an associate of the Company. The revenue or profit derived from those leases indirectly as the 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 2020) 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 two companies, the Company considers that such a cross-directorship would not undermine the independence of Wong Ching Ying Belinda with respect to her directorship at the Company.
- The Board and the Nomination Committee have assessed the independence of Wong Ching Ying Belinda in light of the circumstances, including (i) her background, experiences, achievements and character, and (ii) the nature of the Company's relationship with the Starbucks group and Wong Ching Ying Belinda's roles, as well as the mitigating actions as described above, and concluded that her independence would not be affected. It was decided that potential conflicts, which are minimal, could be managed and that the benefits of her appointment outweighed any risk of conflict. In addition, the mitigation principles and actions are adequate and appropriate to deal with any such issues.

## Nomination Process

A proper and detailed nomination process ensures the appointment of talented Directors suitable for the best interests of the Group.

Hysan has a unique Nomination Policy governing nomination practices and procedures. The Nomination Committee considers a variety of factors in assessing the suitability of a proposed candidate, including:

- Reputation for integrity;
- Accomplishment, experience and reputation in the real estate industry and other relevant sectors;
- Commitment in respect of sufficient time, interest and attention to the Company's business, including devoting adequate time for preparation and participation in meetings, trainings and other Board or Company associated activities;
- Diversity in all aspects, including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Ability to assist and support management and make significant contributions to the Company's success;
- Compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive director; and
- Any other relevant factors as may be determined by the Committee or the Board from time to time.

In considering the appointment of any proposed candidate to the Board, the Committee shall undertake adequate due diligence in respect of the individual, evaluate the candidate using the same criteria regardless of the source of the candidacy, and make recommendations for the Board's consideration and approval.



In considering the re-appointment of any existing member(s) of the Board, the Committee shall review the overall contribution to the Company of the retiring director as well as the selection criteria set out in this policy. The Committee will then make recommendations to the Board for its consideration, with the Board determining whether to recommend the proposed candidates for re-election at a general meeting.

### The priorities of our induction programme

#### Providing an overview of:

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

#### Getting to know the Board and Senior Management

- meeting with the Board Chairman, Committee Chairmen and Senior Management
- introduction session with the Company Secretary and training with external advisers

“ Considering 2020 being an abnormal year, the Board has managed good communication with effective technology. ”

Directors' comments received in Board Evaluation 2020.

In order to ensure that the Directors are committed to allocating sufficient time and attention to the affairs of the Group, Directors are engaged by formal letters of appointment with a specific term of three years and are subject to rotation under the Company's Articles of Association.

The Directors 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 three 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 Directors' elections. The election of each Director is executed through a separate resolution.

The Board has adopted a comprehensive Onboarding Guideline for Directors, which sets out a properly tailored induction programme that gives new Directors an understanding of the Group, its businesses and operations (including the major risks it faces), with due regard to the Director's unique background, experience and skills.

The induction programme includes 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 are arranged on topics such as Directors' responsibilities and an overview of the Group's business.

## Ongoing review by Nomination Committee

The Nomination Committee reviews the Board's structure, size, composition, commitment, independence and diversity from time to time. The last review was conducted in November 2020.

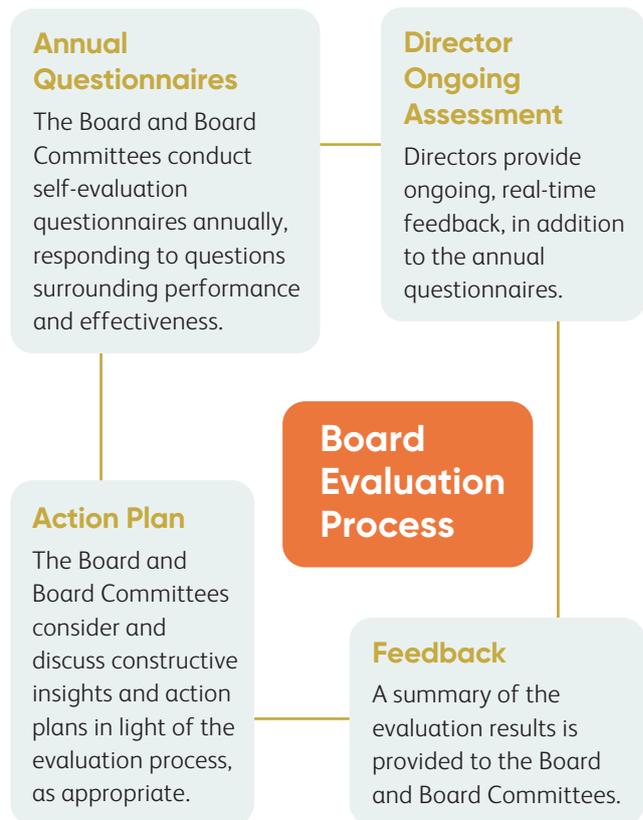
The Nomination Committee undertook a comprehensive review, considering the gender, age, tenure, cultural/ educational and professional background, skills, knowledge and experience of each Director, as well as the structure, composition, size, commitment and independence of the Board.

The Nomination Committee was of the view that the existing Board was satisfactory and effective in terms of its size, structure, composition, commitment, independence and diversity. The Committee concluded that, in order to support board succession planning and long-term growth, the boardroom of the future will require expertise in technology and digital media, finance and accounting, risk management and environmental, social and governance (ESG). Gender diversity should also be taken into account in succession planning.

## Board Evaluation

In addition to the ongoing review by the Nomination Committee, each Director plays a role in evaluating the Board's performance in order to ensure the effectiveness of the Board.

Board evaluation is an ongoing and continuing process. Each Director reviews the Board's performance, as well as the performance of the Board Committees, through various means.



Each Board and Board Committee member is required to annually submit an anonymous online questionnaire on relevant 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 questionnaire, being anonymous, encourages Directors to share suggestions, provide comments and raise any concerns.

“ Open, inclusive, confident to debate and share views. ”

Directors' comments received in Board Evaluation 2020.

## 2020 Questionnaire Report

The Chairman, supported by the Company Secretary, collated the e-Questionnaire responses into a detailed Questionnaire Report. The Questionnaire Report was prepared based on the collective comments from all Directors and Board Committee members. The questionnaires received a 100% response rate. The 2020 Questionnaire Report was submitted to, considered, and discussed by the Board, and constructive feedback was received.

### Parameters

We have structured our 2020 questionnaire based on the Directors' views regarding five parameters, given below, which relate to the effectiveness and performance of the Board. The evaluation consisted of a quantitative element based on ratings and a qualitative element based on Directors' written responses.

The questionnaire examines five different aspects of the Board: leadership, composition, meetings and processes, "the Board in action", and training.

### Framework of the Questionnaire

- 1 **Leadership** investigates the role of Directors and the function of roles
- 2 **Composition** discusses Board size and structure, and the balance of knowledge, experience and skills of the Directors
- 3 **Meetings and Processes** seeks feedback on the respective meeting schedules of the Board and its Committees; the quality of agendas, meeting papers and minutes; satisfaction with the integrity of financial statements and accounts, policies, operation and compliance controls, internal controls, ESG and risk management processes
- 4 **Decision Making and Accountability – The Board in Action** looks into performance effectiveness, supply of and access to information, strategy appropriateness, and levels of remuneration
- 5 **Training** investigates the quality of training and seeks input on areas of interest for future training events

## Conclusions from this year's questionnaire

This year's questionnaire concluded that the Board and its Committees continued to operate to a high standard and worked effectively. The overall results 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. All Board members actively and constructively contributed to discharging the roles and responsibilities of the Board. Open and constructive dialogue and debate were widely cited as one of the positive achievements of the Board. The Directors were pleased with the establishment of the Sustainability Committee at Board level, as it is expected that a focus on ESG matters will continue to increase globally.

Directors were also satisfied in terms of the diversity of skills and experience. Directors with different skills and experience may need to be recruited to help the Company progress its diversity agenda with confidence. The Directors agreed that the major concerns facing the Board in the coming years will include the ongoing impact of COVID-19 and related necessary public health measures; the innovation of retail/ office models required to meet the disruption caused by COVID-19, social issues in Hong Kong, macro challenges and business or market downturns; geographical and business diversification, and a focus on ESG efforts.

Presentations, materials and papers were well organized, comprehensive, focused and delivered by management in a timely manner. Board and Committee meetings were productive, participative and efficiently utilized to discuss relevant issues and set strategic directions for the Group. The Directors were given direct access to senior management, the Company Secretary, and professional advice (when necessary) to facilitate full understanding of the Group's business affairs. Monthly reports and updates provided balanced and easily comprehensible assessments between Board meetings.

### Effectiveness Conclusion

Through a proper nomination process, coupled with ongoing reviews by the Nomination Committee and the board evaluation process, Board effectiveness has been ensured and maintained at all times.

## 3 Accountability

Our corporate governance framework provides clear lines of accountability. Decisions can only be made by the Board, together with the **Terms of References** of our Board Committees, under the **List of Matters Reserved for the Board Decision**. The management of the daily operation of the Group and other decisions are delegated to the Executive Committee with clear authority, supported by various Management Committees. Each management of the Group is responsible for ensuring a similar process of delegation is in place with his or her department or area of responsibilities. 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 to facilitate the decision making process.

### Board Accountability

The Board and the Board Committees are held accountable and responsible to the shareholders and the stakeholders by various means:

- All Directors are appointed by formal letters of appointment which set out clearly the terms and conditions of their appointments
- All Directors are subject to rotation, and the appointments of retiring Directors are approved by the shareholders at AGMs
- All Directors are required to make full and frank disclosure of their cross-directorships and other commitments, which are stated in Annual Reports
- All Directors are required to make full and frank disclosure of their connected persons and transactions. Significant connected transactions are approved by the shareholders in accordance with the Listing Rules
- All Directors are required to act within the defined and clear authority and powers set out by the Group's corporate policies and guidelines, including, but not limited to, the Code of Ethics, Board of Directors Mandate, List of Matters Reserved for the Board Decision, and the Terms of Reference of each Board Committee
- Non-Executive Directors are additionally subject to the "Roles and Requirements of Non-Executive Directors" policy
- All Directors are subject to ongoing review by the Nomination Committee as well as evaluation by other Board members
- All Directors are subject to the Anti-Fraud Policy and Whistleblowing Policy, which allows an individual to report any irregularity directly to an independent third party
- All Directors are required to review Annual Reports, Interim Reports, announcements and circulars for publication in a timely manner, and in accordance with the Companies Ordinance and the Listing Rules
- Our financial statements are verified and audited by an independent third party auditor

### Executive Member Accountability

The Executive Committee, Management Committees, and Senior Management members (collectively the "**Executive Members**") are held accountable and responsible to the Board by various means:

- Executive Members are required to make full and frank disclosure of their other commitments
- Executive Members are required to make full and frank disclosure of their connected persons and transactions, which may require full Board approval
- Executive Members are required to report and send timely updates to the Board on the key events and business outlook of the Group, and submit monthly financial reports to the Board that give adequate transparency of the Company's operation to the Board
- Executive Members are required to attend Board and Board Committee meetings to answer questions for their relevant session(s) that the Board and Board Committee members may have
- Executive Members are subject to the Code for Securities Dealing by Restricted Employees, which governs dealings in securities, as Executive Members are deemed to potentially have access to inside information. Each Executive Member is required to annually declare that throughout the relevant year they have complied with the Code. Following a specific enquiry by the Company, each Executive Member has made such declaration for the year ended 31 December 2020

## Board Activities during 2020

An outline of the key areas of Board activities in carrying out its roles and responsibilities during the year is provided below.

<p><b>Strategy</b></p> <ul style="list-style-type: none"> <li>• Discussed the Group's strategic objectives and focused on how to respond and build the resilience of the businesses under the new normal</li> <li>• Discussed business strategy and opportunities for the diversification and sustainable growth of the Group</li> <li>• Reviewed the challenges the Group will be facing, the impact of technology, changes in consumer behaviour and the resources and skills the business may require in future</li> <li>• Considered and approved the Group's investment strategy</li> </ul>	<p><b>Leadership</b></p> <ul style="list-style-type: none"> <li>• Reviewed the Board structure, size, composition, diversity, commitment, as well as the independence of Directors</li> <li>• Reviewed and evaluated the fees of Directors</li> <li>• Reviewed compensation for the senior management</li> <li>• Considered people development and plans to retain and motivate high performance individuals</li> <li>• Considered the composition of the Next Generation Innovation Panel and advisor to amplify capabilities from time to time</li> </ul>	<p><b>Environmental, Social and Governance</b></p> <ul style="list-style-type: none"> <li>• Reviewed, enhanced and approved key corporate related reports and policies, including: <ul style="list-style-type: none"> <li>- Anti-Fraud Policy</li> <li>- Tax Governance Policy</li> <li>- Diversity Policy</li> <li>- Nomination Policy</li> </ul> </li> <li>• Reviewed Terms of References of Committees</li> <li>• Establishment of Sustainability Committee at Board level to emphasize the Board's commitment to drive the Group's sustainability development</li> </ul>
<p><b>Financial, Operational and Business Performance</b></p> <ul style="list-style-type: none"> <li>• Considered the financial performance of the business and approved the annual budget and treasury policy</li> <li>• Reviewed the interim and annual results, approved the interim and annual reports</li> <li>• Reviewed and discussed financial forecasts and capital structure management</li> <li>• Reviewed operating results and regular updates for the Group's core business (Office, Retail, Residential and Property Development segments)</li> </ul>	<p><b>Risk Management and Internal Controls</b></p> <ul style="list-style-type: none"> <li>• Reviewed the Group's risk appetite and assessed external and internal risk level movements and mitigating actions</li> <li>• Reviewed the effectiveness of Hysan's risk management and internal control systems</li> <li>• Met with the Company's valuers regularly during the year to discuss the portfolio valuation</li> <li>• Reviewed the major risks the Group is facing relating to COVID-19 pandemic</li> </ul>	<p><b>Commitment and Accountability</b></p> <ul style="list-style-type: none"> <li>• Discussed the outcome of the Board evaluation and effectiveness review, and agreed improvement opportunities</li> <li>• The Chairmen of all Committees updated the Board on the proceedings of their meetings, including the key discussion points and any areas of concern</li> <li>• Reviewed key corporate governance related reports</li> </ul>

## Directors' Interests in Shares

As at 31 December 2020, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and

Futures Ordinance (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	0.244
Lee Chien	970,000	–	–	–	970,000	0.093
Lee Irene Yun-Lien	444,000	–	–	–	444,000	0.043

Notes:

(a) The percentages were compiled based on the total number of issued shares of the Company (i.e. 1,039,700,891 ordinary shares) as at 31 December 2020.

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

Executive Directors 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

"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% owned subsidiary of the Company:

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

Note:

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

Apart from the above, no other interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations as at 31 December 2020 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) 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 Mainland 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 Mainland and Hong Kong.

- (ii) 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 Mainland and the United States of America.

The Company's management team is separate and independent from that of the companies identified above. In addition, 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, 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.

- "At a time when we were feeling the most vulnerable and isolated from the world, disCONNECT served almost as an antidote, giving us an opportunity to reach out and reconnect to the world again through the arts. We are grateful for Hysan's and the Lee Gardens Association's support, providing us with two unique venues in Causeway Bay, the beating heart of Hong Kong. The Pak Sha Road's heritage building and Urban Sky on 9/F Hysan Place served as two very different backdrops for exhibiting the artwork, providing visitors two distinctly different ways of experiencing the work, which further amplified the exhibition and hopefully helped to re-ignite people's passion for art." ■



**Maria Wong and Jason Dembski**

*Managing Director and Co-founder  
HK Walls*

## 4 Engagement

Hysan is committed to carefully evaluating the impact of our operations on our stakeholders, including our shareholders, employees and investors, as well as our wider community.

Hysan has adopted the Corporate Disclosure Policy, which provides guidance on the disclosure of material information to investors, analysts and media. This policy identifies spokespersons and clearly outlines the responsibilities for communication with each stakeholder group. Details are available on the Company's website: [www.hysan.com.hk/governance](http://www.hysan.com.hk/governance).

### Shareholders' Engagement

Hysan aims to maintain open and constructive dialogue with our shareholders and to provide them with the information they require to make sound investment decisions.

We have adopted the Shareholders Communication Policy, which governs our framework for providing shareholders with ready, equal and timely access to balanced and easily comprehensible information about the Company.

In accordance with the Shareholders Communication Policy and our Company's Articles of Association:

- We have published key corporate governance policies, the terms of reference of Board Committees, and the Group's financial reports, press releases and announcements on the Company's website;
- We have published annual reports, interim reports and announcements in a timely manner on the Stock Exchange of Hong Kong and on the Company's website;
- The senior management has presented the annual and interim results through press conferences, webcasts, the Company's website, and face-to-face meetings in order to communicate with shareholders, investors and analysts;
- Since December 2015, shareholders can choose to receive corporate communications via electronic means, with hard copies also available free of charge upon request to the Company Secretary;
- We have arranged annual shareholders' visits since 2016, receiving an overwhelming response each year. The shareholders' visits include a briefing on the Company's history, sustainable activities and other business areas, followed by a walking tour of the Lee Gardens area arranged by the Group. The shareholders' visits are

constructive opportunities for the management to communicate with shareholders. Due to the COVID-19 pandemic, our shareholders' visits were postponed in 2020 until further notice, after giving due weight and consideration to the health and safety of shareholders;

- Since 2005, we have invited major nominee companies to forward communication materials to shareholders at our expense;
- Shareholders are given opportunities to meet the Directors and Senior Management and to raise questions at our AGMs every May. Details are set out in AGM section below;
- Shareholders may put forward proposals for consideration at a general meeting. A general meeting of shareholders can also 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"). The Group's Procedures for Shareholders to Convene General Meetings / Put Forward Proposals are available on the Company's website;
- All shareholders are welcome at all times to give feedback to and communicate with the Directors through 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;
- All shareholders are entitled to receive dividends according to our Dividend Policy. The dividend payment shall be based on the Group's financial performance, future capital requirements, and general economic and business conditions, etc; and
- No changes have been made to our Articles of Association during the year.

### AGM

Our AGMs are held around the month of May each year. They act as a means of communication with our shareholders and an opportunity for shareholders to understand the business performance of the Company.

Our AGMs are an important annual event for the Group and are attended by our Directors, Senior Management, and our independent auditor.

In order to ensure that our shareholders have sufficient time to consider the AGM notices, annual reports and financial statements, the said documents are dispatched to the shareholders more than 30 days prior to the AGMs, exceeding the statutory requirement of 21 days. Comprehensive information is also given on each resolution to be proposed.

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 AGMs prior to the taking of the poll. Poll results are announced and posted on the websites of both the Stock Exchange and the Company at [www.hysan.com.hk](http://www.hysan.com.hk).

We held our 2020 AGM at Hong Kong Convention and Exhibition Centre on 13 May 2020. Key matters resolved at the 2020 AGM include:

- Receipt of the Statement of Accounts for the year ended 31 December 2019 and the Reports of the Directors and Auditor thereon
- Re-election of Lee Irene Yun-Lien as Director
- Re-election of Fan Yan Hok Philip as Director
- Re-election of Lee Tze Hau Michael as Director
- Re-appointment of Deloitte Touche Tohmatsu as Auditor
- Granting of a general mandate to allot, issue and deal with additional shares in the Company (not exceeding 10% of the number of its issued shares, and the discount for any shares to be issued shall not exceed 10%)
- Granting of a general mandate to repurchase shares in the Company (not exceeding 10% of the number of its issued shares)

We successfully held our 2020 AGM despite the COVID-19 pandemic in Hong Kong. In order to ensure the health and safety of all attendees, as well as to comply with government regulatory requirements, we took stringent and sufficient precautionary measures, including, but not limited to:

- Splitting attendees into separate small groups to sit in the main room or in separate rooms with video and audio link facilities;
- Special seating arrangements to allow for appropriate social distancing;
- No distribution of beverages and souvenirs, to control human traffic;
- Body temperature screening and submission of health declarations by attendees prior to entry; and

- Compulsory wearing of face masks by attendees.

Prior to the 2020 AGM, we made an announcement on the Stock Exchange regarding the aforementioned precautionary measures. In addition, shareholders were reminded in the announcement to appoint the Chairman of the AGM as their proxy to vote on the resolutions.

In light of the uncertain development of the current COVID-19 situation, shareholders are encouraged to appoint the Chairman of the 2021 AGM as their proxy to vote on the resolutions, instead of attending the meeting in person. To ensure the safety of the shareholders attending the meeting, we will implement additional precautionary measures at the 2021 AGM in accordance with prevailing guidelines published by the Government and/or regulatory authorities. Details of the measures will be announced as appropriate.

## Investor Relations

Hysan is committed to maintaining open and constructive dialogue via effective two-way communication with our stakeholders, including equity and fixed-income investors, analysts and credit rating agencies.

In light of the rapidly changing environment, we aim to provide regular updates on Hysan's operating and financial performance. Amid the COVID-19 pandemic, we arranged virtual meetings and conference calls on regular basis with institutional investors and held live webcasts for our post-results briefings, hosted by our senior management.

### Calendar of our main investor relations events

#### 2020 1st Half

- Property Tour
- Annual results announcement
  - Press conference
  - Analysts briefing (live webcasts are also available)
- Post-results roadshows in Hong Kong
- Annual General Meeting
- Investor conferences in Hong Kong

#### 2020 2nd Half

- Interim results announcement
  - Press conference
  - Analysts briefing (live webcasts are also available)
- Post-results roadshows in Hong Kong

### Employee Engagement

At Hysan, talent engagement and development are part of our core values.

Hysan nurtures a work environment that encourages open dialogue and supports employees to unleash their potential and fulfil their career aspirations. Each year, employees and their supervisors discuss and agree goals and expectations. Employees are provided with ongoing feedback throughout the year to ensure that they are on track, with a final review being conducted at the end of the performance year.

Hysan has proactively developed our talent pipeline through our management trainee programme, launched in 2017, as well as our Apprenticeship Scheme, in order to meet our long-term business needs.

In 2020, Hysan leveraged its e-learning platform to provide diverse and rich learning content to employees, covering topics such as leadership skills, team collaboration, data protection, connected transactions, anti-competition law, tenancy laws, etc. To engage employees, we have also deployed various communication strategies to keep staff abreast of the Company's news and development.

Full details are included in the Sustainability Report.

## OUR RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board has the overall responsibility of determining the Group's risk appetite and reviewing and maintaining an effective risk management system.

The Audit and Risk Management Committee supported the Board to review the process by which risks are identified, prioritized, managed and mitigated in accordance with the Group's risk appetite. Each business or deal entails risks of a different nature, but the Group aims to only undertake and mitigate reasonable risks that are in line with our long-term and strategic goals and targets. Our risk management system is designed and tailored carefully to manage and mitigate the risks, and to afford reasonable assurance against material misstatement or loss. Everyone within the Group has a role to play in the risk management system, which is underpinned by the "Three Lines of Defence" model.

Full details of risk management and internal control activities during the year are set out in the "Risk Management and Internal Control Report" on pages 54 to 60.

The Board has the overall responsibility of maintaining an effective and robust internal control and compliance system.

### Operation Control

The Group has numerous and comprehensive corporate policies and guidelines that detail our practices and procedures in carrying out our business affairs.

Our business affairs are operated through a chain of delegation, from the Board to the Executive Committee through the List of Matters Reserved for the Board Decision, and from the Executive Committee to the responsible business units.

Each department head takes charge of ensuring that their business unit has fully complied with the corporate policies and guidelines in its day-to-day operations.

For any matter involving potentially sensitive or inside information, the business units are required to escalate the matter to the Disclosure Committee. The Disclosure Committee promotes consistent disclosure practices aiming at timely, accurate, complete, and widely disseminated disclosure of inside information about the Group to the market in accordance with applicable laws and regulatory requirements, and the Corporate Disclosure Policy.

The Disclosure Committee conducts meeting(s) in order to assess the materiality and nature of the information, and advises the Board promptly whether such information constitutes inside information. All discussions are recorded in the formal meeting minutes of the Disclosure Committee.

### Compliance Framework

Each business unit is required to report any irregularity or non-compliance immediately to the compliance team. Our Group's compliance policy sets out the control process for the early identification and recording of non-compliance in order to prevent and/or mitigate the risks of liability and material loss.

In addition, each business unit must submit a full compliance report twice a year, which is reported to the Audit and Risk Management Committee.

These means effectively monitor the compliance of each business unit of the Group, prioritize each case identified, and ensure comprehensive reporting and follow up.

All matters relating to the Group's internal controls are collectively reviewed by the Board, through the support of the Audit and Risk Management Committee and the Internal Audit function.

Internal Audit reviews the Group's practices and procedures for conducting business affairs, including leasing business, accounting and financial reporting, corporate communication processes, etc., from time to time, in order to ensure that our business affairs are conducted in full compliance with our corporate policies and guidelines. Internal Audit also examines and suggests areas of improvement for our corporate policies and guidelines.

Our compliance team issues quarterly legal and regulatory updates to the Board, and reviews our corporate policies and guidelines from time to time to ensure compliance with the latest legal and regulatory developments as well as suggestions from Internal Audit.

The Group's reporting process and financial management is part of our internal controls. 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, as well as any financial judgements and estimates made by the management.

Full details of the risk management and internal control activities during the year are set out in the "Risk Management and Internal Control Report" on pages 54 to 60.

## Sustainability Framework

The Board established the Sustainability Committee with effect from 1 January 2020, with the aim of enhancing our corporate responsibility, sustainable development and environmental management regarding climate change.

The Sustainability Committee, supported by the Sustainability Executive Committee at the management level, provides long-term direction and supervises sustainability-related matters.

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

- The "Sustainability Report 2020" on Hysan's website: [www.hysan.com.hk](http://www.hysan.com.hk).

- "Sustainability Committee Report" on pages 73 to 74.
- A summary of the Sustainability Report on pages 75 to 77.

During its first year, the Sustainability Committee made a significant impact on Hysan's sustainability journey. The Committee stimulated stronger commitment and greater collaboration from business units to work towards shared sustainable development goals, ESG-related risk management and climate change matters, in line with our "LIFE" strategy. Hysan gained further recognition from major ESG benchmarks and indices. Our sustainability-linked derivative hedging solution launched in October 2020, featuring Asia's longest ESG KPI commitment duration, was awarded "Most Innovative Deal" in the "Deal of the Year – Real Estate" category of the Triple A Sustainable Capital Markets Regional Awards 2020, organized by *The Asset*.

The Sustainability Report has been prepared for electronic distribution in an effort to reduce consumption of resources due to printing and distributing hard copies, and is available for public viewing on Hysan's website ([www.hysan.com.hk](http://www.hysan.com.hk)). Limited copies are printed and distributed primarily to our shareholders.

By Order of the Board

**Lee Irene Yun-Lien**

*Chairman*

Hong Kong, 25 February 2021



# 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. The 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.

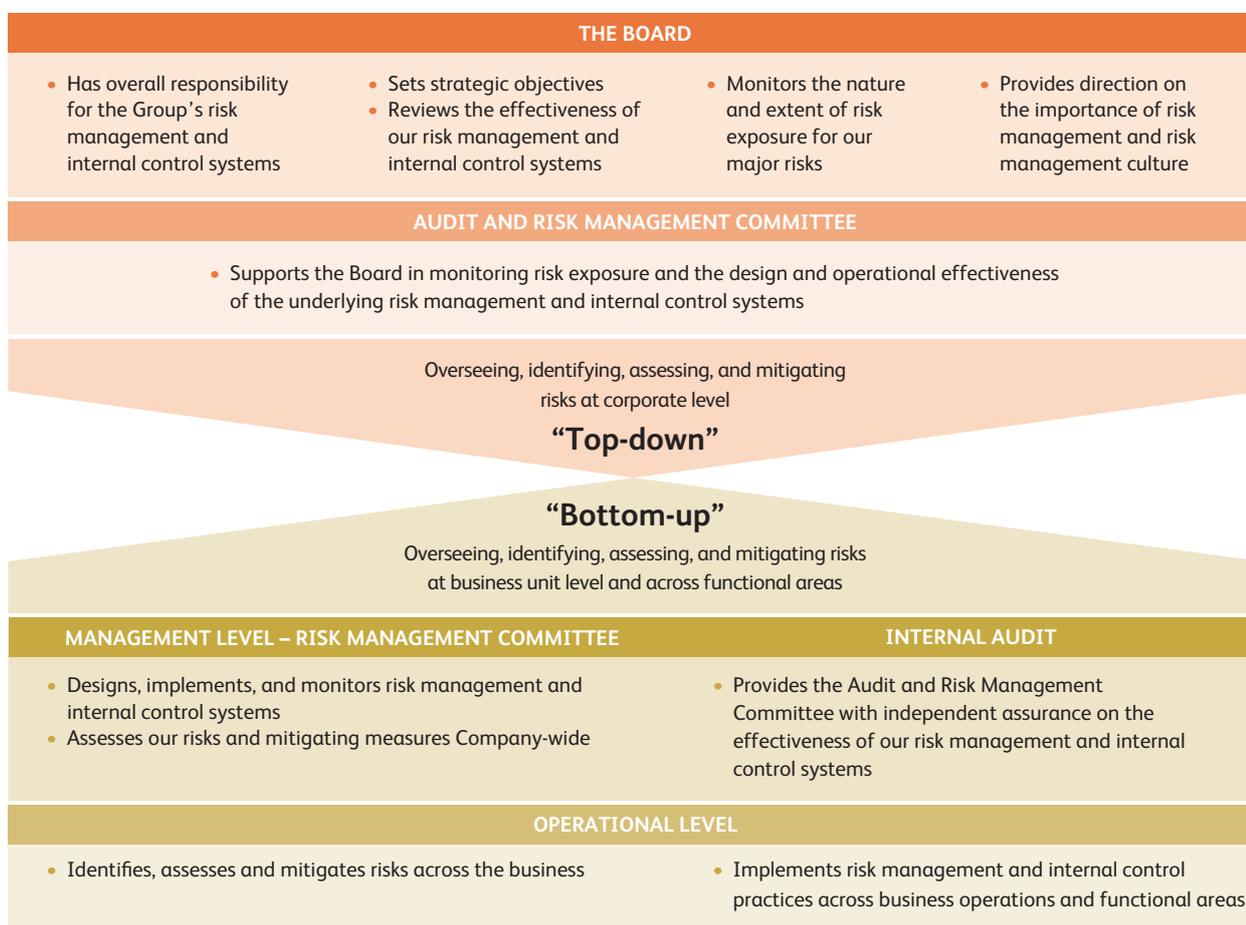
## Our Risk Management and Internal Control Framework

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 as well as the control measures used 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 such 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 receiving status updates and monitoring the implementation of audit recommendations; and
- iii. Reviewing reports 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.

## Hysan’s Top-Down/Bottom-Up Risk Management Framework



## 2020 Review of Risk Management and Internal Control Effectiveness

In respect of the year ended 31 December 2020, the Board, with confirmation from the Chief Operating Officer, Chief Financial Officer and Head of Internal Audit, as well as the General Counsel and Company Secretary, considered the Group's 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 five components. The following section describes how the model fits into our operational and control environment:

- **Control Environment** – We have a strong tradition of good corporate governance and 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. In January 2021, we also adopted a separate Anti-Fraud Policy to further promote an ethical culture and emphasize our "zero tolerance" attitude to fraud. During the year, no material related issues were raised.

In September 2020, a Risk Management Guideline was developed. This was shared with all risk owners of the

Group in order to refresh our corporate risk management approach and communicate the new enhancements made to our risk management process.

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. 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, business technology, legal & secretarial and corporate communications).

Department heads review and update their risk registers on an annual basis, 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 the 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, combines with top-down stewardship to ensure 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** – our operation and business involves well-established business processes. Control activities have traditionally been built on supervisor reviews, segregation of duties, and well-defined physical and digital control points. 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.

# RISK MANAGEMENT AND INTERNAL CONTROL REPORT

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 helps to identify deficiencies for which timely remedial actions can be taken.

Another significant control activity is the monitoring of major project expenditures, as these 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, the payback period and the internal rate of return from projected cash flow, as well as 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 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 2020, the Audit and Risk Management Committee held four meetings (2019: four meetings) to address dynamic risks and enhance the risk management oversight function. Each meeting includes a dedicated discussion of risk management, internal control systems and recent developments.

## Risk Management Process

The Group has a robust process to review and communicate risks across its risk governance levels. This consists of (i) an ongoing process integrated into day-to-day operations, in which risk owners dynamically evaluate and report emerging risks they encounter to the Risk Management Committee; and (ii) a periodic risk assessment process through which key risks identified by management are assessed systematically on a regular basis.

### Ongoing Risk Monitoring Process

Risk owners and the Risk Management Committee promptly assess and take action in response to new or emerging risks. This is a continuous and interactive process that includes communication and consultation with stakeholders.

- New risk confronted/ anticipated
- Immediate risk review
- Assess Risk
- Assess mitigation actions
- Notify parties
- Brainstorm and communicate
- Enforcing actions

### Regular Risk Assessment Process

#### Risk Assessment

- Review and highlight key risks across dimensions in business units
- Analyze risks through detailed consideration of likelihood, impact and velocity (by using the established risk criteria)

#### Risk Treatment

- Decide how to treat risks, based on the approaches of Terminate, Transfer, Treat and Take (or a combination of them where applicable)

#### Residual Risk and Risk Tolerance Level

- Collate the residual risk status (after risk treatment) with the risk tolerance level for each key risk
- Determine any further actions needed to close any risk gap

#### Risk Reporting

- Translate risk registers into a risk radar
- Effectively summarize and reflect the prioritized key risks of the Group

## Hysan's "Three Lines of Defence" Model

Clear responsibilities and robust controls are vital to help managing 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 the Group's risk management capabilities and compliance culture across all divisions and functions.



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

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

“ Good diversity, high engagement in meetings and well prepared meeting materials. ”

Directors' comments received in Board Evaluation 2020.

## 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 2020	Description of risk change	Our mitigating measures
Continuing epidemic of COVID-19	↑	<ul style="list-style-type: none"> <li>The proliferation and continuance of the COVID-19 pandemic in Hong Kong since early 2020 has affected the local retail and property leasing markets.</li> </ul>	<ul style="list-style-type: none"> <li>Hygiene standards and disinfection procedures reinforced in our properties.</li> <li>Close dialogue maintained with tenants.</li> <li>A communication protocol developed with tenants for notifying infection cases.</li> </ul>
Overall business environment	↑	<ul style="list-style-type: none"> <li>The continuing COVID-19 pandemic is slowing down the development of global and local economies.</li> <li>Uncertainties remain from China-U.S. trade tensions.</li> </ul>	<ul style="list-style-type: none"> <li>Proactive measures taken to ease tenants' business pressures.</li> <li>Focus on portfolio curation as well as prudent and sound financial management to ensure Hysan's business resilience.</li> </ul>
Office sector	↑	<ul style="list-style-type: none"> <li>Slowdown in demand due to unclear economic recovery prospects.</li> <li>Net take-up of Grade A office space in Hong Kong dropped in 2020.</li> <li>Co-working and work-from-home models continued to disrupt the traditional office leasing business.</li> </ul>	<ul style="list-style-type: none"> <li>Diverse and flexible leasing efforts as well as maintaining a diversified tenant mix to ensure a more resilient tenant portfolio.</li> <li>Offer tailored solutions to increase marketability of office units.</li> <li>Embrace the co-working trend by collaborating with leading and strong co-working brands.</li> <li>Aim for mutual empowerment with our Retail portfolio.</li> </ul>
Retail sector	↑	<ul style="list-style-type: none"> <li>Retail spending in Hong Kong declined sharply amid the continuing COVID-19 pandemic and reduced tourist arrivals.</li> <li>Brands consolidated their outlets to save costs.</li> <li>Peer competition intensified.</li> </ul>	<ul style="list-style-type: none"> <li>Diverse and flexible leasing effort as well as active curation of tenant mix to ensure a more resilient and sustainable tenant portfolio.</li> <li>Short-term support to ease tenant's business pressure and reinforce long-term business partnership.</li> <li>Use mobile and business technology to drive loyalty programme as well as shopping experiences to distinguish our offerings.</li> <li>Focus on marketing efforts to target relevant existing and potential new shoppers.</li> </ul>
Residential sector	↑	<ul style="list-style-type: none"> <li>Uncertainties in the economy affected demand for luxury residential units as well as affordable rent levels due to customers' tighter budget.</li> </ul>	<ul style="list-style-type: none"> <li>Flexible leasing efforts to meet customer needs.</li> <li>Continue to invest in the renovation of residential units and common areas to attract new tenants and improve rents.</li> </ul>
Tai Po Residential Development Project	↔	<ul style="list-style-type: none"> <li>Recent signs of stability in the residential property market.</li> </ul>	<ul style="list-style-type: none"> <li>Ensure the sites are carefully and professionally developed to capture the target market.</li> <li>Approach the market at the right moment.</li> <li>Sensible tender price mitigates pressure on profit.</li> </ul>
Human Resources	↔	<ul style="list-style-type: none"> <li>The service industry continues to face labour shortages.</li> <li>We are facing competition for skilled personnel for our frontline operations as well as for management positions to support our growth strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Improve working environment and benefits with an emphasis on wellbeing, to help recruit new employees and retain talented people more effectively.</li> <li>Enhance staff productivity with technology and process automation.</li> <li>Grow and develop talent via Mobile Learning, Hysan Forum and our Leadership Programme.</li> <li>Strengthen our employer brand.</li> </ul>

Risk area	Risk level changes during 2020	Description of risk change	Our mitigating measures
<b>Cyber security</b>	↔	<ul style="list-style-type: none"> <li>Given rapid 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.</li> <li>Disturbances to business due to cyber security risks can be significant and costly to rectify.</li> </ul>	<ul style="list-style-type: none"> <li>Regular cyber security reviews and upgrades to mitigate risks.</li> <li>Engage external professional(s) to conduct a cyber security and data protection audit.</li> <li>Put in place cyber security policies and procedures, as well as insurance for cyber risk.</li> <li>Information about security risk and protection guidelines are available to all staff.</li> <li>No material cyber security breach has occurred in the last three years. Ongoing monitoring of key risk indicators.</li> </ul>
<b>ESG Compliance</b>	↔	<ul style="list-style-type: none"> <li>Increasing attention from investors and the general public in assessing public companies on ESG performance.</li> <li>New requirements on compliance.</li> </ul>	<ul style="list-style-type: none"> <li>Engage professional independent consultant(s) to conduct an overall review of the Group's sustainability and climate change performance.</li> <li>Execute the Group's sustainable development principles and attain the targets set.</li> <li>Established a Sustainability Committee at Board Level in 2020.</li> <li>Apply new technologies to reduce carbon footprint.</li> </ul>
<b>Environmental Management regarding Climate Change</b>	↔	<ul style="list-style-type: none"> <li>Climate change impacts the operations and management of buildings in our portfolio</li> </ul>	<ul style="list-style-type: none"> <li>Regularly update contingency plan.</li> <li>Monitor emissions from existing buildings and new development projects.</li> <li>Put in place ISO 14001 Environmental Management System, ISO 50001 Energy Management System and building analytics systems for daily operational risk management.</li> <li>Invest in renewable energy.</li> <li>Apply new technologies to mitigate operational risk.</li> <li>Assess and enhance indoor air quality for pandemic situation.</li> </ul>
<b>Customer Data Protection and Privacy Protection</b>	↔	<ul style="list-style-type: none"> <li>Given rapid developments in business technology, personal data might be collected inappropriately through digital platforms and other channels.</li> </ul>	<ul style="list-style-type: none"> <li>Continuously build a holistic approach to managing and protecting data and privacy through the implementation of a variety of processes, roles and controls.</li> <li>Conduct comprehensive privacy compliance review.</li> <li>Adopt stringent privacy policies and procedures, with strict compliance by all employees and service providers.</li> <li>No material customer data loss cases and customer privacy breaches reported in the last three years.</li> </ul>
<b>Anti-Fraud and Anti-corruption</b>	↔	<ul style="list-style-type: none"> <li>External service providers and third parties are often engaged to provide business and technological solutions.</li> <li>Hysan continues to plan for business diversification across the Group.</li> </ul>	<ul style="list-style-type: none"> <li>Adopted an Anti-Fraud Policy as a framework, supported by comprehensive anti-fraud procedures and guidelines.</li> <li>Put in place and regularly review our Code of Ethics and Whistleblowing Policy.</li> <li>Established an independent whistleblowing channel.</li> <li>Potential fraud risks identified across the Group and no material related cases reported in the last three years.</li> </ul>

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

## Our Efforts to Enhance the Internal Control Environment and Activities in 2020

In addition to the actions described above, the following section outlines examples of improvements we have made to strengthen our risk management and internal control systems:

### Control Environment – policy of compliance

- Introduced a Tax Governance Policy, Anti-Fraud Policy and Human Rights Policy in 2020 and 2021. Updated corporate governance policies including Diversity Policy, Nomination Policy, Corporate Governance Guidelines and the Terms of Reference of various Board Committees, as well as the management Executive Committee, in 2021.

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

### Control Environment – risk management guideline

- Developed a Risk Management Guideline to state the risk management process, new elements introduced for risk identification, risk evaluation and risk reporting. The new elements include new dimensions of risk categories and risk sources, revised definitions for assessing risk impacts, risk radar reporting, revised risk registers and the ongoing risk monitoring process, etc.

— Providing a consistent and systematic approach of risk management across the Group at all levels.

### 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, epidemic, cyber security and privacy or social media risks.
- The Risk Management Committee plays a key role in identifying and tracking such 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.

### Risk Assessment – enhanced risk analysis

- Refined the risk register with new definitions of risk velocity, risk treatment and risk tolerance.
- Considered the new dimensions of ‘Regulatory/Legal/Compliance’, ‘Human Resources’ and ‘Physical Environment’ in assessing risk impact.

— Continual review and refinement of the risk management process to ensure that all major risks are properly identified, evaluated, reported and monitored.

### Control Activities – internal controls and policies

- The Group carried out a Corporate Disclosure Drill with an external professional in October 2020. Staff from the Finance Department (Financial Reporting Team and Treasury Team), Investment & Development Department, Corporate Communications Department and Legal & Secretarial Department all attended an interactive drill with case studies. Regular training and education provided across the Group during the year.

— Continual review and refinement of policies and procedures to support the essential task of keeping risk management and internal controls aligned with fast-changing external and internal business environments.

### 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 the Board on major risks, including reports on topics such as the Group’s enterprise risk management framework, digital technology projects, data privacy review and business operations, and “deep-dive” report on impact of COVID-19.
- 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.

— Facilitating and enhancing the work of the Audit and Risk Management Committee and the Board in monitoring our risk exposure.

### Monitoring Activities – risk radar

- Introduced the use of a risk radar to effectively visualize and contextualize all of the key risks of the Group.

— Use of a risk radar to enhance effectiveness and efficiency in risk reporting.

### Monitoring Activities – enhanced ESG governance

- Established the Sustainability Committee at the Board level in 2020, to oversee the Group’s corporate responsibility, sustainability development and related policies, supported by the management-level Sustainability Executive Committee and the Sustainability Task Force with regular updates.
- Put in place a sustainability policy, which applies to all properties and business units.

— Facilitating and enhancing the work of the Sustainability Committee and the Board in sustainability development.

The Risk Management Committee  
Hong Kong, 25 February 2021

# Audit and Risk Management Committee Report

## Dear Shareholders,

We are pleased to present the Audit and Risk Management Committee's report for 2020, which provides an overview of the work undertaken by the Committee during the year. In 2020, the Committee continued to focus on reviewing the Group's risk management and internal control systems, monitoring internal and external auditors and overseeing the financial reporting process. The most significant topics considered by the Committee during the year included rigorous assessment of the Group's enhanced risk management and internal control systems, major risks relating to digital technology projects and the impact of COVID-19.

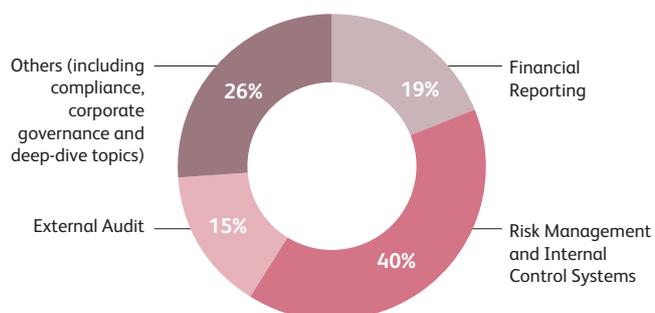
## Highlights in 2020 and 2021

- Assessed the Group's risk management and internal control (including its new enhanced three-dimensional risk management framework) and refined the risk management model in order to identify, assess and monitor emerging risks
- Reviewed major risks relating to digital technology projects and the business impact of COVID-19
- Reviewed the Tax Governance Policy
- Reviewed a separate Anti-Fraud Policy
- Updated the Terms of Reference

## Key responsibilities

- Oversee the integrity of the Group's financial management and reporting processes and the preparation of financial statements
- Review the risk management and internal control framework
- Review the effectiveness and adequacy of the risk management and internal control systems
- Review the major identified risks
- Assess and determine the risk appetite of the Group
- Oversee the Internal Audit
- Oversee the relationship with the external auditor and the provision of non-audit services

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



## Composition

The majority of the Committee is comprised of 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

## Meeting Schedule

The Audit and Risk Management Committee held four meetings during the year, with one of those meetings specifically focused on addressing dynamic risks and enhancing the risk management oversight function. The Board Chairman and management members (including the Chief Operating Officer and Chief Financial Officer), internal auditor, external auditor and external valuer (as appropriate) attend the meetings by invitation to present updates and answer relevant questions, and thus facilitate the Committee's decision-making process. Pre-meeting sessions with external and internal auditors are held without the management's presence at least twice a year.

## Roles and Authorities

- Oversee the Group’s financial management and reporting processes and monitor the work carried out by the external auditor. Within this process, the management is responsible for the preparation of the Group’s financial statements, including the selection of suitable accounting policies, while 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 this regard. Formal statements of Directors’ Responsibility for the Financial Statements are contained in “Financial Statements, Valuation and Other Information” section of this Annual Report.
- Review the Company’s risk management and internal control systems.
- Review reports on major risks faced by the Group.
- Review adequacy of resources and staff qualifications and experience in the Group’s internal audit, accounting and financial reporting functions, as well as their training programmes and budget.
- Review the Group’s Whistleblowing Policy. 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.
- Review the Anti-Fraud Policy. This is a separate policy to further promote an ethical culture and emphasize our “zero tolerance” attitude to fraud.
- 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 of the meeting held in February 2020 were set out in the 2019 Annual Report.

From March 2020 to February 2021, the Audit and Risk Management Committee held four meetings to:

### The Audit and Risk Management Committee Over the Past 12 Months

<b>May 2020 meeting</b>	Report from Internal Audit 3-year Internal Audit Plan “Deep-dive” topic Legal and regulatory update
<b>August 2020 meeting</b>	Interim results Property valuations External auditor report Risk management review Report from Internal Audit Legal and regulatory update
<b>November 2020 meeting</b>	External audit progress report Report from Internal Audit Risk management review Annual review of adequacy of resources Corporate governance policies and Committee terms of reference Legal and regulatory update
<b>February 2021 meeting</b>	Annual results Property valuations Annual review of risk management and internal control effectiveness Effectiveness and independence of external auditor External audit completion report External audit plan for 2021 Annual review of continuing connected transactions Legal and regulatory update



## Financial Reporting

- Review and discuss with management and the external auditor, and recommend for approval to the Board, the unaudited financial statements for the first six months ended 30 June 2020; the audited financial statements for the year ended 31 December 2020; and the Independent Auditor's Report for the year ended 31 December 2020, prior to their publication. The Committee's review and recommendations were based on the external auditor's review work, as well as the following:
  - Discussions with the external auditor and internal auditor regarding the scope of their respective reviews and findings.
  - Discussions with management regarding significant parameters and judgments affecting the Group's financial statements, including the valuation of investment properties as at 30 June 2020 and 31 December 2020 by the independent professional valuer, Knight Frank Petty Limited.
  - A joint review with both management and the external auditor of the Key Audit Matters included in the Independent Auditor's Report for the year ended 31 December 2020.
- Consider the Group's key corporate risks, including the overall business environment, operational risks, ESG risks and compliance, etc., with the overall approach being set by senior management.
- Consider the key imminent risks and risk registers presented by the management.
- Review the methodology used by the Group's independent professional valuer, Knight Frank Petty Limited, in the valuation of its investment properties, and discuss the capitalization rate and property market outlook.
- Review adequacy of resources and staff qualifications and experience in the Group's internal audit, accounting and financial reporting functions, as well as their training programmes and budget.
- Review all legal and regulatory updates and trends that may affect the Group, and their implications.
- Review the Tax Governance Policy, which sets out the approach to tax strategy and policies across the Group.
- Review the Group's separate Anti-Fraud Policy to further promote an ethical culture and enhance the detection and prevention of fraud.
- Review the annual risk management and internal control systems performance for 2020, based on:
  - Reports from Internal Audit on the review of the Company's continuing connected transactions for the year ended 31 December 2020, as well as the adequacy and effectiveness of the related internal control procedures.
  - Regular reports by management regarding major risks, movements in risk levels and mitigating actions, as well as special reports on select major risk items (as detailed above).
  - Regular reports from Internal Audit, including the implementation status 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 control, as well as 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.

## Review of Risk Management and Internal Control Systems

- Review Internal Audit findings on the following areas, with no significant issues raised during the reviews:
    - Enterprise risk management framework: the introduction of a refined risk management model and an enhanced three-dimensional risk management framework that takes into account "risk velocity" for future risk prioritization and proposes new key risk indicators
    - Digital technology projects: pre-implementation review on various initiatives, including digital marketing activities and operational systems development to enhance IT governance
    - Data privacy review
    - Leasing business
  - Consider a "deep-dive" exploration into the risks relating to COVID-19 on our business and mitigating actions.
  - Evaluate the financial aspects of the Group's strategy implementation.
  - Consider and evaluate an in-depth assessment on enhancing indoor air quality for pandemic situation in February 2021.
- 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 adequacy of resources and staff qualifications and

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

experience in the Group's accounting, financial reporting and internal audit functions, as well as their training programmes and budget). No significant areas of concern that might affect financial, operational and compliance controls, ESG compliance, internal audit, risk management or internal control were identified.

## External Auditor

- Review and consider the terms of engagement of the external auditor in respect of the Group's 2020 final results (including the 2020 annual audit, the related results announcement, and the annual review of continuing connected transactions) and the annual update regarding its MTN Programme.
- Review the audit progress report of the external auditor.
- Carry out the annual assessment of the auditor's qualifications, expertise, services and independence, and declared its satisfaction with the same. The assessment was performed by reviewing the management's detailed assessment of the external auditor's independence, service quality and remuneration level, as well as the 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 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 might 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

	2020 HK\$ million	2019 HK\$ million
Audit Services	2.6	2.9
Non-audit Services (Note)	3.8	2.5
Total	6.4	5.4

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 2021 audit service plan of the external auditor, and the terms of its engagement in respect of the 2021 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 2021.

## Internal Audit

- Review the internal audit plan regarding the key risks and business strategy of the Group; all matters identified as the result of internal audits; management responses to audit reports issued during the year, and the progress made in implementing improvement actions.
- Consider and approve the three-year audit plan undertaken by the Internal Audit function. During 2021, it is expected that the internal audit plan will include reviews of the Group's leasing business, marketing, investment and development, etc.

Members' attendance records are disclosed in the table on page 41.

## 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 2020. For details, please refer to Corporate Governance Report – "Board Evaluation" (page 44).

Members of the Audit and Risk Management Committee

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

Hong Kong, 25 February 2021

# Remuneration Committee Report

## Dear Shareholders,

We are pleased to present the Remuneration Committee Report for 2020. The primary roles of the Remuneration Committee are to advise the Board on formulating the remuneration policy for Directors and senior management, to determine remuneration and incentives packages for Directors and senior management, and to ensure that the remuneration packages are commensurate with the qualifications and competencies of the Directors and senior management and are appropriate to the best interests of the Company and its shareholders.

## Key responsibilities

- Review the Company'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 Directors and senior management
- Review share incentive plans

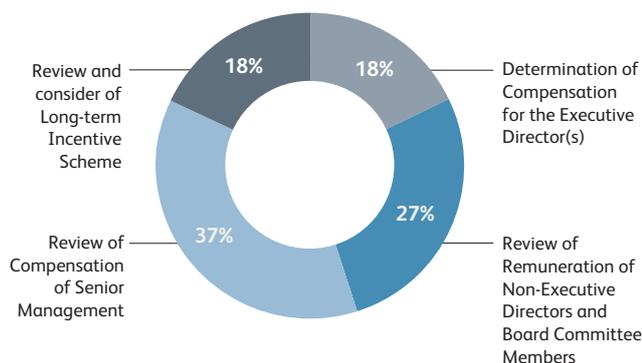
## Meeting Schedule

The Remuneration Committee generally meets at least once a year. The Executive Director(s) and management may be invited to Remuneration Committee meetings to present updates and/or answer relevant questions in order to facilitate the decision-making process. No Director is involved in deciding his own remuneration.

## Roles and Authorities

- Review the Company'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 the key terms of pension plans, and the key terms of any new compensation and benefits plans that have a material financial, reputational and strategic impact.

## Remuneration Committee activities and agenda time during the year



## Composition

The majority of the Committee is comprised of 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 2020 and 2021

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

## Activities

In 2020, the Remuneration Committee held one meeting to:

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

In January 2021, the Remuneration Committee also held a meeting to:

- Approve the Executive Director's 2021 compensation package and 2020 performance-based bonus.

## REMUNERATION COMMITTEE REPORT

- Review the fees for Non-Executive Directors and Board Committee members.
- Review and determine the compensation of senior management.
- Review and consider the long-term incentive scheme.
- Review the terms of reference of the Remuneration Committee.

Members' attendance records are disclosed in the table on page 41.

### Executive Director and Senior Management Remuneration Policy

The Group's remuneration policy aims to provide a fair market level of 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.

The following principles have been established:

- Remuneration packages and structure shall reflect a fair reward system for all participants with an emphasis on performance, comprising the following components:

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

- Remuneration packages shall be set at levels that 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 shall determine the overall amount of each component of remuneration, taking into account both quantitative and qualitative assessments of performance, as well as the achievement of financial and operational key performance targets that align with the Group's long-term strategy.
- Remuneration policy and practice shall be as transparent as possible.
- Share option grantees shall develop significant personal shareholdings through executive share option schemes in order to align their interests with those of shareholders.
- Pay and employment conditions elsewhere in the Group shall be taken into account.
- The remuneration policy for Executive Director(s) and senior management shall be reviewed regularly, independent of executive management.

In January 2021, the Remuneration Committee held a meeting to consider the annual base salary of Lee Irene Yun-Lien and concluded that her 2021 annual fixed base salary shall be HK\$8,000,000.

Details of Directors' (including individual Executive Director(s)) and senior management's emoluments for 2020, as well as changes in share options for Executive Director(s) during the year, are set out in notes 11, 12 and 37, respectively, to the consolidated financial statements.

### Non-Executive Director Remuneration Policy

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

- Remuneration shall be set at an appropriate level to attract and retain first-class non-executive talent.
- Remuneration of Non-Executive Directors (subject to shareholders' approval) shall be set by the Board and should be proportional to their commitment and contribution to the Company.
- Remuneration practice shall be consistent with recognized best practice standards for Non-Executive Directors' remuneration.

- Remuneration shall be in the form of cash fees, payable semi-annually.
- Non-Executive Directors shall not receive share options from the Company.

In 2020, Non-Executive Directors received no other compensation from the Group except for the fees disclosed below. None of the Non-Executive Directors received any pension benefits from the Company, nor did they participate in any bonus or incentive schemes.

Non-Executive Directors (including Independent Non-Executive Directors) received fees totalling HK\$3,241,000 during 2020.

## Director Fee Levels

Director fees are subject to shareholders' approval at general meetings. In January 2021, the Remuneration Committee duly considered a number of factors, including the level of responsibility, experience and abilities required of the Directors, the level of care and amount of time required, as well as the fees offered for similar positions in companies requiring the same talents, and agreed that the fees of the Non-Executive Directors shall remain at the same level.

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

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

Notes:

1. Approved by shareholders in the 2019 AGM and took effect on 1 June 2019.
2. Approved by the Board and took effect on 1 January 2020.

## Human Resources Practices

The Group aims to attract, retain and develop high-calibre individuals who are committed to attaining our objectives. The total number of employees as at 31 December 2020 was 489 (2019: 514). The Group's human resources practices are aligned with our corporate objectives 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 2020".

## 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).

## REMUNERATION COMMITTEE REPORT

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 five 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 five 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 three 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 1,602,000 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 1,272,667 ordinary shares of the Company granted and fully-vested under the 2005 Scheme remained outstanding, representing approximately 0.12% of the total number of issued shares of the Company;
- share options exercisable into a total of 4,744,067 ordinary shares of the Company granted (including fully-vested share options exercisable into 2,036,853 ordinary shares of the Company) under the New Scheme remained outstanding, representing approximately 0.46% of the total number of issued shares of the Company; and
- 101,279,005 shares are issuable under the New Scheme, representing approximately 9.74% of the total number of issued shares of the Company.

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

Name	Date of Grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2020	Changes during the year			Balance as at 31.12.2020
					Granted	Exercised	Cancelled/ lapsed (Note b)	
<b>2005 Scheme</b>								
<b>Executive Director</b>								
Lee Irene Yun-Lien	14.5.2012	33.50	14.5.2013 – 13.5.2022	87,000	–	–	–	87,000
	7.3.2013	39.92	7.3.2014 – 6.3.2023	265,000	–	–	–	265,000
	10.3.2014	32.84	10.3.2015 – 9.3.2024	325,000	–	–	–	325,000
	12.3.2015	36.27	12.3.2016 – 11.3.2025	300,000	–	–	–	300,000
<b>Eligible employees (Note c)</b>	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	–	(50,000)	–	1,272,667

Name	Date of Grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2020	Changes during the year			Balance as at 31.12.2020
					Granted	Exercised	Cancelled/ lapsed (Note b)	
<b>New Scheme</b>								
<b>Executive Director</b>								
Lee Irene Yun-Lien	9.3.2016	33.15	9.3.2017 – 8.3.2026	375,000	–	–	–	375,000
	23.2.2017	36.25	23.2.2018 – 22.2.2027	300,000	–	–	–	300,000
	1.3.2018	44.60	1.3.2019 – 29.2.2028	373,200	–	–	–	373,200
	22.2.2019	42.40	22.2.2020 – 21.2.2029	494,200	–	–	–	494,200
	21.2.2020	29.73 (Note e)	21.2.2021 – 20.2.2030	–	650,000	–	–	650,000
<b>Eligible employees (Note c)</b>	31.3.2016	33.05	31.3.2017 – 30.3.2026	125,000	–	–	–	125,000
	31.3.2017	35.33	31.3.2018 – 30.3.2027	244,667	–	–	–	244,667
	29.3.2018	41.50	29.3.2019 – 28.3.2028	496,000	–	–	(2,000)	494,000
	29.3.2019	42.05	29.3.2020 – 28.3.2029	762,000	–	–	(4,000)	758,000
	31.3.2020	25.20 (Note f)	31.3.2021 – 30.3.2030	–	952,000	–	–	952,000
				3,170,067	1,602,000	–	(6,000)	4,766,067

Notes:

- All options granted have a vesting period of three 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.
- The options lapsed during the year upon the resignations of certain eligible employees.
- Eligible employees are those working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.
- The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$28.40.
- The closing price of the shares of the Company immediately before the date of grant (i.e. as of 20 February 2020) was HK\$29.55.
- The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2020) was HK\$23.85.

## REMUNERATION COMMITTEE REPORT

Apart from the above, the Company has not granted any share options under the Schemes to any other persons during the year that are 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 the Black-Scholes option pricing model (the "Model"). The Model is one of the commonly used models to estimate the fair value of an option. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables 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	31.3.2020	21.2.2020
Closing share price at the date of grant	HK\$25.200	HK\$29.250
Exercise price	HK\$25.200	HK\$29.730
Risk free rate (Note a)	0.528 %	1.172 %
Expected life of option (Note b)	5 years	5 years
Expected volatility (Note c)	18.518 %	18.013 %
Expected dividend per annum (Note d)	HK\$1.384	HK\$1.384
Estimated fair values per share option	HK\$2.060	HK\$2.520

Notes:

- (a) Risk free rate: 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: the period of five 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: the approximate historical volatility of the closing prices of the shares of the Company over the past five years immediately before the date of grant.
- (d) Expected dividend per annum: the approximate average annual cash dividend over the past five financial years.

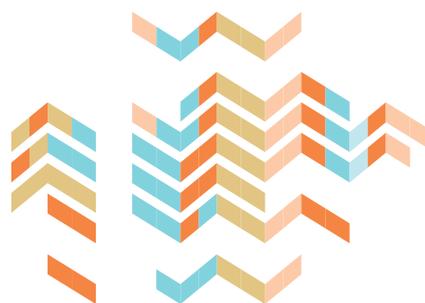
Members of the Remuneration Committee

**Fan Yan Hok Philip** (Chairman)

**Lee Tze Hau Michael**

**Poon Chung Yin Joseph**

Hong Kong, 25 February 2021

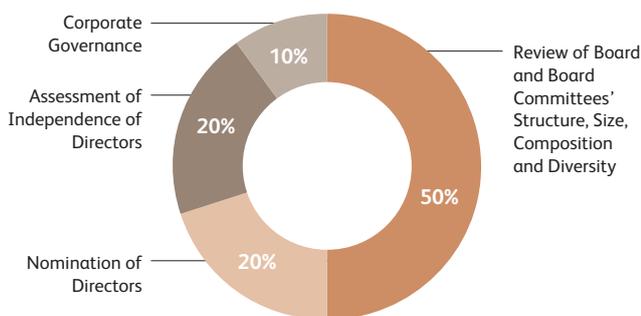


# Nomination Committee Report

## Dear Shareholders,

We are pleased to present the Nomination Committee Report for 2020. The primary roles of the Nomination Committee are to review the Board's structure, composition and diversity, and to recommend Board appointments. The roles of the Non-Executive Directors continue to evolve in line with the growing demands and the fast-changing business environment. The Board is constantly looking ahead to ensure that our Non-Executive Directors have the skills and experience required to drive the highest standards of performance. During 2020, Lau Lawrence Juen-Yee retired from the Board and the Committee. We would like to thank him for his contribution during his tenure. We would also like to welcome Churchouse Frederick Peter to the Committee.

## Nomination Committee activities and agenda time during the year



## Composition

The majority of the Committee is comprised of Independent Non-Executive Directors

## Committee members

Lee Irene Yun-Lien (Chairman)

Churchouse Frederick Peter\*

Fan Yan Hok Philip\*

Lee Chien

Poon Chung Yin Joseph\*

\* Independent Non-Executive Director

## Highlights in 2020

- Considered the re-appointment and independence of Directors
- Reviewed the Diversity Policy and the Nomination Policy
- Reviewed the Terms of Reference

## Key responsibilities

- Review the structure, size and composition of the Board
- Review the skills, knowledge, experience and diversity of each Director
- Assess the independence of the Independent Non-Executive Directors
- Make recommendations to the Board on the appointment of Directors
- Review the dedication of time and expertise of each Director, while taking into account other material commitments of Directors
- Oversee succession planning for the Board

## Meeting Schedule

The Nomination Committee generally meets at least once a year.

## Roles and Authorities

- Review and make recommendations on the structure, size, composition and diversity of the Board with a view to complementing 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 effort required of Directors to discharge their responsibilities.
- Review the training and continuous professional development of the Directors.
- Recommend the nomination of Directors after careful consideration of the attributes and values required in accordance with the Company's Nomination Policy, while also taking into account diversity aspects (including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) with due regard to 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 appropriate to the Group's 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 2020, the Committee held one 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 Board diversity in line with the Company's strategy. 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.
- Recommend the re-appointment of Directors to the Board.
- Continue with the appointment of Li Xinzhe Jennifer as an advisor to the Board, in order to continue to enrich the Board's skills and diversity.
- Receive and review the latest Board performance evaluation, which concluded that the Board has operated very well. The Nomination Committee was satisfied that all Directors were 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 rates of attendance, recorded in the table on page 41.
- Review the contributions of those 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 the fact that two Directors, Fan Yan Hok Philip and Poon Chung Yin Joseph, have served as Independent Non-Executive Directors for more than nine years. Fan Yan Hok Philip was re-elected at the 2020 AGM and will remain on the Board for a further year, while Poon Chung Yin Joseph will retire by rotation at the forthcoming AGM to be held on 21 May 2021. The Nomination Committee was of the view that both Fan Yan Hok Philip and Poon Chung Yin Joseph have consistently demonstrated a healthy level of professional scepticism whenever appropriate, and have not held back from asking probing questions and challenging the executive management's views and recommendations. There is no evidence to suggest that their tenure has had any impact on their independence. The Nomination Committee was thus satisfied that, notwithstanding the length of service of such Directors, as well as the number and nature of office(s) they 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 Policies and Guidelines

- Review our Diversity Policy and Nomination Policy (available on the Company's website) to enhance the diverse perspectives of Directors and strengthen the nomination process.
- Review its terms of reference in order to strengthen the board assessment process for the appointment of Directors.

### Next Generation Innovation Panel

- Consider the nature and composition of the Next Generation Innovation Panel, which improves the Board's capabilities and supports its strategic decision-making.

Members of the Nomination Committee

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

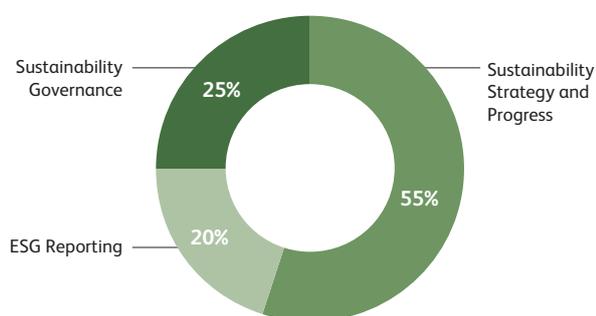
Hong Kong, 25 February 2021

# Sustainability Committee Report

## Dear Shareholders,

We are pleased to present the Sustainability Committee Report for 2020. The primary roles of the Sustainability Committee are to review and oversee the Group's corporate responsibility, sustainability development and related policies. The Committee is tasked with overseeing the Group's overall vision and action plans for corporate responsibility and sustainability, 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.

## Committee activities and agenda time during the year



## Composition

The majority of the Committee is comprised of 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 and 2021

- Reviewed and endorsed the Group's sustainability strategy
- Reviewed sustainability progress on a quarterly basis
- Enhanced the Terms of Reference
- Reviewed the Sustainability Report

## Key responsibilities

- Review the Group's sustainability roadmap and make recommendations to the Board

## Meeting Schedule

The Sustainability Committee generally meets at least once a year. Two meetings were held during 2020, in order to increase its focus on sustainability matters.

## 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.
- 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 and Governance Reporting Guide and the Listing Rules).
- Review and provide recommendations to the Board for approval of the annual corporate responsibility and sustainability report and relevant disclosures in the Company's annual report.

## Activities

Details of the meeting held in February 2020 were set out in the 2019 Annual Report.

From March 2020 to February 2021, the Sustainability Committee held two meetings to:

### The Sustainability Committee Over the Past 12 Months

<b>May Quarterly Update</b>	Sustainability Progress Update – Q1 2020
<b>August Quarterly Update</b>	Sustainability Progress Update – Q2 2020
<b>November 2020 meeting</b>	Sustainability Progress Update – Q3 2020 Annual review of adequacy of resources of ESG functions Annual review of ESG risks Committee terms of reference
<b>February 2021 meeting</b>	Sustainability Progress Update – Q4 2020 Sustainability Report

### Review the Group's Sustainability Strategy

- Discuss and review the Group's sustainability strategy. The Sustainability Committee considered the action plan and identified potential risks and challenges related thereto, as benchmarked against international standards and industry peers.
- Identify material ESG-related issues following on from the stakeholder engagement and materiality assessment conducted by an independent ESG consultant in 2019.

### Discuss ESG Overview and Direction

- Review the Group's engagement strategy on a regular basis in order to prepare for the future. Hysan has consistently engaged with the community in which it operates, since the community is core to the Group's heritage.
- Review the identified ESG-related sustainability efforts.
- Identify long-term and short-term sustainability targets and review their progress.

### Sustainability Governance

- Review reports on the major ESG risks faced by the Group, including risks relating to the COVID-19 pandemic, ESG compliance, environmental management regarding climate change and corresponding mitigation measures. Details are set out in the Risk Management and Internal Control Report.
- Review the framework for sustainability governance and confirm its satisfaction with the adequacy of resources for ESG performance and reporting.
- Review its terms of reference to enhance the sustainability governance structure.

More details are set out in the Sustainability Report 2020.

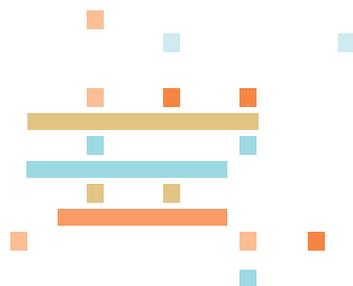
Members of the Sustainability Committee

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

**Fan Yan Hok Philip**

**Wong Ching Ying Belinda**

Hong Kong, 25 February 2021



# Sustainability Report 2020 – Summary

This section provides a summary of Hysan’s sustainability strategy overview and 2020 highlights. The reporting period is from 1 January 2020 to 31 December 2020, 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.

In 2020, COVID-19 was a severe test of our ability to maintain a safe and enjoyable community for everyone who makes use of our buildings and services. Hysan’s team was successful in providing a secure environment for our tenants, customers and visitors. We began with comprehensive preventive measures and clear communications, followed by swift handling of any potentially infectious situation.

During these challenging times, Hysan’s sustainability efforts brought positivity and hope to the tenants of our properties and members of the surrounding community. With guidance from the Board-level Sustainability Committee, the management team initiated and maintained a wide range of new and existing sustainability projects, with environmental, social and governance objectives that align with a number of the Sustainability Development Goals (“SDGs”) adopted by the United Nations General Assembly in 2015. Our efforts have been recognized by some of the world’s top sustainability indices and rating agencies.



## CLIMATE RESILIENCE

We are committed to reducing our carbon emissions. As part of Hysan’s decarbonisation journey, we aim to lower the carbon intensity of our daily operations by investing in renewable energy and green buildings, increasing system efficiency, optimizing the way we use our resources, and exploring innovative solutions to further minimize the impact of our business operations. In terms of transitional risks, our Sustainability Executive Committee examines the climate risks and opportunities arising from our operations, closely observes potential policy changes and market shifts, and reports to the Board-level Committee to ensure relevant climate risks are integrated into our risk management process. In terms of physical risks, we have procedures in place to handle different types of climate disruption such as flooding, heavy rainstorms, and other extreme weather conditions.

## Environmental Management System

Hysan’s Environmental Policy focuses on measuring and reporting carbon reduction efforts, promoting waste reduction at source, enhancing green purchasing and improving stakeholder engagement. We obtained ISO 14001 Environmental Management System certification for our head office in order to align our corporate environmental management efforts with international standards, and to strengthen our measures for monitoring, reviewing and minimizing the environmental impact of our operations. We also developed a Sustainable Office Guide for our colleagues. The Guide presents simple steps and tips, as well as resources and training related to green office management. We aim to nourish a green office culture and promote greater awareness among employees.

## OUR SUSTAINABILITY STRATEGY

Hysan takes pride in being not only a business that owns and manages properties, but also a Business of Life. The “LIFE” within our Business of Life mindset has become the foundation of our strategic sustainable development principles. We regularly review our strategy and business operations, and continue to support and align our efforts with nine United Nations Sustainable Development Goals (“SDGs”). Our Sustainable Development Principles are:



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



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

TARGETS	2020 PROGRESS
Average <b>20%</b> reduction in energy purchased by 2024 (baseline: 2005)	<b>On track</b>
<b>20%</b> reduction in carbon intensity by 2024 (baseline: 2005)	<b>On track</b>

TARGET	2020 PROGRESS
<b>&gt;30,000</b> beneficiaries (yearly)	<b>&gt;50,000</b> beneficiaries

### 2020 HIGHLIGHTS

- Kick-started our renewable energy project and began installing solar panel systems across our portfolio, starting with the rooftop of Hysan Place
- Digitalised shoppers experience through the Lee Gardens App, issuing over **415,000** paperless e-coupons, transforming Lee Gardens into a digitally savvy district

### 2020 HIGHLIGHTS

- Swiftly implemented and continually strengthened measures in response to COVID-19 for the safety of our employees, tenants, community members and shoppers
- Engaged over **50,000** stakeholders both locally and internationally through 18 major physical and virtual engagement events, as well as partnerships with non-governmental organizations
- Held exhibitions and activities on the themes of cultural heritage, local fashion talent, mural art and the post-pandemic “new normal”

## 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

TARGET	2020 PROGRESS
 <p><b>20%</b> increase in average annual hours dedicated to employee health and wellness</p>	<p><b>166%</b> increase with additional <b>330</b> hours invested in health and wellness programme comparing with 2019</p>

### 2020 HIGHLIGHTS

- 

Introduced a three-month weight management programme in addition to several office health and wellness activities, engaged cumulative participation of over **1,150** colleagues
- 

Provided a total of **2,137** training hours on safety and health related topics
- 

Launched Learner Reward Scheme and added **100+** online learning modules on our Mobile Learning Platform to support and stimulate employees' continuous development

TARGETS	2020 PROGRESS
 <p>Disclose and maintain/improve our performance in major sustainability benchmarks and indices, reflecting the latest ESG requirements and expectations from investors</p>	<p>Rated <b>“three stars”</b> in the GRESB assessment, <b>“AA”</b> in the Hang Seng Corporate Sustainability Index and, <b>“A”</b> in MSCI ESG Ratings, and remained a constituent member of the FTSE4Good Index Series</p>
 <p>Strengthen our position in sustainable and green finance through both innovative and traditional financial instruments</p>	<p>Launched the first sustainability-linked derivative hedging solution among Hong Kong real estate companies in October 2020</p>

### 2020 HIGHLIGHTS

- 

Established Board-level Sustainability Committee integrated material ESG-related risks in the Group's risk assessment process
- 

Enhanced **over 10** corporate policies and statements to address business developments and legal updates, and to capture best practices

Please refer to our standalone Sustainability Report for further details of the Group's sustainable development efforts and progress.

# Directors' Report

The Directors submitted their report together with the audited consolidated financial statements for the year ended 31 December 2020, which were approved by the Board of Directors on 25 February 2021.

## PRINCIPAL ACTIVITIES

The principal activities of the Group continued throughout 2020 to be property investment, management, and development. Details of the Group's principal subsidiaries, associates and a joint venture as at 31 December 2020 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 2020 are set out in the consolidated statement of profit or loss on page 89.

The first interim dividend of HK27 cents per share, amounting to approximately HK\$281 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 12 March 2021, totalling approximately HK\$1,216 million. The dividends declared and paid for ordinary shares in respect of the full year 2020 will total approximately HK\$1,497 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 2020 – "A Conversation with Our Chairman" (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 "A Conversation with Our Chairman" (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 2020 – 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 2020 - 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 2020 – 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 2020, which is available on the Company's website: [www.hysan.com.hk](http://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 92 and 93 and note 31 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 2020 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 2020 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 30 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 Group's corporate governance practices is set out in the following separate reports:

- (a) "Corporate Governance Report" (pages 28 to 53) – this gives detailed information on the Group'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) "Risk Management and Internal Control Report" (pages 54 to 60) – this sets out the Group's framework for risk assessment and internal control (including control environment, control activities and work completed during the year).
- (c) "Audit and Risk Management Committee Report" (pages 61 and 64) – this sets out the terms of reference, work performed and findings of the Audit and Risk Management Committee for the year;
- (d) "Remuneration Committee Report" (pages 65 to 70) – this gives detailed information on Directors' remuneration and interests (including information on Directors' compensation);
- (e) "Nomination Committee Report" (pages 71 and 72) – this sets out the terms of reference, work performed and findings of the Nomination Committee for the year; and
- (f) "Sustainability Committee Report" (pages 73 and 74) – this sets out the terms of reference, work performed and findings of the Sustainability Committee.

Further information on the Group's sustainability policies and practices is contained in the separate Sustainability Report 2020, which is available on the Company's website: [www.hysan.com.hk](http://www.hysan.com.hk).

## THE BOARD

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

Lau Lawrence Juen-Yee retired as an Independent Non-Executive Director with effect from the conclusion of the 2020 Annual General Meeting of the Company on 13 May 2020.

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

Save as otherwise mentioned above, other Directors whose names and biographies appear on pages 29 to 33 have been Directors of the Company throughout the year and up to the date of this report.

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

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

The Company received from each Independent Non-Executive Director an annual confirmation of his 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 Director independence in a meeting held in November 2020 (See "Corporate Governance Report" and "Nomination Committee Report").

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

## DIRECTORS' INTERESTS IN SHARES

Details of the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations are set out in "Corporate Governance Report" on pages 28 to 53.

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

As at 31 December 2020, the interests or short positions of substantial shareholders and other persons of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company, were as follows:

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

Name	Capacity	Number of ordinary shares held	% of the total no. of issued shares (Note)
Lee Hysan Company Limited	Beneficial owner	433,130,735	41.66
Silchester International Investors LLP	Investment manager	83,647,000	8.05
First Eagle Investment Management, LLC	Investment manager	52,460,214	5.05

Note:

The percentages were compiled based on the total number of issued shares of the Company as at 31 December 2020 (i.e. 1,039,700,891 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 2020.

## 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 36 to the consolidated financial statements.

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

## CONTINUING CONNECTED TRANSACTIONS

Certain transactions entered into by the Group constituted continuing connected transactions 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. Leases 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	2020: HK\$38,665,356 2021: HK\$25,776,904 (on pro-rata basis)

### 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	20 March 2019	3 years commencing from 1 April 2019	Whole premises of Lee Garden Two	HK\$24,421,639 (Note d)

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

Connected person	Date of agreement	Term	Premises	Consideration received during the year
Barrowgate Limited	20 March 2019	3 years commencing from 1 April 2019	Whole premises of Lee Garden Two	HK\$4,509,024 (Note d)

## 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) Jebesen and Company Limited ("Jebesen and Company") is a beneficial substantial shareholder of Barrowgate and has an equity interest of 10% in Barrowgate. Jebesen Hans Michael, Non-Executive Director of the Company, is a controlling shareholder of Jebesen and Company.
- (c) As the aggregated annual consideration under the lease and various licence agreements entered into with Jebesen 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) These represent the actual consideration received for the year ended 31 December 2020, 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 81 to 82 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.

## DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

The lease, carpark licence agreements and licence agreements between Jebesen and Company and Barrowgate are considered contracts of significance under paragraph 15 of Appendix 16 to the Listing Rules due to the annual consideration having a percentage ratio of 1.04% from the calculation of the revenue test (the percentage ratios for assets ratio and consideration ratio are 0.04% and 0.13% respectively). Details of the transactions are set out under (I) of "Continuing Connected Transactions".

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, 32.57% of the aggregate amount of purchases was attributable to the Group's 5 largest suppliers, with the largest supplier accounting for 8.83% 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 AGMs 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 3,900,000 ordinary shares for a total consideration of approximately HK\$96 million on the Stock Exchange. The repurchased shares were cancelled during the year. Details of the shares repurchased are as follows:

Month of repurchase in 2020	Number of ordinary shares repurchased	Consideration per share		Aggregate consideration paid HK\$ million
		Highest HK\$	Lowest HK\$	
March	1,700,000	25.40	21.65	41
October	2,200,000	25.30	23.95	55
	<u>3,900,000</u>			<u>96</u>

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

## ISSUANCE OF SECURITIES

During the year ended 31 December 2020, 50,000 shares were issued by the Company as a result of the exercise of share options granted under the 2005 Share Option Scheme of the Company. For further details, please refer to the paragraphs headed "Movement of share options" in the Remuneration Committee Report.

During the year, Hysan (MTN) Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company, has issued several Fixed Rate Notes for general corporate purposes under the US\$2.5 billion Medium Term Note Programme ("MTN Programme"), which was subsequently extended to US\$4 billion in October 2020. 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\$500 million 2.73% Fixed Rate Note due in February 2027
2. HK\$1,000 million 2.10% Fixed Rate Note due in March 2025
3. HK\$400 million 2.85% Fixed Rate Note due in April 2035
4. US\$400 million 2.875% Fixed Rate Note due in June 2027
5. US\$225 million 3.55% Fixed Rate Note due in June 2035

During the year, Elect Global Investments Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company, has issued the following Perpetual Capital Securities for general corporate purposes, which are unconditionally and irrevocably guaranteed by the Company:

1. US\$850 million 4.10% subordinated guaranteed perpetual capital securities were issued at a price of 100% of the principal amount; and
2. US\$500 million in aggregate principal amount of 4.85% senior guaranteed perpetual capital securities, among which US\$300 million were issued at a price of 100% of the principal amount and US\$200 million were issued at a price of 101.625% of the principal amount.

For further details of the above mentioned Fixed Rate Notes and Perpetual Capital Securities, please refer to notes 27 and 29 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\$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 2020 and as of the date of approval 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 2021 AGM.

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

Hong Kong, 25 February 2021

# Directors' Responsibility for the Financial Statements

The Companies Ordinance requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of their respective profit or loss for the year then ended. In preparing the financial statements, the Directors are required to:

- (a) select suitable accounting policies and apply them on a consistent basis, making judgments and estimates that are prudent, fair and reasonable;
- (b) state the reasons for any significant departure from accounting standards; and
- (c) prepare the financial statements on the going concern basis, unless it is not appropriate to presume that the Company and the Group will continue in business for the foreseeable future.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Independent Auditor's Report



## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF HYSAN DEVELOPMENT COMPANY LIMITED

*(incorporated in Hong Kong with limited liability)*

#### **Opinion**

We have audited the consolidated financial statements of Hysan Development Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 89 to 155, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies and financial risk management.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

#### **Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Key Audit Matters** continued**Valuation of investment properties**

We identified the valuation of investment properties as a key audit matter due to the inherent level of subjective judgements and estimates required in determining the fair values.

The Group's investment property portfolio comprises retail, office and residential properties mainly located in Causeway Bay, Hong Kong and is stated at fair value of HK\$74,993 million, accounting for approximately 68% of the Group's total assets as at 31 December 2020 with a fair value loss of HK\$4,903 million recognized in the consolidated statement of profit or loss for the year then ended.

All of the Group's investment properties are measured using the fair value model based on a valuation performed by an independent qualified professional valuer (the "Valuer"). As disclosed in note 3 of the Notes to the Consolidated Financial Statements section of the consolidated financial statements, in determining the fair values of the Group's investment properties, the Valuer has applied a market value basis which involves, inter-alia, certain estimates, including appropriate capitalization rates and reversionary income potential of the investment properties in determining the fair values.

**Other Information**

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements**

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**How our audit addressed the key audit matter**

Our procedures in relation to the valuation of investment properties included:

- Evaluating the competence, capabilities, and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and their terms of engagement;
- Evaluating the appropriateness of the Valuer's valuation approaches to assess if they meet the requirements of the HKFRSs and industry norms;
- Challenging the reasonableness of the key assumptions applied based on available market data and our knowledge of the property industry in Hong Kong; and
- Obtaining the detailed work of the Valuer on selected investment properties to evaluate the accuracy and relevance of key data inputs underpinning the valuation, such as rental income, term of existing leases by comparing them to the existing leases summary of the Group or reversionary income potential by comparing fair market rents estimated by the Valuer against recent lease renewals and evaluating whether capitalization rates adopted are comparable to the market.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lee Wing Cheong, Wilfred.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong

25 February 2021

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	Notes	2020 HK\$ million	2019 HK\$ million
Turnover	4	3,710	3,988
Property expenses		(490)	(536)
Gross profit		3,220	3,452
Investment income	6	272	154
Other gains and losses		5	10
Administrative expenses		(268)	(269)
Finance costs	7	(546)	(313)
Change in fair value of investment properties		(4,903)	792
Share of results of associates		225	1,733
(Loss) profit before taxation		(1,995)	5,559
Taxation	8	(353)	(473)
<b>(Loss) profit for the year</b>	9	<b>(2,348)</b>	<b>5,086</b>
(Loss) profit for the year attributable to:			
Owners of the Company		(2,547)	4,845
Perpetual capital securities holders		288	–
Other non-controlling interests		(89)	241
		<b>(2,348)</b>	<b>5,086</b>
<b>(Loss) earnings per share</b> (expressed in HK cents)	14		
Basic		(244)	463
Diluted		(244)	463

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# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	2020 HK\$ million	2019 HK\$ million
<b>(Loss) profit for the year</b>		<b>(2,348)</b>	5,086
<b>Other comprehensive (expenses) income</b>	10		
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
(Loss) gain on revaluation of properties held for own use (net of tax)		(1)	21
Change in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")		5	–
		4	21
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net adjustments to hedging reserve		(122)	29
Share of translation reserve of an associate		341	(84)
		219	(55)
Other comprehensive income (expenses) for the year (net of tax)		223	(34)
<b>Total comprehensive (expenses) income for the year</b>		<b>(2,125)</b>	5,052
Total comprehensive (expenses) income attributable to:			
Owners of the Company		(2,324)	4,811
Perpetual capital securities holders		288	–
Other non-controlling interests		(89)	241
		<b>(2,125)</b>	5,052

# Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK\$ million	2019 HK\$ million
<b>Non-current assets</b>			
Investment properties	15	74,993	79,116
Property, plant and equipment	16	834	776
Investments in associates	18	5,577	5,189
Loans to associates	18	11	11
Investment in a joint venture	19	125	143
Loans to a joint venture	19	1,153	1,090
Other financial investments	20	789	601
Debt securities	21	454	172
Deferred tax asset	28	55	–
Other financial assets	22	1	8
Other receivables	23	361	291
		<b>84,353</b>	<b>87,397</b>
<b>Current assets</b>			
Accounts and other receivables	23	467	314
Time deposits	24	10,546	5,735
Cash and cash equivalents	24	14,389	3,597
		<b>25,402</b>	<b>9,646</b>
<b>Current liabilities</b>			
Accounts payable and accruals	25	931	934
Deposits from tenants		377	316
Amounts due to non-controlling interests	26	217	220
Borrowings	27	–	565
Taxation payable		27	416
		<b>1,552</b>	<b>2,451</b>
<b>Net current assets</b>		<b>23,850</b>	<b>7,195</b>
<b>Total assets less current liabilities</b>		<b>108,203</b>	<b>94,592</b>
<b>Non-current liabilities</b>			
Borrowings	27	18,970	11,964
Other financial liabilities	22	183	46
Deposits from tenants		597	685
Deferred tax liabilities	28	1,004	925
		<b>20,754</b>	<b>13,620</b>
<b>Net assets</b>		<b>87,449</b>	<b>80,972</b>
<b>Capital and reserves</b>			
Share capital	30	7,722	7,720
Reserves		65,958	69,930
<b>Equity attributable to owners of the Company</b>		<b>73,680</b>	<b>77,650</b>
<b>Perpetual capital securities</b>	29	<b>10,657</b>	<b>–</b>
<b>Other non-controlling interests</b>		<b>3,112</b>	<b>3,322</b>
<b>Total equity</b>		<b>87,449</b>	<b>80,972</b>

The consolidated financial statements on pages 89 to 155 were approved and authorized for issue by the Board of Directors on 25 February 2021 and are signed on its behalf by:

Lee Irene Y.L.  
Director

Lee T.H. Michael  
Director

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# Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company			
	Share capital HK\$ million	Share options reserve HK\$ million	General reserve HK\$ million	Investments revaluation reserve HK\$ million
<b>As at 1 January 2020</b>	<b>7,720</b>	<b>23</b>	<b>96</b>	<b>1</b>
Loss for the year	–	–	–	–
Net losses arising from hedging instruments	–	–	–	–
Reclassification of net losses to profit or loss	–	–	–	–
Loss on revaluation of properties held for own use	–	–	–	–
Change in fair value of equity investment at FVTOCI	–	–	–	5
Share of translation reserve of an associate	–	–	–	–
<b>Total comprehensive (expenses) income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5</b>
Issue of shares under share option schemes	2	–	–	–
Recognition of equity-settled share-based payments	–	4	–	–
Repurchase of own shares	–	–	–	–
Forfeiture of unclaimed dividend	–	–	–	–
Dividends paid during the year (note 13)	–	–	–	–
Distribution to perpetual capital securities holders (note 29)	–	–	–	–
Issue of perpetual capital securities (note 29)	–	–	–	–
Transaction costs in relation to the issuance of perpetual capital securities	–	–	–	–
<b>As at 31 December 2020</b>	<b>7,722</b>	<b>27</b>	<b>96</b>	<b>6</b>
<b>As at 1 January 2019 (audited)</b>	<b>7,718</b>	<b>19</b>	<b>96</b>	<b>1</b>
Profit for the year	–	–	–	–
Net losses arising from hedging instruments	–	–	–	–
Reclassification of net losses to profit or loss	–	–	–	–
Gain on revaluation of properties held for own use	–	–	–	–
Deferred taxation arising on revaluation of properties held for own use (note 28)	–	–	–	–
Share of translation reserve of an associate	–	–	–	–
<b>Total comprehensive income (expenses) for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Issue of shares under share option schemes	2	–	–	–
Recognition of equity-settled share-based payments	–	4	–	–
Repurchase of own shares	–	–	–	–
Forfeiture of unclaimed dividends	–	–	–	–
Dividends paid during the year (note 13)	–	–	–	–
<b>As at 31 December 2019</b>	<b>7,720</b>	<b>23</b>	<b>96</b>	<b>1</b>

Attributable to owners of the Company							
Hedging reserve HK\$ million	Properties revaluation reserve HK\$ million	Translation reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million	Perpetual capital securities HK\$ million	Other non- controlling interests HK\$ million	Total HK\$ million
(19)	477	22	69,330	77,650	–	3,322	80,972
–	–	–	(2,547)	(2,547)	288	(89)	(2,348)
(150)	–	–	–	(150)	–	–	(150)
28	–	–	–	28	–	–	28
–	(1)	–	–	(1)	–	–	(1)
–	–	–	–	5	–	–	5
–	–	341	–	341	–	–	341
(122)	(1)	341	(2,547)	(2,324)	288	(89)	(2,125)
–	–	–	–	2	–	–	2
–	–	–	–	4	–	–	4
–	–	–	(96)	(96)	–	–	(96)
–	–	–	1	1	–	–	1
–	–	–	(1,502)	(1,502)	–	(121)	(1,623)
–	–	–	–	–	(135)	–	(135)
–	–	–	–	–	10,504	–	10,504
–	–	–	(55)	(55)	–	–	(55)
(141)	476	363	65,131	73,680	10,657	3,112	87,449
(48)	456	106	66,083	74,431	–	3,206	77,637
–	–	–	4,845	4,845	–	241	5,086
(14)	–	–	–	(14)	–	–	(14)
43	–	–	–	43	–	–	43
–	25	–	–	25	–	–	25
–	(4)	–	–	(4)	–	–	(4)
–	–	(84)	–	(84)	–	–	(84)
29	21	(84)	4,845	4,811	–	241	5,052
–	–	–	–	2	–	–	2
–	–	–	–	4	–	–	4
–	–	–	(92)	(92)	–	–	(92)
–	–	–	1	1	–	–	1
–	–	–	(1,507)	(1,507)	–	(125)	(1,632)
(19)	477	22	69,330	77,650	–	3,322	80,972

# Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 HK\$ million	2019 HK\$ million
<b>Operating activities</b>			
(Loss) profit before taxation		(1,995)	5,559
Adjustments for:			
Net interest income		(272)	(154)
Other gains and losses		10	(7)
Depreciation of property, plant and equipment		24	22
Share-based payment expenses		4	4
Finance costs		546	313
Change in fair value of investment properties		4,903	(792)
Share of results of associates		(225)	(1,733)
Operating cash flows before movements in working capital		2,995	3,212
Increase in accounts and other receivables		(200)	(61)
(Decrease) increase in accounts payable and accruals		(10)	148
(Decrease) increase in deposits from tenants		(27)	1
Cash generated from operations		2,758	3,300
Hong Kong Profits Tax paid		(718)	(98)
<b>Net cash from operating activities</b>		<b>2,040</b>	<b>3,202</b>
<b>Investing activities</b>			
Payments in respect of investment properties		(892)	(939)
Purchases of property, plant and equipment		(21)	(17)
Dividends received from an associate		177	166
Advance to a joint venture		(18)	–
Payment in respect of other financial investments		(267)	(295)
Return of capital in respect of other financial investment		81	–
Proceeds upon maturity of debt securities		–	227
Purchases of debt securities		(286)	(172)
Interest received		248	86
Additions to time deposits with original maturity over three months		(32,559)	(5,739)
Proceeds upon maturity of time deposits with original maturity over three months		27,744	748
<b>Net cash used in investing activities</b>		<b>(5,793)</b>	<b>(5,935)</b>
<b>Financing activities</b>			
Payment of finance costs		(510)	(304)
New bank loans	32	600	470
Repayment of bank loans	32	(250)	–
Issuance of perpetual capital securities, net of transaction costs		10,449	–
Issuance of fixed rate notes	32	6,676	6,120
Repayment of fixed rate note	32	(565)	(300)
Repayment to non-controlling interests of a subsidiary	32	(3)	(3)
Proceeds on exercise of share options		2	2
Payment on repurchase of own shares		(96)	(92)
Dividends paid		(1,502)	(1,507)
Distribution paid to perpetual capital securities holders		(135)	–
Dividends paid to other non-controlling interests		(121)	(125)
<b>Net cash from financing activities</b>		<b>14,545</b>	<b>4,261</b>
<b>Net increase in cash and cash equivalents</b>		<b>10,792</b>	<b>1,528</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>3,597</b>	<b>2,069</b>
<b>Cash and cash equivalents as at 31 December</b>	24	<b>14,389</b>	<b>3,597</b>

# Significant Accounting Policies

For the year ended 31 December 2020

These consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Hong Kong Companies Ordinance (“CO”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal accounting policies adopted are as follows:

## 1. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests (including perpetual capital securities holders and non-controlling interests in a subsidiary) are presented separately from the Group’s equity attributable to owners of the Company therein.

Profit or loss and each item of other comprehensive income are attributable to the owners of the Company and to the non-controlling interests. Total comprehensive income of a subsidiary is attributed to the owners of the Company to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

## 2. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of parties sharing control.

The results, assets and liabilities of associate or joint venture are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associate or joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associate or joint venture are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less cost of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with its associate or joint venture, profits or losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of the interests in the associate or joint venture that are not related to the Group.

## 3. INVESTMENT PROPERTIES

Investment properties are properties held to earn rental and/or for capital appreciation including properties under redevelopment for such proposes.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model, adjusted to exclude any prepaid or accrued operating lease income, if necessary. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under redevelopment are capitalized as part of the carrying amount of the investment properties under redevelopment. Investment properties under redevelopment are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under redevelopment and their carrying amount is recognized in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognized.

#### 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any.

For ownership interests of properties which includes both leasehold land and building elements, the leasehold land and building elements are allocated in proportion to the relative fair values unless such allocation cannot be made reliably, in which case, the entire properties are classified as property, plant and equipment.

Any revaluation increase arising from revaluation of properties is recognized in other comprehensive income and accumulated in the properties revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of an asset is recognized in profit or loss to the extent that it exceeds the balance, if any, on the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained profits.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognized in other comprehensive income and accumulated in properties revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained profits.

Depreciation is recognized so as to write off the cost or fair value of items of property, plant and equipment less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

#### 5. IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, except for certain properties which are carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## 6. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value except for accounts receivables arising from contract with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

### Financial assets

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

#### (a) Classification of financial assets

Debt instruments and hybrid contracts that meet the following conditions are subsequently measured at amortized cost less impairment loss (except for debt investments that are designated as at FVTPL on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which HKFRS 3 “Business Combinations” applies.

#### (i) Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments measured subsequently at amortized cost and is included in the investment income as disclosed in note 6 of the Notes to the Consolidated Financial Statements section.

#### (ii) Financial assets at FVTPL

Financial assets at FVTPL include derivatives that are not designated and effective as hedging instruments, club debentures and fund investment.

Investments in equity instruments are classified as FVTPL, unless the Group designates such investment that is not held for trading as at FVTOCI.

## 6. FINANCIAL INSTRUMENTS continued

### Financial assets continued

#### (a) Classification of financial assets continued

##### (ii) Financial assets at FVTPL continued

Debt instruments that do not meet the amortized cost criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI (see (a) above) are measured at FVTPL. In addition, debt instruments that meet the amortized cost criteria may be designated as at FVTPL. A debt instruments may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Debt instruments are reclassified from amortized cost to FVTPL when the business model is changed such that the amortized cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of the reporting period, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss is included in other gains and losses. Fair value is determined in the manner described in note 4 of the Financial Risk Management section.

The Group has not designated any debt instrument as at FVTPL or reclassified any debt instruments to or from FVTPL since the application of the 2010 version of the HKFRS 9 “Financial Instruments”.

The net gain or loss recognized in profit or loss excludes any dividend earned on the financial asset and is included in the “other gains and losses” line item.

##### (iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

#### (b) Impairment of financial assets

The Group performs impairment assessment under Expected Credit Losses (“ECL”) model on financial assets (including loans to associates and a joint venture, debt securities, accounts and other receivables, time deposits and cash and cash equivalents) and financial guarantee contracts which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on both quantitative and qualitative information combined with current conditions and forward-looking analysis.

The Group recognizes lifetime ECL for accounts receivables. For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition. The ECL on the financial assets and the financial guarantee contracts are assessed individually for debtors with significant balances.

## 6. FINANCIAL INSTRUMENTS continued

### Financial assets continued

#### (c) Measurement and recognition of ECL

The measurement of ECL is a function of probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the discount rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected loss is the present value of the expected payment to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Interest income is calculated based on the gross carrying amount of the financial assets unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of accounts receivables, debt securities and loans to a joint venture where the corresponding adjustment is recognized through a loss allowance account.

For financial guarantee contracts, the loss allowances are recognized at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognized less, where appropriate, cumulative amount of income recognized over the guarantee period.

#### (d) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset, except for an equity instruments designated at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an equity instruments designated at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

### Financial liabilities and equity instruments

#### (a) Classification and measurement

Financial liabilities and equity instruments issued by a group entity are classified as financial liabilities or equity instruments according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into (i) financial liabilities at FVTPL and (ii) other financial liabilities subsequently measured at amortized cost. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

## 6. FINANCIAL INSTRUMENTS continued

### Financial liabilities and equity instruments continued

#### (a) Classification and measurement continued

##### (i) Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis for financial liabilities, other than those financial liabilities at FVTPL, of which the interest expense is included in other gains or losses.

##### (ii) Financial liabilities at FVTPL

Financial liabilities at FVTPL, representing those as held for trading, comprise derivatives that are not designated and effective as hedging instruments.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognized directly in profit or loss in the period in which they arise.

##### (iii) Financial liabilities at amortized cost

Financial liabilities (including accounts payable and accruals, amounts due to non-controlling interests, deposits from tenants and borrowings) are subsequently measured at amortized cost, using the effective interest method. Interest expense that is not capitalized as part of costs of an asset is included in finance costs as disclosed in note 7 of the Notes to the Consolidated Financial Statements section.

##### (iv) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Consideration paid to repurchase the Company's own equity instruments is deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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

##### (v) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contract is measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognized less, where appropriate, cumulative amortisation recognized over the guarantee period.

##### (b) Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

### 6. FINANCIAL INSTRUMENTS continued

#### **Derivative financial instruments and hedging**

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts and cross currency swaps. Further details of derivative financial instruments are disclosed in note 22 of the Notes to the Consolidated Financial Statements section.

Derivatives are initially recognized at fair value at the date a derivative contract is entered and are subsequently remeasured to their fair values at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

#### **Hedge accounting**

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Note 22 of the Notes to the Consolidated Financial Statements section sets out details of the fair values of the derivative instruments used for hedging purposes.

#### **(a) Cash flow hedges**

The effective portion of changes in the fair values of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in other gains and losses.

Amounts previously recognized in other comprehensive income and accumulated in hedging reserve are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the consolidated statement of profit or loss as the recognized hedged item.

Upon discontinuation of the hedging relationship of a cash flow hedge, any cumulative gain or loss accumulated in hedging reserve at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss.

#### **(b) Discontinuation of hedges**

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

## 7. REVENUE RECOGNITION

The Group recognizes revenue from the following major sources:

- Leasing of investment properties
- Provision of property management services

The Group's accounting policies for rental income are included under "Leases" and accounting policies for revenue from property management services are as below:

Revenue is measured at the fair value of the consideration received or receivable.

The Group recognizes revenue when (or as) a performance obligation is satisfied i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents goods and services (or a bundle of goods or services) that are distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct goods or service.

Revenue from provision of property management services is recognized over time.

## 8. LEASES

### Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

### The Group as lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Rentals received with reference to turnover of tenants are recognized as income when they arise.

### Allocation of consideration to components of a contract

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

## SIGNIFICANT ACCOUNTING POLICIES continued

For the year ended 31 December 2020

### 8. LEASES continued

#### **Refundable rental deposits**

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees. Such adjustments are recognized if the amount is considered material.

#### **Lease modification**

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

### 9. FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in translation reserve.

### 10. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### 11. RETIREMENT BENEFIT COSTS

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

### 12. TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### **(a) Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from (loss) profit before taxation as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

## 12. TAXATION continued

### (b) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are generally recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and an associate, and interests in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For the purposes of measuring deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property", such properties' value is presumed to be recovered through sale. Such a presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 "Income Taxes" (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

## 13. EQUITY-SETTLED SHARE-BASED PAYMENTS TRANSACTIONS

### Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognized in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognized in share options reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to retained profits.

#### 14. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 “Impairment of Assets”.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 1. GENERAL

The Company is a public listed company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Shareholder Information” section of the annual report.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are property investment, management and development.

These consolidated financial statements are presented in Hong Kong dollars (“HKD”), which is the same as the functional currency of the Company.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### New and amendments to HKFRSs that are mandatorily effective for the current year

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

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

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs had no material effect on the results and financial position of the Group for the current and/or prior accounting years.

### New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective.

HKFRS 17	Insurance Contracts and the related Amendments <sup>5</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concession <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>5</sup>
Amendments to HKAS 16	Property, Plant and Equipment- Proceeds before Intended Use <sup>4</sup>
Amendments to HKAS 37	Onerous Contract – Cost of Fulfilling a contract <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 June 2020

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2023

The Group anticipated that the application of all these new and amendments to HKFRSs had no material impact on the Group’s financial position and financial performance.

### 3. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in the "Significant Accounting Policies" section, the management of the Group is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### **Fair value of investment properties**

At the end of the reporting period, the Group's investment properties are stated at fair value of HK\$74,993 million (2019: HK\$79,116 million) based on the valuation performed by an independent qualified professional valuer. In determining the fair value, the valuer has applied a market value basis which involves, inter-alia, certain estimates, including appropriate capitalization rates and reversionary income potential taking into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In relying on the valuation, management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market conditions at the end of the reporting period.

### 4. TURNOVER

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

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

Contracts for property management services have various contractual periods for which the Group bills fixed amount for each month of service period. Substantially all of the revenue from provision of property management services is recognized at the amount to which the Group has right to invoice which reflect the progress towards complete satisfaction of performance obligations satisfied over time. The categories for disaggregation of revenue from provision of property management services recognized over time in Hong Kong are consistent with the segment disclosure under note 5 of the Notes to the Consolidated Financial Statements section.

## 5. SEGMENT INFORMATION

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

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

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

Residential segment – leasing of luxury residential properties and related facilities

Property development segment – development and sale of properties

### Segment turnover and results

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

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Property development HK\$ million	Consolidated HK\$ million
<b>For the year ended 31 December 2020</b>					
<b>Turnover</b>					
Leasing of investment properties	1,431	1,598	266	–	3,295
Provision of property management services	169	216	30	–	415
<b>Segment revenue</b>	<b>1,600</b>	<b>1,814</b>	<b>296</b>	<b>–</b>	<b>3,710</b>
Property expenses	(247)	(187)	(56)	–	(490)
<b>Segment profit</b>	<b>1,353</b>	<b>1,627</b>	<b>240</b>	<b>–</b>	<b>3,220</b>
Investment income					272
Other gains and losses					5
Administrative expenses					(268)
Finance costs					(546)
Change in fair value of investment properties					(4,903)
Share of results of associates					225
Loss before taxation					(1,995)
<b>For the year ended 31 December 2019</b>					
<b>Turnover</b>					
Leasing of investment properties	1,662	1,607	287	–	3,556
Provision of property management services	174	226	32	–	432
<b>Segment revenue</b>	<b>1,836</b>	<b>1,833</b>	<b>319</b>	<b>–</b>	<b>3,988</b>
Property expenses	(297)	(177)	(62)	–	(536)
<b>Segment profit</b>	<b>1,539</b>	<b>1,656</b>	<b>257</b>	<b>–</b>	<b>3,452</b>
Investment income					154
Other gains and losses					10
Administrative expenses					(269)
Finance costs					(313)
Change in fair value of investment properties					792
Share of results of associates					1,733
Profit before taxation					5,559

**5. SEGMENT INFORMATION** continued

**Segment turnover and results** continued

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

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

**Segment assets**

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

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Property development HK\$ million	Consolidated HK\$ million
<b>As at 31 December 2020</b>					
<b>Segment assets</b>	<b>31,727</b>	<b>34,602</b>	<b>8,731</b>	<b>1,278</b>	<b>76,338</b>
Investments in and loans to associates					5,588
Other financial investments					789
Other assets					27,040
Consolidated assets					<b>109,755</b>
<b>As at 31 December 2019</b>					
<b>Segment assets</b>	<b>35,080</b>	<b>35,499</b>	<b>8,561</b>	<b>1,233</b>	<b>80,373</b>
Investments in and loans to associates					5,200
Other financial investments					601
Other assets					10,869
Consolidated assets					<b>97,043</b>

Segment assets represented the investment properties and accounts receivable of each segment and investment in and loans to a joint venture under property development segment without allocation of property, plant and equipment, investments in and loans to associates, other financial investments, debt securities, other financial assets, other receivables, time deposits and cash and cash equivalents. This is the measure reported to the chief operating decision maker of the Group for the purpose of monitoring segment performances and allocating resources between segments. The investment properties are included in segment assets at their fair values whilst the change in fair value of investment properties is not included in segment profit.

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

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

## 5. SEGMENT INFORMATION continued

### Other segment information

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

## 6. INVESTMENT INCOME

The following is an analysis of investment income:

	2020 HK\$ million	2019 HK\$ million
Interest income	242	121
Imputed interest income on interest-free loan to a joint venture	30	30
Reclassification of net gains from hedging reserve on financial instruments designated as cash flow hedges	–	3
	272	154

## 7. FINANCE COSTS

	2020 HK\$ million	2019 HK\$ million
Finance costs comprise:		
Interest on unsecured bank loans	41	43
Interest on unsecured fixed rate notes	463	254
Total interest expenses	504	297
Other finance costs	39	13
	543	310
Net exchange gains on borrowings	(28)	(46)
Reclassification of net losses from hedging reserve on financial instruments designated as cash flow hedges	28	46
Medium Term Note Programme expenses	3	3
	546	313

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2020

### 8. TAXATION

	2020 HK\$ million	2019 HK\$ million
Current tax		
Hong Kong Profits Tax		
– current year	329	406
Deferred tax (note 28)	24	67
	<b>353</b>	<b>473</b>

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

The taxation for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of profit or loss as follows:

	2020 HK\$ million	2019 HK\$ million
(Loss) profit before taxation	(1,995)	5,559
Tax at Hong Kong Profits Tax rate of 16.5%	(329)	917
Tax effect of share of results of associates	(37)	(286)
Tax effect of expenses not deductible for tax purposes	836	122
Tax effect of income not taxable for tax purposes	(122)	(276)
Tax effect of estimated tax losses not recognized	7	2
Recognition of previously unrecognized tax losses	(2)	(6)
Taxation for the year	<b>353</b>	<b>473</b>

In addition to the amount charged to the consolidated statement of profit or loss, deferred tax relating to the revaluation of the Group's properties held for own use has been charged directly to properties valuation reserve (see note 28 of the Notes to the Consolidated Financial Statements section).

### 9. (LOSS) PROFIT FOR THE YEAR

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

## 10. OTHER COMPREHENSIVE INCOME (EXPENSES)

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

Tax effect relating to other comprehensive income (expenses):

	2020			2019		
	Before-tax amount HK\$ million	Tax expense HK\$ million	Net-of-tax amount HK\$ million	Before-tax amount HK\$ million	Tax expense HK\$ million	Net-of-tax amount HK\$ million
Gain on revaluation of properties held for own use	(1)	–	(1)	25	(4)	21
Change in fair value of equity instruments at FVTOCI	5	–	5	–	–	–
Net adjustments to hedging reserve	(122)	–	(122)	29	–	29
Share of translation reserve of an associate	341	–	341	(84)	–	(84)
	<b>223</b>	<b>–</b>	<b>223</b>	<b>(30)</b>	<b>(4)</b>	<b>(34)</b>

## 11. DIRECTORS' EMOLUMENTS

	2020 HK\$ million	2019 HK\$ million
Directors' fees	3	3
Other emoluments		
Basic salaries, housing and other allowances	8	8
Bonus (Notes d & f)	14	15
Share-based payments	2	2
	<b>27</b>	<b>28</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 December 2020

**11. DIRECTORS' EMOLUMENTS** *continued*

The emoluments paid or payable to each of the Directors of the Company for the two years ended 31 December 2020 and 2019, calculated with reference to their employment as Directors of the Company or for provision of other services to the Company and the Group, are set out below:

	Directors' fees HK\$'000 (Note e)	Basic salaries, housing and other allowances HK\$'000 (Note d)	Bonus HK\$'000 (Note d)	Share-based payments HK\$'000 (Note g)	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>For the year ended 31 December 2020</b>						
<b>Executive Director (Note a)</b>						
Lee Irene Yun-Lien	–	8,002	14,000	1,809	18	23,829
<b>Non-Executive Directors (Note b)</b>						
Jebsen Hans Michael (Note h)	330	–	–	–	–	330
Lee Anthony Hsien Pin	388	–	–	–	–	388
Lee Chien	310	–	–	–	–	310
Lee Tze Hau Michael	325	–	–	–	–	325
<b>Independent Non-Executive Directors (Note c)</b>						
Churchouse Frederick Peter (Note i)	407	–	–	–	–	407
Fan Yan Hok Philip (Note h)	523	–	–	–	–	523
Lau Lawrence Juen-Yee (Note j)	113	–	–	–	–	113
Poon Chung Yin Joseph	535	–	–	–	–	535
Wong Ching Ying Belinda (Note h)	310	–	–	–	–	310
	<b>3,241</b>	<b>8,002</b>	<b>14,000</b>	<b>1,809</b>	<b>18</b>	<b>27,070</b>
	Directors' fees HK\$'000 (Note e)	Basic salaries, housing and other allowances HK\$'000 (Note f)	Bonus HK\$'000 (Note f)	Share-based payments HK\$'000 (Note g)	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>For the year ended 31 December 2019</b>						
<b>Executive Director (Note a)</b>						
Lee Irene Yun-Lien	–	7,929	15,000	2,037	18	24,984
<b>Non-Executive Directors (Note b)</b>						
Jebsen Hans Michael	268	–	–	–	–	268
Lee Anthony Hsien Pin	360	–	–	–	–	360
Lee Chien	293	–	–	–	–	293
Lee Tze Hau Michael	311	–	–	–	–	311
<b>Independent Non-Executive Directors (Note c)</b>						
Churchouse Frederick Peter	360	–	–	–	–	360
Fan Yan Hok Philip	455	–	–	–	–	455
Lau Lawrence Juen-Yee	293	–	–	–	–	293
Poon Chung Yin Joseph	498	–	–	–	–	498
Wong Ching Ying Belinda	268	–	–	–	–	268
	<b>3,106</b>	<b>7,929</b>	<b>15,000</b>	<b>2,037</b>	<b>18</b>	<b>28,090</b>

## 11. DIRECTORS' EMOLUMENTS continued

Notes:

- (a) The Executive Director's emoluments shown above were for the services in connection with the management of the affairs of the Company and the Group.
- (b) The Non-Executive Directors' emoluments shown above were for the services as Directors of the Company.
- (c) The Independent Non-Executive Directors' emoluments shown above were for the services as Directors of the Company.
- (d) The annual cash remuneration of Lee Irene Yun-Lien, Chairman, is comprised of (i) fixed base salary; and (ii) variable performance bonus which is determined by reference to the Company's performance as well as individual performance and contribution, to be measured against annual financial and operational targets.

For the year ended 31 December 2020, the base salary of HK\$8,000,000 and the performance bonus of HK\$14,000,000 were approved by the Remuneration Committee in January 2020 and January 2021 respectively.

- (e) Last revision of annual Directors' fees for serving on the Board (effective 1 June 2019) were approved by shareholders at the 2019 AGM. Fees of chairman and members of the Sustainability Committee (effective 1 January 2020) were approved by the Board in February 2020. Details are set out in Remuneration Committee Report.

Directors' fees are calculated on an annual basis and paid semi-annually. For Directors not having served the full year on a position, the fees will be calculated and paid on a pro rata basis.

Breakdown of Directors' fees of each of the Directors of the Company for the year ended 31 December 2020 is set out below:

	Board HK\$'000	Audit and Risk Management Committee HK\$'000	Remuneration Committee HK\$'000	Nomination Committee HK\$'000	Sustainability Committee HK\$'000	2020 Total HK\$'000	2019 Total HK\$'000
<b>Executive Director</b>							
Lee Irene Yun-Lien	-	-	-	-	-	-	-
<b>Non-Executive Directors</b>							
Jebsen Hans Michael	280	-	-	-	50	330	268
Lee Anthony Hsien Pin	280	108	-	-	-	388	360
Lee Chien	280	-	-	30	-	310	293
Lee Tze Hau Michael	280	-	45	-	-	325	311
<b>Independent Non-Executive Directors</b>							
Churchouse Frederick Peter	280	108	-	19	-	407	360
Fan Yan Hok Philip	280	108	75	30	30	523	455
Lau Lawrence Juen-Yee (Note j)	102	-	-	11	-	113	293
Poon Chung Yin Joseph	280	180	45	30	-	535	498
Wong Ching Ying Belinda	280	-	-	-	30	310	268
	<b>2,342</b>	<b>504</b>	<b>165</b>	<b>120</b>	<b>110</b>	<b>3,241</b>	<b>3,106</b>

- (f) The annual cash remuneration of Lee Irene Yun-Lien, Chairman, is comprised of (i) fixed base salary; and (ii) variable performance bonus which is determined by reference to the Company's performance as well as individual performance and contribution, to be measured against annual financial and operational targets.
- For the year ended 31 December 2019, the base salary of HK\$8,000,000 and the performance bonus of HK\$15,000,000 were approved by the Remuneration Committee in January 2019 and January 2020 respectively.
- (g) Share-based payments are the fair values of share options granted to Executive Director, which are determined at the date of grant and expensed over the vesting period (except where options are forfeited before vesting), regardless of whether the Executive Director exercises the share options or not during the year. Details of the share option schemes are set out in note 37 of the Notes to the Consolidated Financial Statements section.
- (h) The Sustainability Committee has been established with effect from 1 January 2020. Jebsen Hans Michael was appointed as the Chairman of the Committee. Fan Yan Hok Philip and Wong Ching Ying Belinda were appointed as members of the Committee.
- (i) Churchouse Frederick Peter was appointed as a member of the Nomination Committee with effect from the conclusion of 2020 AGM.
- (j) Lau Lawrence Juen-Yee retired as an Independent Non-Executive Director and a member of the Nomination Committee with effect from the conclusion of 2020 AGM.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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### 11. DIRECTORS' EMOLUMENTS continued

There was no arrangement under which a Director waived or agreed to waive any remuneration during both years.

There was no payment to a Director as inducement for Director to join the Group or compensation for the loss of office as a Director in connection with the management of the affairs of any member of the Group during both years.

Details of material interests of the Directors of the Company in transactions, arrangements or contracts entered into by subsidiaries of the Company are disclosed in the Directors' Report.

### 12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2019: one) was a Director of the Company, details of whose emoluments are included in note 11 of the Notes to the Consolidated Financial Statements section. The emoluments of all of the five individuals with the highest emoluments for the years ended 31 December 2020 and 2019 were as follows:

	2020 HK\$ million	2019 HK\$ million
Basic salaries, housing and other allowances	22	21
Bonus	20	21
Share-based payments (Note)	3	4
	<b>45</b>	<b>46</b>

Note:

Share-based payments are the fair values of share options granted to Executive Director and eligible employees, which are determined at the date of grant and expensed over the vesting period (except where options are forfeited before vesting), regardless of whether the Executive Director or eligible employees exercise the share options or not during the year.

Their emoluments are within the following bands:

	Number of individuals	
	2020	2019
HK\$4,000,001 to HK\$4,500,000	2	1
HK\$4,500,001 to HK\$5,000,000	1	2
HK\$6,500,001 to HK\$7,000,000	1	–
HK\$7,000,001 to HK\$7,500,000	–	1
HK\$23,500,001 to HK\$24,000,000	1	–
HK\$24,500,001 to HK\$25,000,000	–	1
	<b>5</b>	<b>5</b>

Senior management (for the purpose of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) during the year are Executive Director and other members of senior management of the Group. Their emoluments are within the following bands.

	Number of individuals	
	2020	2019
HK\$3,000,001 to HK\$4,000,000	1	1
HK\$4,000,001 to HK\$5,000,000	3	3
HK\$6,000,001 to HK\$7,000,000	1	–
HK\$7,000,001 to HK\$8,000,000	–	1
HK\$23,000,001 to HK\$24,000,000	1	–
HK\$24,000,001 to HK\$25,000,000	–	1
	<b>6</b>	<b>6</b>

### 13. DIVIDENDS

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

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

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

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

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

### 14. (LOSS) EARNINGS PER SHARE

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

	(Loss) earnings	
	2020 HK\$ million	2019 HK\$ million
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share:		
(Loss) profit for the year attributable to owners of the Company	<b>(2,547)</b>	4,845
	Number of shares	
	2020	2019
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>1,041,797,236</b>	1,046,186,877
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	–	157,908
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<b>1,041,797,236</b>	1,046,344,785

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

**15. INVESTMENT PROPERTIES**

	2020 HK\$ million	2019 HK\$ million
<b>Fair Value</b>		
At 1 January	79,116	77,442
Additions	842	891
Net transfer to property, plant and equipment	(62)	(9)
Change in fair value recognized in profit or loss – unrealized	(4,903)	792
<b>As at 31 December</b>	<b>74,993</b>	<b>79,116</b>

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

**Fair value measurements and valuation processes**

The fair value of the Group's investment properties as at 31 December 2020 and 2019 and as at the date of transfer to/from property, plant and equipment from/to investment properties has been arrived at on the basis of a valuation carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuer not connected with the Group.

The Group's investment properties have been valued individually, on market value basis, which conforms to The Hong Kong Institute of Surveyors Valuation Standards. In estimating the fair value of the investment properties, the management of the Group has considered the highest and best use of the investment properties.

The value of the completed investment properties is derived from the basis of capitalization of net income with due allowance for the reversionary income potential but without allowances for any expenses or taxation which may be incurred in effecting a sale, and where appropriate, cross reference by sale comparables. There has been no change to the valuation technique during the year for completed properties.

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

All of the fair value measurements of the Group's investment properties were categorized into Level 3 of the fair value hierarchy. Details of fair value hierarchy are set out as below.

There were no transfers into or out of Level 3 during the year.

At the end of the reporting period, the management of the Group works with Knight Frank Petty Limited to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the Directors of the Company.

**Fair value measurements using significant unobservable inputs (Level 3)**

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements of the Group's investment properties by operating and reportable segment.

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Total HK\$ million
As at 1 January 2019	35,102	34,159	8,181	77,442
Additions	808	43	40	891
Net transfer to property, plant and equipment	–	(9)	–	(9)
Change in fair value recognized in profit or loss – unrealized	(851)	1,305	338	792
As at 31 December 2019	35,059	35,498	8,559	79,116
Additions	730	66	46	842
Net transfer to property, plant and equipment	–	(62)	–	(62)
Change in fair value recognized in profit or loss – unrealized	(4,119)	(909)	125	(4,903)
<b>As at 31 December 2020</b>	<b>31,670</b>	<b>34,593</b>	<b>8,730</b>	<b>74,993</b>

## 15. INVESTMENT PROPERTIES continued

### Information about fair value measurements using significant unobservable inputs (Level 3)

The following table shows the valuation techniques used in the determination of fair value for investment properties by operating and reportable segment and unobservable inputs used in the valuation models.

Description	Fair value as at 31 December		Valuation techniques	Unobservable inputs	Range/weighted average of unobservable inputs
	2020 HK\$ million	2019 HK\$ million			
Retail	<b>31,670</b>	35,059	Income capitalization approach	(i) Capitalization rate  (ii) Prevailing market rent per month	5.25 % – 5.50 % (2019: 5.00 % – 5.25 %)  HK\$125 per square foot (2019: HK\$132 per square foot)
Office	<b>34,593</b>	35,498	Income capitalization approach	(i) Capitalization rate  (ii) Prevailing market rent per month	4.25 % – 5.00 % (2019: 4.25 % – 5.00 %)  HK\$59 per square foot (2019: HK\$60 per square foot)
Residential	<b>8,730</b>	8,559	Income capitalization approach	(i) Capitalization rate  (ii) Prevailing market rent per month	3.75 % (2019: 3.75 %)  HK\$39 per square foot (2019: HK\$38 per square foot)

The higher the capitalization rate, the lower the fair value.

Prevailing market rent is estimated based on independent valuer's view of recent lettings, within the subject properties and other comparable properties. It does not always equal to the committed rent by tenants. The higher the prevailing market rent, the higher the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2020

**16. PROPERTY, PLANT AND EQUIPMENT**

	Leasehold land and buildings in Hong Kong HK\$ million (Note)	Furniture, fixtures and equipment HK\$ million	Computers HK\$ million	Motor vehicles HK\$ million	Total HK\$ million
<b>COST OR VALUATION</b>					
As at 1 January 2019	696	116	86	2	900
Additions	–	7	10	–	17
Net transfer from investment properties	9	–	–	–	9
Surplus on revaluation	20	–	–	–	20
As at 31 December 2019	725	123	96	2	946
Additions	–	3	18	–	21
Net transfer from investment properties	62	–	–	–	62
Deficit on revaluation	(6)	–	–	–	(6)
<b>As at 31 December 2020</b>	<b>781</b>	<b>126</b>	<b>114</b>	<b>2</b>	<b>1,023</b>
Comprising:					
At cost	–	126	114	2	242
At valuation	781	–	–	–	781
	781	126	114	2	1,023
<b>ACCUMULATED DEPRECIATION</b>					
As at 1 January 2019	–	97	56	–	153
Provided for the year	5	7	10	–	22
Eliminated on revaluation	(5)	–	–	–	(5)
As at 31 December 2019	–	104	66	–	170
Provided for the year	5	7	12	–	24
Eliminated on revaluation	(5)	–	–	–	(5)
<b>As at 31 December 2020</b>	<b>–</b>	<b>111</b>	<b>78</b>	<b>–</b>	<b>189</b>
<b>CARRYING AMOUNTS</b>					
<b>As at 31 December 2020</b>	<b>781</b>	<b>15</b>	<b>36</b>	<b>2</b>	<b>834</b>
As at 31 December 2019	725	19	30	2	776

## 16. PROPERTY, PLANT AND EQUIPMENT continued

The above items of property, plant and equipment are depreciated on a straight-line basis over the following terms or at the following rates per annum:

Leasehold land and buildings in Hong Kong	Over the term of the lease or 40 years
Furniture, fixtures and equipment	20 %
Computers	20 %
Motor vehicles	25 %

Note:

### Fair value measurements and valuation processes

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

The value was derived from the basis of capitalization of net income with due allowance for the reversionary income potential but without allowance of any expenses or taxation which may be incurred in effecting a sale, and where appropriate, cross reference by sale comparables. There has been no change to the valuation technique during the year.

All of the fair value measurements of the Group's leasehold land and buildings in Hong Kong were categorized into Level 3 of the fair value hierarchy. Details of fair value hierarchy are set out as below.

There were no transfers into or out of Level 3 during the year.

At the end of the reporting period, the management of the Group works with Knight Frank Petty Limited to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the Directors of the Company.

### Information about fair value measurements using significant unobservable inputs (Level 3)

The following table shows the valuation techniques used in the determination of fair value for leasehold land and buildings in Hong Kong and unobservable inputs used in the valuation models.

Description	Fair value as at 31 December		Valuation techniques	Unobservable inputs	Range/weighted average of unobservable inputs
	2020 HK\$ million	2019 HK\$ million			
Leasehold land and buildings in Hong Kong	781	725	Income capitalization approach	(i) Capitalization rate	4.25 % – 4.75 % (2019: 4.25 % – 4.75 %)
				(ii) Prevailing market rent per month	HK\$69 per square foot (2019: HK\$72 per square foot)

The higher the capitalization rate, the lower the fair value.

Prevailing market rent is estimated based on independent values view of recent lettings, within the subject properties and other comparable properties. It does not always equal to the committed rent by tenants. The higher the prevailing market rent, the higher the fair value.

The loss of HK\$1 million (2019: gain of HK\$25 million) arising on revaluation has been recognized in other comprehensive income and accumulated in properties revaluation reserve.

Had the Group's leasehold land and buildings in Hong Kong been measured at historical cost less subsequent accumulated depreciation, their carrying amounts would have been HK\$275 million (2019: HK\$171 million) at the end of the reporting period.

Furniture, fixtures and equipment of the Group include assets carried at cost of HK\$55 million (2019: HK\$53 million) and accumulated depreciation of HK\$42 million (2019: HK\$37 million) in respect of assets held for leasing out under operating leases. Depreciation charges in respect of those assets for the year amounted to HK\$5 million (2019: HK\$5 million). There has been no disposal during both years ended 31 December 2020 and 2019.

For the year ended 31 December 2020

**17. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY**

The table below lists the principal subsidiaries of the Company:

Name of subsidiary	Place of incorporation/ operation	Issued share capital	Proportion of ownership interests/ voting rights held by the Company		Principal activities
			directly	indirectly	
Admore Investments Limited	Hong Kong	HK\$2	100 %	–	Investment holding
Alpha Ace Limited	Hong Kong	HK\$1	–	100 %	Property development
Bamboo Grove Recreational Services Limited	Hong Kong	HK\$2	–	100 %	Resident club management
Barrowgate Limited	Hong Kong	HK\$10,000	–	65.36 %	Property investment
Earn Extra Investments Limited	Hong Kong	HK\$1	–	100 %	Property investment
Elect Global Investments Limited	British Virgin Islands/ Hong Kong	US\$1	100 %	–	Treasury operation
HD Investment Limited	British Virgin Islands	HK\$1	–	100 %	Investment holding
HD Treasury Limited	Hong Kong	HK\$2	100 %	–	Treasury operation
Hysan Corporate Services Limited	Hong Kong	HK\$2	100 %	–	Provision of corporate services
Hysan Leasing Company Limited	Hong Kong	HK\$2	100 %	–	Leasing administration
Hysan (MTN) Limited	British Virgin Islands/ Hong Kong	US\$1	100 %	–	Treasury operation
Hysan Marketing Services Limited	Hong Kong	HK\$1	–	100 %	General business
Hysan IT Services Company Limited	Hong Kong	HK\$1	–	100 %	Information technology
Hysan Property Management Limited	Hong Kong	HK\$2	100 %	–	Property management
Hysan Treasury Limited	Hong Kong	HK\$2	100 %	–	Treasury operation
Kwong Hup Holding Limited	British Virgin Islands	HK\$1	100 %	–	Investment holding
Kwong Wan Realty Limited	Hong Kong	HK\$1,000	100 %	–	Property investment
Lee Theatre Realty Limited	Hong Kong	HK\$10	–	100 %	Property investment
Leighton Property Company Limited	Hong Kong	HK\$2	–	100 %	Property investment
Minsal Limited	Hong Kong	HK\$2	100 %	–	Property investment
Main Rise Development Limited	Hong Kong	HK\$2	–	100 %	Investment holding
Mariner Bay Limited	British Virgin Islands/ Hong Kong	US\$1	–	100 %	Investment holding
Mondsee Limited	Hong Kong	HK\$2	100 %	–	Property investment
OHA Property Company Limited	Hong Kong	HK\$2	–	100 %	Property investment
Perfect Win Properties Limited	Hong Kong	HK\$2	–	100 %	Property investment
Silver Nicety Company Limited	Hong Kong	HK\$20	–	100 %	Property investment

The Directors of the Company are of the opinion that a complete list of all subsidiaries and their particulars will be of excessive length and therefore the above table contains only those subsidiaries which materially contribute to the net income of the Group or hold a material portion of the assets or liabilities or otherwise are operating subsidiaries of the Company. Other than unsecured fixed rate notes issued by Hysan (MTN) Limited (“Hysan MTN”) as disclosed in note 27 of the Notes to the Consolidated Financial Statements section, none of the subsidiaries had issued any debt securities at the end of the reporting period.

The Group’s subsidiaries that have material non-controlling interests includes Barrowgate Limited and Elect Global Investments Limited (“Elect Global”). Elect Global’s issued ordinary shares are fully held by the Group. As disclosed in note 29 of the Notes to Consolidated Financial Statement section, Elect Global issued perpetual capital securities which are classified as equity to parties outside the Group. The amount of such non-controlling interests of Elect Global has been disclosed in consolidated statement of changes in equity as perpetual capital securities.

## 17. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY continued

The summarized financial information in respect of Barrowgate Limited is set out below. The summarized financial information below represents amounts before intragroup eliminations.

### Barrowgate Limited

	2020 HK\$ million	2019 HK\$ million
Current assets	310	392
Non-current assets	9,688	10,232
Current liabilities	(811)	(834)
Non-current liabilities	(203)	(200)
Equity attributable to owners of the Company	5,872	6,268
Non-controlling interests	3,112	3,322
Turnover	552	575
(Loss) profit and total comprehensive (expense) income for the year	(256)	696
(Loss) profit and total comprehensive (expense) income attributable to owners of the Company	(167)	455
(Loss) profit and total comprehensive (expense) income attributable to the non-controlling interests	(89)	241
Dividends paid to non-controlling interests	121	125
Net cash inflows from operating activities	324	455
Net cash inflows (outflows) from investing activities	158	(161)
Cash outflows from financing activities	(360)	(370)
Net cash inflows (outflows)	122	(76)

For the year ended 31 December 2020

**18. INVESTMENTS IN ASSOCIATES AND LOANS TO ASSOCIATES**

	2020 HK\$ million	2019 HK\$ million
Cost of unlisted investments	2	2
Share of post-acquisition profits and other comprehensive income, net of dividends received	5,575	5,187
	<b>5,577</b>	<b>5,189</b>
Loans to associates classified as:		
Non-current assets	11	11

The balances of loans to associates are unsecured, interest-free and have no fixed repayment terms. The Directors of the Company are of the opinion that the Group will not demand repayment from the associates within the next twelve months from the end of the reporting period and the loans are therefore classified as non-current assets.

The Directors of the Company are of the opinion that a complete list of all associates will be of excessive length and the Group summarizes details of the Group's material associate as at 31 December 2020 and 2019 as follows:

Name of associate	Form of business structure	Place of incorporation/ establishment and operation	Class of share held/ registered capital	Effective interest held by the Group	Principal activities
Country Link Enterprises Limited (Note)	Private limited company	Hong Kong	Ordinary share of HK\$5,000,000	26.3%	Investment holding
Shanghai Kong Hui Property Development Co., Ltd. (Note)	Sino-Foreign equity joint venture	The PRC	US\$165,000,000 <sup>#</sup>	24.7%	Property development and leasing
Shanghai Grand Gateway Plaza Property Management Co., Ltd. (Note)	Sino-Foreign equity joint venture	The PRC	US\$140,000 <sup>#</sup>	23.7%	Property management

<sup>#</sup> Fully paid-up registered capital

Note:

Shanghai Kong Hui Property Development Co., Ltd. and Shanghai Grand Gateway Plaza Property Management Co., Ltd. are non-wholly owned subsidiaries of Country Link Enterprises Limited, together known as "Country Link".

## 18. INVESTMENTS IN ASSOCIATES AND LOANS TO ASSOCIATES continued

The summarized consolidated financial information in respect of the Group's material associate is set out below. The summarized consolidated financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with HKFRSs. All of the Group's associates are accounted for using the equity method in the Group's consolidated financial statements.

### Country Link

	2020 HK\$ million	2019 HK\$ million
Current assets	2,111	1,795
Non-current assets	28,400	26,461
Current liabilities	(1,306)	(1,009)
Non-current liabilities	(6,620)	(6,211)
Turnover	1,525	1,399
Profit for the year	884	7,016
Other comprehensive income (expense) for the year	1,377	(339)
Total comprehensive income for the year	2,261	6,677
Group's share of results of the associate for the year	218	1,734
Group's share of other comprehensive income (expense) of the associate for the year	341	(84)
Dividends received from the associate during the year	177	166

Reconciliation of the above summarized consolidated financial information to the carrying amount of the interest in the associate that is material to the Group recognized in the consolidated financial statements:

	2020 HK\$ million	2019 HK\$ million
Net assets of the associate	22,585	21,036
Non-controlling interests of the associate	(1,342)	(1,249)
Net assets of the associate after deducting non-controlling interests of the associate	21,243	19,787
Proportion of the Group's ownership interest in the associate	26.3%	26.3%
Group's share of net assets of the associate	5,587	5,204
Others	(2)	(5)
Carrying amount of the Group's interest in the associate	5,585	5,199

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## 19. INVESTMENT IN A JOINT VENTURE AND LOANS TO A JOINT VENTURE

Details of the Group's investment in and loans to a joint venture are as follows:

	2020 HK\$ million	2019 HK\$ million
Investment in a joint venture		
Unlisted shares, at cost	–	–
Deemed capital contribution in a joint venture (Note a)	125	143
	<b>125</b>	<b>143</b>
Loans to a joint venture classified as:		
Non-current assets (Note b)	1,153	1,090

Notes:

- (a) The deemed capital contribution in a joint venture represents the fair value adjustments in relation to the loan to a joint venture at initial recognition based on the estimated timing on future cash flows.
- (b) The loans to a joint venture are unsecured and have no fixed repayment terms. As at 31 December 2020, except for the loans to a joint venture with aggregate carrying amounts of HK\$120 million (2019: HK\$120 million) which are carrying variable rates ranging from 2.11% to 4.71% (2019: 2.94% to 4.71%) per annum, the remaining loan to a joint venture of the Group is interest-free. The Directors of the Company are of the opinion that the Group will not demand repayment of the loans from the joint venture within the next twelve months from the end of the reporting period and the loans are therefore classified as non-current assets. The effective interest rate for imputed interest income on the interest-free portion is determined based on the cost of fund of the borrower per annum.

Details of the Group's joint venture as at 31 December 2020 and 2019 are as follows:

Name of joint venture	Place of incorporation and operation	Class of share held	Effective ownership interest and voting rights held by the Group	Principal activities
Strongbod Limited (Note a)	British Virgin Islands	Ordinary shares of US\$10	60% (Note b)	Investment holding
Gainwick Limited (Note a)	Hong Kong	Ordinary share of HK\$1	60% (Note b)	Property development and investment

Notes:

- (a) Gainwick Limited is a wholly owned subsidiary of Strongbod Limited, together known as "Strongbod".
- (b) Pursuant to the shareholder's agreement dated 5 December 2016, entered into by the Group, the joint venture partner and Strongbod, decisions on all relevant business and operation activities of Strongbod require unanimous board approval from directors of Strongbod appointed by the Group and those appointed by the joint venture partner. Therefore, the Group recognized the investment in Strongbod as a joint venture.

The summarized consolidated financial information in respect of the Group's material joint venture is set out below. The summarized consolidated financial information below represents amounts shown in the joint venture's consolidated financial statements prepared in accordance with HKFRSs. The joint venture is accounted for using the equity method in the Group's consolidated financial statements. There was no material share of post-acquisition profits and other comprehensive income in both years.

### Strongbod

	2020 HK\$ million	2019 HK\$ million
Current assets	4,609	3,896
Current liabilities	(217)	(41)
Non-current liabilities	(4,392)	(3,855)

## 19. INVESTMENT IN A JOINT VENTURE AND LOANS TO A JOINT VENTURE continued

Reconciliation of the above summarized consolidated financial information to the carrying amount of the interest in the joint venture that is material to the Group recognized in the consolidated financial statements:

	2020 HK\$ million	2019 HK\$ million
Net assets of the joint venture	–	–
Proportion of the Group's ownership interest in the joint venture	<b>60%</b>	60%
Group's share of net assets of the joint venture	–	–
Add: Deemed capital contribution in the joint venture	<b>125</b>	143
Carrying amount of the Group's interest in the joint venture	<b>125</b>	143

## 20. OTHER FINANCIAL INVESTMENTS

	2020 HK\$ million	2019 HK\$ million
Investment designated as at FVTOCI		
– Investment in equity security listed overseas (Note a)	<b>200</b>	235
– Investment in unlisted equity security (Note b)	<b>297</b>	–
Investment at FVTPL		
– Unlisted investment in a fund investment (Note c)	<b>292</b>	366
	<b>789</b>	601

Notes:

- (a) The investment is designated as at FVTOCI because the directors of the Company believe that the Group's strategy of holding the investment is expected to be held for long-term strategic purpose.
- (b) The balance represents the Group's interest in equity security and designated as at FVTOCI because the directors of the Company believe that the Group's strategy of holding the investment is expected to be held for long-term strategic purpose.
- (c) The balance represents the Group's interest in a fund investment as limited partner. The fund investment engages in property investment in Hong Kong and overseas projects. The fund investment is classified as FVTPL.

## 21. DEBT SECURITIES

	2020 HK\$ million	2019 HK\$ million
Debt securities, at amortized cost:		
– listed in Hong Kong	<b>338</b>	172
– listed overseas	<b>116</b>	–
Total	<b>454</b>	172
Analysed for reporting purposes as:		
Current assets	–	–
Non-current assets	<b>454</b>	172
	<b>454</b>	172

As at 31 December 2020, the effective yield of the debt securities ranged from 2.44% to 4.85% (2019: 3.35% to 4.85%) per annum, payable quarterly, semi-annually or annually, and the securities will mature from February 2022 to June 2025 (2019: from February 2022 to July 2022). At the end of the reporting period, none of these assets were past due.

Details of the impairment assessment of debt securities are set out in the Financial Risk Management section.

For the year ended 31 December 2020

**22. OTHER FINANCIAL ASSETS/LIABILITIES**

	Non-current	
	2020 HK\$ million	2019 HK\$ million
<b>Other financial assets</b>		
Financial assets measured at FVTPL:		
Club debenture	1	1
Derivatives under hedge accounting:		
Cash flow hedges		
– Cross currency swap	–	7
<b>Total</b>	<b>1</b>	<b>8</b>
<b>Other financial liabilities</b>		
Derivatives under hedge accounting:		
Cash flow hedges		
– Cross currency swaps	183	46
<b>Total</b>	<b>183</b>	<b>46</b>

**(a) Cash flow hedges**
**Foreign currency risk**

During the year, the Group used cross currency swaps to manage its foreign currency exposure. The principal terms of the cross currency swaps have been negotiated to match the major terms of the respective designated hedged items and the management considers that the hedges are highly effective.

The table below is prepared based on the maturity dates of respective contracts. The major terms of these outstanding cross currency swaps at the end of the reporting period are as follows:

**Hedging instruments**

	2020					2019				
	Average exchange rate*	Foreign currency	Notional amount million		Fair value HK\$ million	Average exchange rate*	Foreign currency	Notional amount million		Fair value HK\$ million
<b>Cross currency swaps</b>										
<b>Hedging of USD fixed rate notes (Note)</b>										
More than 1 year but not exceeding 5 years	7.7519	USD	300	2,326	(8)	7.7519	USD	300	2,326	7
More than 5 years	7.8477	USD	1,125	8,829	(175)	7.8449	USD	500	3,922	(46)
<b>Total</b>				<b>11,155</b>	<b>(183)</b>				<b>6,248</b>	<b>(39)</b>

\* Average exchange rate represented the average exchange rate of HKD versus respective currencies weighted by the notional amounts of the contracts or the swaps.

Note:

The Group used HK\$11,155 million (2019: HK\$6,248 million) cross currency swaps to convert USD interest and principal of US\$1,425 million (2019: US\$800 million) fixed rate notes into HKD.

## 22. OTHER FINANCIAL ASSETS/LIABILITIES continued

### (a) Cash flow hedges continued

#### Foreign currency risk continued

#### Hedged items

	Carrying amount of the hedged item				Cash flow hedge reserves	
	Assets		Liabilities		2020 HK\$ million	2019 HK\$ million
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million		
USD fixed rate notes	–	–	10,974	6,203	(141)	(19)

The hedging ineffectiveness for the years ended 31 December 2020 and 2019 was insignificant.

	Change in the value of the hedging instrument recognized in other comprehensive income		Amount reclassified from the cash flow hedge reserve to profit or loss		Line item affected in profit or loss because of the reclassification
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million	
	Forward foreign exchange contracts	–	1	–	
Cross currency swaps	(150)	(15)	28	46	Finance costs

The fair values of cross currency swaps are measured using quoted forward exchange rates and yield curves from quoted interest rates matching maturities of the contracts and swaps.

### (b) Financial assets measured at FVTPL

#### Club debenture

Amount represented investment in unlisted club debenture. The Group's investment in unlisted club debenture has been classified as financial assets measured at FVTPL.

## 23. ACCOUNTS AND OTHER RECEIVABLES

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

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

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

## 24. TIME DEPOSITS/CASH AND CASH EQUIVALENTS

Time deposits, cash and bank balances include bank deposits carrying effective interest rates ranging from 0.08% to 2.73% (2019: 0.10% to 3.10%) per annum.

As at 31 December 2020 and 2019, the Group performed impairment assessment on time deposits and bank balances and concluded that the probability of default of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

## 25. ACCOUNTS PAYABLE AND ACCRUALS

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

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

## 26. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts due to non-controlling interests are unsecured, interest-free and repayable on demand.

## 27. BORROWINGS

The maturity profile based on the scheduled repayment dates set out in the respective borrowings agreement was as follow:

	2020 HK\$ million	2019 HK\$ million
Unsecured bank loans:		
Within 1 year	–	–
More than 1 year, but not exceeding 2 years	797	248
More than 2 years, but not exceeding 5 years	1,556	1,753
	<b>2,353</b>	<b>2,001</b>
Less: Amount due within 1 year included under current liabilities	–	–
	<b>2,353</b>	<b>2,001</b>
Unsecured fixed rate notes:		
Within 1 year	–	565
More than 1 year, but not exceeding 2 years	527	–
More than 2 years, but not exceeding 5 years	3,716	3,265
More than 5 years	12,374	6,698
	<b>16,617</b>	<b>10,528</b>
Less: Amount due within 1 year included under current liabilities	–	(565)
	<b>16,617</b>	<b>9,963</b>
Total current borrowings	–	565
Total non-current borrowings	18,970	11,964
Total borrowings	<b>18,970</b>	<b>12,529</b>

All the bank loans are guaranteed as to principal and interest and are carrying variable-rate. Interest rates of the loans are normally re-fixed at every one to three months. The effective interest rates (which were also equal to contracted interest rates) were 1.40% (2019: 2.70%) per annum at the end of the reporting period.

## 27. BORROWINGS continued

All the unsecured fixed rate notes were issued by Hysan MTN, a wholly owned subsidiary of the Company. The notes are guaranteed as to principal and interest by the Company and bear an effective interest rate equal to their respective contracted interest rate. The contract rates per annum (before cross-currency swaps) at the end of the reporting period were as follows:

	2020		2019	
	HK\$ %	US\$ %	HK\$ %	US\$ %
Unsecured fixed rate notes	2.10 – 4.50	2.82 – 3.55	2.81 – 5.38	2.82 – 3.50

As detailed in note 22 of the Notes to the Consolidated Financial Statements section, during the years ended 31 December 2020 and 2019, cross currency swaps were used to hedge or manage the foreign exchange rate risks of the Group's USD fixed rate notes.

## 28. DEFERRED TAX ASSET/LIABILITIES

The following are the major deferred tax liabilities (assets) recognized by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK\$ million	Revaluation of properties HK\$ million	Tax losses HK\$ million	Total HK\$ million
As at 1 January 2019	901	87	(134)	854
Charge (credit) to profit or loss (note 8)	55	(1)	13	67
Charge to other comprehensive income	–	4	–	4
As at 31 December 2019	956	90	(121)	925
Charge (credit) to profit or loss (note 8)	72	–	(48)	24
<b>As at 31 December 2020</b>	<b>1,028</b>	<b>90</b>	<b>(169)</b>	<b>949</b>

At the end of the reporting period, the Group has unused estimated tax losses of HK\$1,730 million (2019: HK\$1,361 million) available for offset against future profits. A deferred tax asset has been recognized in respect of HK\$1,025 million (2019: HK\$735 million) of such losses. No deferred tax asset has been recognized in respect of the remaining HK\$705 million (2019: HK\$626 million) due to the unpredictability of future profit streams and the tax losses may be carried forward indefinitely.

## 29. PERPETUAL CAPITAL SECURITIES

During the year, the Group through a wholly owned subsidiary of the Company (the "Issuer") issued US\$850 million (equivalent to approximately HK\$6,604 million) 4.10% subordinated perpetual capital securities (the "Subordinated Securities"), which are unconditionally and irrevocably guaranteed by the Company. Further, the Issuer issued US\$500 million (equivalent to approximately HK\$3,875 million) 4.85% senior perpetual capital securities (the "Senior Securities"), which are unconditionally and irrevocably guaranteed by the Company. The proceeds of the capital securities are for general corporate purpose and the capital securities are listed on Hong Kong Stock Exchange.

Distribution on the Subordinated Securities and Senior Securities (collectively the "Securities") are payable semi-annually in-arrear each year and can be deferred at the sole discretion of the Issuer, if the Issuer and the Company do not declare or pay dividends or repurchase, redeem, cancel, reduce or otherwise acquire any securities of lower or equal rank. The Securities have no fixed maturity and are redeemable at the Issuer's option on or after 3 June 2025 and 25 August 2023 respectively, at their principal amounts together with any distribution accrued to such date.

The Securities are classified as equity and initially recognized at the amount of proceeds received in the consolidated financial statements of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2020

### 30. SHARE CAPITAL

	Number of shares	Share capital HK\$ million
Ordinary shares, issued and fully paid:		
As at 1 January 2019	1,046,501,891	7,718
Issue of shares under share option schemes	49,000	2
Cancellation upon repurchase of own shares (Note)	(2,730,000)	–
As at 31 December 2019	1,043,820,891	7,720
Issue of shares under share option schemes	50,000	2
Cancellation upon repurchase of own shares (Note)	(4,170,000)	–
<b>As at 31 December 2020</b>	<b>1,039,700,891</b>	<b>7,722</b>

During the year of 2020, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase in 2020	Number of ordinary shares repurchased (Note)	Consideration per share		Aggregate consideration paid HK\$ million
		Highest HK\$	Lowest HK\$	
March	1,700,000	25.40	21.65	41
October	2,200,000	25.30	23.95	55
	<b>3,900,000</b>			<b>96</b>

During the year of 2019, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase in 2019	Number of ordinary shares repurchased (Note)	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
	<b>3,000,000</b>			<b>92</b>

Note:

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. In 2020 and 2019, 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. Out of 3,900,000 and 3,000,000 ordinary shares repurchased in 2020 and 2019, 3,900,000 and 2,730,000 ordinary shares were cancelled during the year ended 31 December 2020 and 2019 respectively. The remaining 270,000 ordinary shares repurchased in 2019 were cancelled in February 2020.

### 31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 HK\$ million	2019 HK\$ million
<b>Non-current assets</b>		
Property, plant and equipment	–	–
Investments in subsidiaries	1,845	1,634
Other financial assets	1	1
Amounts due from subsidiaries	3,692	2,869
	<b>5,538</b>	<b>4,504</b>
<b>Current assets</b>		
Other receivables	17	8
Amounts due from subsidiaries	10,463	10,747
Cash and cash equivalents	1	22
	<b>10,481</b>	<b>10,777</b>
<b>Current liabilities</b>		
Other payables and accruals	72	79
Amounts due to subsidiaries	2,564	1,949
	<b>2,636</b>	<b>2,028</b>
<b>Net current assets</b>	<b>7,845</b>	<b>8,749</b>
<b>Net assets</b>	<b>13,383</b>	<b>13,253</b>
<b>Capital and reserves</b>		
Share capital (note 30)	7,722	7,720
Reserves	5,661	5,533
<b>Total equity</b>	<b>13,383</b>	<b>13,253</b>

The Company's statement of financial position was approved and authorized for issue by the Board of Directors on 25 February 2021 and are signed on its behalf by:

Lee Irene Y.L.  
Director

Lee T.H. Michael  
Director

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2020

### 31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY continued

#### Movement in the Company's reserve

	Share options reserve HK\$ million	General reserve HK\$ million (Note)	Retained profits HK\$ million	Total HK\$ million
As at 1 January 2019	19	100	5,331	5,450
Recognition of equity-settled share-based payments	4	–	–	4
Repurchase of own shares	–	–	(92)	(92)
Profit and total comprehensive income for the year	–	–	1,677	1,677
Forfeiture of unclaimed dividends	–	–	1	1
Dividends paid during the year (note 13)	–	–	(1,507)	(1,507)
As at 31 December 2019	23	100	5,410	5,533
Recognition of equity-settled share-based payments	4	–	–	4
Repurchase of own shares	–	–	(96)	(96)
Profit and total comprehensive income for the year	–	–	1,721	1,721
Forfeiture of unclaimed dividends	–	–	1	1
Dividends paid during the year (note 13)	–	–	(1,502)	(1,502)
<b>As at 31 December 2020</b>	<b>27</b>	<b>100</b>	<b>5,534</b>	<b>5,661</b>

Note: General reserve was set up from the transfer of retained profits.

The Company's reserves available for distribution to its owners as at 31 December 2020 amounted to HK\$5,634 million (2019: HK\$5,510 million), being its general reserve and retained profits at that date.

### 32. RECONCILIATION OF ASSETS/LIABILITIES RELATING TO FINANCING ACTIVITIES

	2020 HK\$ million	2019 HK\$ million
Net debt (Note a)	5,965	(3,197)
Other financial liabilities (Note b)	(183)	(46)
Interest payable	(161)	(131)
Amounts due to non-controlling interests	(217)	(220)
	<b>5,404</b>	<b>(3,594)</b>

### 32. RECONCILIATION OF ASSETS/LIABILITIES RELATING TO FINANCING ACTIVITIES *continued*

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Cash and cash equivalents HK\$ million	Time deposits HK\$ million	Other financial assets/liabilities HK\$ million	Bank loans HK\$ million	Fixed rate notes HK\$ million	Interest payable HK\$ million	Amounts due to non-controlling interests HK\$ million	Total HK\$ million
As at 1 January 2019	2,069	748	(26)	(1,532)	(4,790)	(74)	(223)	(3,828)
Cash flows, net	1,528	4,987	–	(470)	(5,777)	247	3	518
Other non-cash changes:								
Foreign exchange adjustments	–	–	(46)	3	43	–	–	–
Fair value adjustments	–	–	29	–	–	–	–	29
Interest expenses	–	–	(3)	(2)	(4)	(304)	–	(313)
As at 31 December 2019	3,597	5,735	(46)	(2,001)	(10,528)	(131)	(220)	(3,594)
Cash flows, net	10,792	4,811	–	(350)	(6,100)	493	3	9,649
Other non-cash changes:								
Foreign exchange adjustments	–	–	(26)	2	24	–	–	–
Fair value adjustments	–	–	(105)	–	–	–	–	(105)
Interest expenses	–	–	(6)	(4)	(13)	(523)	–	(546)
<b>As at 31 December 2020</b>	<b>14,389</b>	<b>10,546</b>	<b>(183)</b>	<b>(2,353)</b>	<b>(16,617)</b>	<b>(161)</b>	<b>(217)</b>	<b>5,404</b>

Notes:

- (a) Net debt represents borrowings less time deposits, cash and cash equivalent as disclosed under note 5 of the Financial Risk Management section.
- (b) Other financial assets/liabilities represent the hedging instrument that was used to hedge against the foreign exchange rate risk arising from financing activities.

### 33. RETIREMENT BENEFITS PLANS

With effect from 1 December 2000, the Group set up an Enhanced Mandatory Provident Fund Scheme (the "Enhanced MPF Scheme"), a defined contribution scheme, for all qualifying employees. The Enhanced MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under Section 124(1) of the Mandatory Provident Fund Schemes (General) Regulation.

Pursuant to the rules of the Enhanced MPF Scheme, the Group's contributions to the plan are based on fixed percentages of members' salaries, ranging from 5% of MPF relevant income to 15% of basic salary. Members' mandatory contributions are fixed at 5% of MPF relevant income, in compliance with MPF legislation.

Total contributions made by the Group during the year amounted to HK\$10 million (2019: HK\$10 million).

### 34. COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments in respect of its investment properties, property, plant and equipment and subscription to a fund investment as limited partner:

	2020 HK\$ million	2019 HK\$ million
<b>(a) Capital commitment:</b>		
Contracted but not provided for investment properties and property, plant and equipment	157	207
<b>(b) Other commitment:</b>		
Subscription to a fund investment as limited partner	85	14

### 35. LEASE COMMITMENTS

At the end of the reporting period, the Group as lessor had contracted with tenants for the following undiscounted lease payments receivable over the non-cancellable periods:

	2020 HK\$ million	2019 HK\$ million
Within one year	2,867	3,315
In the second year	1,874	2,390
In the third year	1,026	1,459
In the fourth year	610	799
In the fifth year	427	586
Over five years	1,019	1,517
	<b>7,823</b>	<b>10,066</b>

Operating lease payments represent rentals receivable by the Group from leasing of its investment properties. Typically, leases are negotiated and rentals are fixed for lease term of one to three years. Certain leases include rentals received with reference to turnover of tenants.

### 36. RELATED PARTY TRANSACTIONS AND BALANCES

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

During the year, the Group has transaction with related party including imputed interest income on interest-free loan to a joint venture as disclosed under note 6 of the Notes to the Consolidated Financial Statements sections. At the end of the reporting period, the Group has several balances with related parties including loans to associates and loans to a joint venture as disclosed under note 18 and note 19 of the Notes to the Consolidated Financial Statements section. The Group has also granted guarantees to banks for facilities granted to a joint venture as disclosed under note 1(b) of the Financial risk management objectives and policies section.

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

	Gross rental income received from Year ended 31 December		Amount due to non-controlling interests At 31 December	
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million
Related companies controlled by the Directors of the Company (Note a (i) & (ii))	42	42	62	63
Non-controlling shareholder of a subsidiary (Note b (i) & (ii))	5	14	154	157

Notes:

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

#### (b) Compensation of key management personnel

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

	2020 HK\$ million	2019 HK\$ million
Directors' fees, salaries and other short-term employee benefits	48	48
Share-based payments	3	4
Retirement benefits scheme contributions	1	1
	52	53

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

### 37. SHARE-BASED PAYMENT TRANSACTIONS

#### (a) Equity-settled share option scheme

##### The 2005 Scheme

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

The purpose of the 2005 Scheme is to provide an incentive for employees of the Company and its wholly-owned subsidiaries to work with commitment towards enhancing the value of the Company and its shares for the benefit of its shareholders.

Under the 2005 Scheme, options to subscribe for ordinary shares of the Company may be granted to employees of the Company or any wholly-owned subsidiaries (including Executive Director) 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 such number of shares as required under the Listing Rules, currently being 10% of the shares in issue as at 10 May 2005, the date of the AGM approving the 2005 Scheme (being 104,996,365 shares).

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

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

### 37. SHARE-BASED PAYMENT TRANSACTIONS continued

#### (a) Equity-settled share option scheme continued

##### The New Scheme

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

The purpose of the New Scheme is to provide an incentive for employees of the Company and its subsidiaries to work with commitment towards enhancing the value of the Company and its shares for the benefit of its shareholders.

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

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

During the year, a total of 1,602,000 (2019: 1,286,200) share options were granted under the New Scheme. The 2005 Scheme expired on 9 May 2015 and no further option will be granted under the 2005 Scheme.

#### (b) Grant and vesting structures

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 December 2020

**37. SHARE-BASED PAYMENT TRANSACTIONS** *continued*

**(c) Movement of share options**

The following table discloses movements of the Company's share options held by the Director and eligible employees during the current year:

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2020	Changes during the year			Balance as at 31.12.2020
					Granted	Exercised	Cancelled/ lapsed (Note b)	
<b>2005 Scheme</b>								
<b>Executive Director</b>								
Lee Irene Yun-Lien	14.5.2012	33.50	14.5.2013 – 13.5.2022	<b>87,000</b>	–	–	–	<b>87,000</b>
	7.3.2013	39.92	7.3.2014 – 6.3.2023	<b>265,000</b>	–	–	–	<b>265,000</b>
	10.3.2014	32.84	10.3.2015 – 9.3.2024	<b>325,000</b>	–	–	–	<b>325,000</b>
	12.3.2015	36.27	12.3.2016 – 11.3.2025	<b>300,000</b>	–	–	–	<b>300,000</b>
<b>Eligible employees</b>								
(Note c)	31.3.2010	22.45	31.3.2011 – 30.3.2020	<b>50,000</b>	–	<b>(50,000)</b> (Note d)	–	<b>–</b>
	31.3.2011	32.00	31.3.2012 – 30.3.2021	<b>32,000</b>	–	–	–	<b>32,000</b>
	30.3.2012	31.61	30.3.2013 – 29.3.2022	<b>70,000</b>	–	–	–	<b>70,000</b>
	28.3.2013	39.20	28.3.2014 – 27.3.2023	<b>85,000</b>	–	–	–	<b>85,000</b>
	31.3.2014	33.75	31.3.2015 – 30.3.2024	<b>46,000</b>	–	–	–	<b>46,000</b>
	31.3.2015	34.00	31.3.2016 – 30.3.2025	<b>62,667</b>	–	–	–	<b>62,667</b>
				<b>1,322,667</b>	–	<b>(50,000)</b>	–	<b>1,272,667</b>

### 37. SHARE-BASED PAYMENT TRANSACTIONS continued

#### (c) Movement of share options continued

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2020	Changes during the year			Balance as at 31.12.2020
					Granted	Exercised	Cancelled/ lapsed (Note b)	
<b>New Scheme</b>								
<b>Executive Director</b>								
Lee Irene Yun-Lien	9.3.2016	33.15	9.3.2017 – 8.3.2026	375,000	-	-	-	375,000
	23.2.2017	36.25	23.2.2018 – 22.2.2027	300,000	-	-	-	300,000
	1.3.2018	44.60	1.3.2019 – 29.2.2028	373,200	-	-	-	373,200
	22.2.2019	42.40	22.2.2020 – 21.2.2029	494,200	-	-	-	494,200
	21.2.2020	29.73 (Note e)	21.2.2021 – 20.2.2030	-	650,000	-	-	650,000
<b>Eligible employees</b> (Note c)								
	31.3.2016	33.05	31.3.2017 – 30.3.2026	125,000	-	-	-	125,000
	31.3.2017	35.33	31.3.2018 – 30.3.2027	244,667	-	-	-	244,667
	29.3.2018	41.50	29.3.2019 – 28.3.2028	496,000	-	-	(2,000)	494,000
	29.3.2019	42.05	29.3.2020 – 28.3.2029	762,000	-	-	(4,000)	758,000
	31.3.2020	25.20 (Note f)	31.3.2021 – 30.3.2030	-	952,000	-	-	952,000
				<b>3,170,067</b>	<b>1,602,000</b>	<b>-</b>	<b>(6,000)</b>	<b>4,766,067</b>
<b>Exercisable at the end of the year</b>								<b>3,312,853</b>

#### Notes:

- 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.
- The options lapsed during the year upon resignations of certain eligible employees.
- Eligible employees are those working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.
- The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$28.40.
- The closing price of the shares of the Company immediately before the date of grant (i.e. as of 20 February 2020) was HK\$29.55.
- The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2020) was HK\$23.85.

In respect of the share options exercised during the year ended 31 December 2020, the weighted average share price at the date of exercise was HK\$28.35.

Apart from the above, the Company had not granted any share option under the Schemes to any other person as required to be disclosed under Rule 17.07 of the Listing Rules in 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

For the year ended 31 December 2020

**37. SHARE-BASED PAYMENT TRANSACTIONS** *continued*

**(c) Movement of share options** *continued*

The following table discloses movements of the Company's share options held by the Director and eligible employees in prior year:

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)	
<b>2005 Scheme</b>								
<b>Executive Director</b>								
Lee Irene Yun-Lien	14.5.2012	33.50	14.5.2013 – 13.5.2022	87,000	–	–	–	87,000
	7.3.2013	39.92	7.3.2014 – 6.3.2023	265,000	–	–	–	265,000
	10.3.2014	32.84	10.3.2015 – 9.3.2024	325,000	–	–	–	325,000
	12.3.2015	36.27	12.3.2016 – 11.3.2025	300,000	–	–	–	300,000
<b>Eligible employees (Note c)</b>								
	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
				<b>1,322,667</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,322,667</b>

### 37. SHARE-BASED PAYMENT TRANSACTIONS *continued*

#### (c) Movement of share options *continued*

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)	
<b>New Scheme</b>								
<b>Executive Director</b>								
Lee Irene Yun-Lien	9.3.2016	33.15	9.3.2017 – 8.3.2026	375,000	–	–	–	375,000
	23.2.2017	36.25	23.2.2018 – 22.2.2027	300,000	–	–	–	300,000
	1.3.2018	44.60	1.3.2019 – 29.2.2028	373,200	–	–	–	373,200
	22.2.2019	42.40 (Note d)	22.2.2020 – 21.2.2029	–	494,200	–	–	494,200
<b>Eligible employees</b> (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
				<b>1,983,867</b>	<b>1,286,200</b>	<b>(49,000)</b>	<b>(51,000)</b>	<b>3,170,067</b>
Exercisable at the end of the year								<b>2,457,059</b>

#### Notes:

- 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.
- The options lapsed during the year upon resignations of certain eligible employees.
- Eligible employees are those working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.
- 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.
- 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.
- 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.

In respect of the share options exercised during the year ended 31 December 2019, the weighted average share price at the dates of exercise was HK\$41.02.

Apart from the above, the Company had not granted any share option under the Schemes to any other person as required to be disclosed under Rule 17.07 of the Listing Rules in 2019.

For the year ended 31 December 2020

**37. SHARE-BASED PAYMENT TRANSACTIONS** continued**(d) Fair values of share options**

The Group has applied HKFRS 2 to account for its share options granted. In accordance with HKFRS 2, fair value of share options granted to employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the Group's share options reserve. In the current year, the Group recognized the share option expenses of HK\$4 million (2019: HK\$4 million) in relation to share options granted by the Company, of which HK\$2 million (2019: HK\$2 million) related to the Director (see note 11 of the Notes to Consolidated Financial Statements section), with a corresponding adjustment recognized in the Group's share options reserve.

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	31.3.2020	21.2.2020	29.3.2019	22.2.2019
Closing share price at the date of grant	<b>HK\$25.200</b>	<b>HK\$29.250</b>	HK\$42.050	HK\$42.400
Exercise price	<b>HK\$25.200</b>	<b>HK\$29.730</b>	HK\$42.050	HK\$42.400
Risk free rate (Note a)	<b>0.528%</b>	<b>1.172%</b>	1.406 %	1.552 %
Expected life of option (Note b)	<b>5 years</b>	<b>5 years</b>	5 years	5 years
Expected volatility (Note c)	<b>18.518%</b>	<b>18.013%</b>	17.689 %	17.710 %
Expected dividend per annum (Note d)	<b>HK\$1.384</b>	<b>HK\$1.384</b>	HK\$1.342	HK\$1.342
Estimated fair values per share option	<b>HK\$2.060</b>	<b>HK\$2.520</b>	HK\$4.460	HK\$4.750

Notes:

- 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.
- Expected life of option: being the period of five years commencing on the date of grant, based on management's best estimates for the effects of non-transferability, exercise restriction and behavioural consideration.
- Expected volatility: being the appropriate historical volatility of closing prices of the shares of the Company over the past five years immediately before the date of grant.
- Expected dividend per annum: being the approximate average annual cash dividend over the past five financial years.

# Financial Risk Management

For the year ended 31 December 2020

## 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include loans to associates, loans to a joint venture, other financial investments, debt securities, accounts and other receivables, time deposits, cash and cash equivalents, accounts payable and accruals, amounts due to non-controlling interests, borrowings and derivative financial instruments. Details of these financial instruments are disclosed in respective Notes to the Consolidated Financial Statements sections. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### (a) Credit risk and impairment assessment

The credit risk of the Group is primarily attributable to loans to associates, loans to a joint venture, accounts and other receivables, derivative financial instruments, debt securities, time deposits and bank balances. The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position.

The Group reviewed and assessed the Group's existing financial assets and financial guarantee contract for impairment using reasonable, supportable and forward-looking information that is available without undue cost or effort in accordance with HKFRS 9. For the purpose of internal credit risk management, the Group uses financial information (such as historical settlement records, past due records, deposits held or other credit enhancement) to assess whether credit risk has increased significantly since initial recognition.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Accounts receivables	Other financial assets
Performing	The counterparty has a low credit risk of default or does not have any past-due amounts	Lifetime Expected Credit Losses ("ECL") – not credit-impaired	12-month ECL – not credit-impaired
Non-performing	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

### Loans to associates and a joint venture

The Group regularly monitors the business performance of the associates and joint venture. The Group's credit risk in these balances are mitigated through the value of the assets held by these entities and the power to participate or jointly control the relevant activities of these entities. As at 31 December 2020, these loans with gross carrying amount of HK\$1,170 million (2019: HK\$1,107 million) are considered to be performing and were assessed individually based on 12-month ECL.

### Accounts and other receivables

Credit checks on tenants are part of the normal leasing process and stringent monitoring procedures are in place to deal with overdue debts. In addition, the Group reviews the expected credit losses of each individual debt, after taking into consideration the deposits from tenants, at the end of each reporting period. As at 31 December 2020, accounts and other receivables with gross carrying amount of HK\$828 million (2019: HK\$605 million) are considered to be performing and were assessed individually based on the respective lifetime ECL and 12-month ECL.

**1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** continued**(a) Credit risk and impairment assessment** continued**Debt securities, time deposits and bank balances**

Credit exposure to financial institutions and debt securities issuers are monitored and reported regularly to the management. The exposure to each counterparty comprised (i) investment value of financial assets (including bank balances, time deposits and debt securities); (ii) net positive value of derivative financial instruments and; (iii) potential exposures to derivatives which are based on the remaining term and the notional amount of the derivative financial instruments.

The Group only deals with financial institutions and invests in debt securities issued by issuers that have strong credit ratings to mitigate counterparty risk. As at 31 December 2020, debt securities, time deposits and bank balances with gross carrying amount of HK\$25,389 million (2019: HK\$9,504 million) were assessed individually based on 12-month ECL and considered to be performing as all financial institutions that the Group dealt with. Time deposits, bank balances and debt securities invested in had credit ratings A or above as rated by international credit rating agencies. In order to limit exposure to each financial institution and debt securities issuers, an exposure limit was set with each counterparty according to their external credit rating with regular review by management.

Other than concentration of credit risk on loans to associates and a joint venture, the Group does not have any other significant concentration of credit risk.

No credit loss is provided for except for loans to a joint venture and debt securities. A reconciliation of loss allowances recognized is presented below.

	Loss allowance for	
	Loans to a joint venture HK\$ million	Debt securities HK\$ million
As at 1 January 2019	4	1
Net impairment loss under ECL model	2	3
As at 31 December 2019	6	4
Net impairment loss under ECL model	–	7
<b>As at 31 December 2020</b>	<b>6</b>	<b>11</b>

The maximum exposure to credit risk is represented by the carrying amount of each financial asset at amortized cost in the consolidated statement of financial position after deducting any impairment allowance. Besides, the Group is also exposed to credit risk arising from the corporate financial guarantees which will cause a financial loss to the Group if the guarantee is called out.

In respect of the financial guarantee contract, the credit risk exposures of the Group is assessed under 12-month ECL and concluded that the loss given default of the counter party, a joint venture, is insignificant and accordingly, no allowance of credit loss is provided. Details of the Group's credit risk maximum exposure are set out in note 1(b) of the Financial risk management objectives and policies section.

## 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

### (b) Liquidity risk

The Group closely monitors its liquidity requirements and the sufficiency of cash and available banking facilities so as to ensure that the payment obligations are met.

The following table details the remaining contractual maturity of the Group for its non-derivative financial liabilities based on the agreed repayment terms. Maturity of the Group's financial guarantee contract is presented separately. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows. The interest payments are computed using contractual rates or, if floating, based on the prevailing market rate at the end of the reporting period. For cash flows denominated in currency other than Hong Kong dollars ("HKD"), the prevailing foreign exchange rates at the end of the reporting period are used to convert the cash flows into HKD.

	Carrying amount HK\$ million	Total contractual undiscounted cash flow HK\$ million	Within 1 year or on demand HK\$ million	More than 1 year but not exceeding 2 years HK\$ million	More than 2 years but not exceeding 5 years HK\$ million	More than 5 years HK\$ million
<b>As at 31 December 2020</b>						
<b>Non-derivative financial liabilities</b>						
Accounts payable and accruals	(931)	(931)	(931)	–	–	–
Deposits from tenants	(974)	(974)	(377)	(290)	(260)	(47)
Amounts due to non-controlling interests	(217)	(217)	(217)	–	–	–
Unsecured bank loans	(2,353)	(2,428)	(22)	(817)	(1,589)	–
Unsecured fixed rate notes	(16,617)	(20,673)	(521)	(1,042)	(5,478)	(13,632)
	<b>(21,092)</b>	<b>(25,223)</b>	<b>(2,068)</b>	<b>(2,149)</b>	<b>(7,327)</b>	<b>(13,679)</b>
<b>As at 31 December 2019</b>						
<b>Non-derivative financial liabilities</b>						
Accounts payable and accruals	(934)	(934)	(934)	–	–	–
Deposits from tenants	(1,001)	(1,001)	(316)	(277)	(389)	(19)
Amounts due to non-controlling interests	(220)	(220)	(220)	–	–	–
Unsecured bank loans	(2,001)	(2,223)	(66)	(315)	(1,842)	–
Unsecured fixed rate notes	(10,528)	(13,049)	(910)	(324)	(4,053)	(7,762)
	<b>(14,684)</b>	<b>(17,427)</b>	<b>(2,446)</b>	<b>(916)</b>	<b>(6,284)</b>	<b>(7,781)</b>

#### Note:

In addition to the items as set out in the above liquidity risk table, the maximum amount the Group could be required to settle under a financial guarantee provided by the Group in respect of banking facilities granted to a joint venture is HK\$3,000 million as at 31 December 2020 and 2019, if such amount is claimed by the counterparty to the guarantee at any time within the guaranteed period. Based on expectations at the end of the reporting period, the Directors of the Company consider that it is more likely than not that no amount will be payable by the Group under such financial guarantee arrangement.

For the year ended 31 December 2020

**1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** continued**(b) Liquidity risk** continued

The following table details the Group's remaining contractual maturity for its derivative financial instruments. The table has been drawn up based on the undiscounted gross inflows (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the prevailing market rate at the end of the reporting period. For cash flows denominated in currency other than HKD, the prevailing foreign exchange rates at the end of the reporting period are used to convert the cash flows into HKD.

	Carrying amount HK\$ million	Total contractual undiscounted cash flow HK\$ million	Within 1 year or on demand HK\$ million	More than 1 year but not exceeding 2 years HK\$ million	More than 2 years but not exceeding 5 years HK\$ million	More than 5 years HK\$ million
<b>As at 31 December 2020</b>						
<b>Derivative settled gross</b>						
Cross currency swaps	(183)					
Outflow		(13,848)	(351)	(351)	(3,147)	(9,999)
Inflow		13,712	342	342	3,147	9,881
<b>As at 31 December 2019</b>						
<b>Derivative settled gross</b>						
Cross currency swaps	(46)					
Outflow		(7,575)	(193)	(193)	(2,755)	(4,434)
Inflow		7,611	191	192	2,787	4,441

**(c) Interest rate risk**

The Group manages its interest rate exposure by assessing the potential impact on the Group's financial position arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed rates and floating rates and ensure that they are within an appropriate range. The Group is exposed to fair value interest rate risk in relation to fixed rate debt securities (see note 21 of the Notes to Consolidated Financial Statements section).

As at 31 December 2020, about 12.0% (2019: 16.0%) of the Group's gross debts was effectively on a floating rate basis. The ratio could be adjusted according to views about changes in the interest rate trend going forward. In addition, the Group is exposed to cash flow interest rate risk as the interest income derived from time deposits and bank balances is subject to interest rate changes. Other than the concentration of interest rate risk related to the movements in Hong Kong Interbank Offered Rate, the Group has no significant concentration of interest rate risk.

**Sensitivity analysis**

The sensitivity analysis below has been determined assuming that the change in interest rates had occurred at the end of the reporting period and all other variables were held constant. Such change has been applied to non-derivative financial instruments that would have affected the profit or loss and equity. A change of +100 and -25 basis points ("bps") (2019: +100 and -25 basis points) was applied to the HKD and US dollars ("USD") yield curves at the end of the reporting period. The applied change of bps represented management's assessment of the reasonably possible change in interest rates based on the current market conditions.

## 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

### (c) Interest rate risk continued

#### Sensitivity analysis continued

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

	Increase (decrease) in profit or loss		Increase (decrease) in equity	
	bps increase HK\$ million	bps decrease HK\$ million	bps increase HK\$ million	bps decrease HK\$ million
<b>As at 31 December 2020</b>	<b>(16)</b>	<b>4</b>	<b>18</b>	<b>(3)</b>
<b>As at 31 December 2019</b>	<b>(17)</b>	<b>4</b>	<b>4</b>	<b>(1)</b>

### (d) Currency risk

The Group aims to minimize its currency risk and does not speculate in currency movements for debt management. To cover foreign exchange exposures arising from debts, the Group's foreign currency denominated monetary liabilities may be hedged back to HKD unless the liabilities are naturally hedged by the underlying asset in the same foreign currency. In managing the Group's monetary assets, the Group limits the aggregate net foreign currency exposures to a certain threshold. Exposures exceeding that threshold will be hedged back to HKD. The majority of the Group's assets are located and all rental income and management fee income are derived in Hong Kong, and denominated in HKD. At the end of the reporting period, the Group has the following monetary assets and monetary liabilities denominated in USD. The Group's unsecured fixed rate notes are hedged by cross currency swaps.

	2020		2019	
	US\$ million	Total equivalent to HK\$ million	US\$ million	Total equivalent to HK\$ million
<b>Assets</b>				
Cash	12	96	2	15
Time deposits	30	230	35	274
Debt securities	59	454	22	172
Other financial investments	102	789	77	601
	<b>203</b>	<b>1,569</b>	136	1,062
<b>Liabilities</b>				
Bank loan	60	463	60	464
Unsecured fixed rate notes	1,425	10,971	800	6,198
	<b>1,485</b>	<b>11,434</b>	860	6,662

Other than concentration of currency risk of the above items denominated in USD (2019: USD), the Group has no other significant currency risk.

The Group has entered into appropriate hedging instruments, mentioned in note 22 of the Notes to the Consolidated Financial Statements section, to hedge against part of the potential currency risk of the above items. The Group reviews the continuing effectiveness of hedging instruments at least at the end of the reporting period and until the hedging instrument expires or is terminated or the hedge no longer meets the criteria for hedge accounting.

**1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** continued**(d) Currency risk** continued**Sensitivity analysis**

The sensitivity analysis below has been determined assuming that a change in exchange rate had occurred at the end of the reporting period and all other variable were held constant. Such change has been applied to both derivative and non-derivative financial instruments that would have affected the profit or loss and other comprehensive income. Change of 500 percentage in points (“pips”) (2019: 500 pips) was applied to the HKD: USD (2019: HKD: USD) spot and forward rates at the end of the reporting period.

In management’s opinion, the sensitivity analysis is unrepresentative of the currency risk as the year end exposure does not reflect the exposure during the year.

	Increase (decrease) in profit or loss		Increase (decrease) in other comprehensive income	
	pips increase HK\$ million	pips decrease HK\$ million	pips increase HK\$ million	pips decrease HK\$ million
<b>As at 31 December 2020</b>				
USD	7	(7)	83	(83)
<b>As at 31 December 2019</b>				
USD	4	(4)	4	(4)

**(e) Other price risk**

The Group is exposed to other price risk through its investment in equity security measured at fair value through other comprehensive income (“FVTOCI”) and fund investment measured at fair value through profit or loss (“FVTPL”). The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

**Sensitivity analysis**

No sensitivity analyses on other price risk are presented since the exposure resulted from the expected changes in fair value of both investments at the reporting date is considered insignificant.

**2. CATEGORIES OF FINANCIAL INSTRUMENTS**

	2020 HK\$ million	2019 HK\$ million
<b>Financial assets</b>		
FVTPL	293	367
FVTOCI	497	235
Derivative instrument under hedge accounting	–	7
Amortized cost (including cash and cash equivalents)	26,731	10,757
	<b>27,521</b>	<b>11,366</b>
<b>Financial liabilities</b>		
Derivative instruments under hedge accounting	183	46
Amortized cost	21,092	14,684
	<b>21,275</b>	<b>14,730</b>

### 3. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS

The Group has entered certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Agreements (“ISDA Agreements”) signed with various banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognized amounts. Other than derivatives transactions mentioned above, the Group has no other financial assets and financial liabilities which are offset in the Group’s consolidated statement of financial statements or are subject to similar netting arrangements.

#### (a) Financial assets subject to enforceable master netting arrangements or similar agreements

	Gross amounts of recognized financial assets HK\$ million	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position HK\$ million	Net amounts of financial assets presented in the consolidated statement of financial position HK\$ million
<b>As at 31 December 2020</b>			
Derivatives under hedge accounting	–	–	–
<b>As at 31 December 2019</b>			
Derivatives under hedge accounting	7	–	7

#### (b) Net financial assets subject to enforceable master netting arrangements or similar agreements, by counterparty

	Net amounts of financial assets presented in the consolidated statement of financial position HK\$ million	Financial liabilities not set off in the consolidated statement of financial position HK\$ million	Net amount HK\$ million
<b>As at 31 December 2020</b>			
Counterparty A	–	–	–
<b>As at 31 December 2019</b>			
Counterparty A	7	(7)	–

#### (c) Financial liabilities subject to enforceable master netting arrangements or similar agreements

	Gross amounts of recognized financial liabilities HK\$ million	Gross amounts of recognized financial assets set off in the consolidated statement of financial position HK\$ million	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$ million
<b>As at 31 December 2020</b>			
Derivatives under hedge accounting	(183)	–	(183)
<b>As at 31 December 2019</b>			
Derivatives under hedge accounting	(46)	–	(46)

### 3. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS continued

#### (d) Net financial liabilities subject to enforceable master netting arrangements and similar agreements, by counterparty

	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$ million	Financial assets not set off in the consolidated statement of financial position HK\$ million	Net amount HK\$ million
<b>As at 31 December 2020</b>			
Counterparty A	(32)	–	(32)
Counterparty B	(36)	–	(36)
Counterparty C	(36)	–	(36)
Counterparty D	(66)	–	(66)
Counterparty E	(13)	–	(13)
	<b>(183)</b>	<b>–</b>	<b>(183)</b>
<b>As at 31 December 2019</b>			
Counterparty A	(19)	7	(12)
Counterparty B	(5)	–	(5)
Counterparty C	(12)	–	(12)
Counterparty D	(10)	–	(10)
	<b>(46)</b>	<b>7</b>	<b>(39)</b>

### 4. FAIR VALUE MEASUREMENT

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

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

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortized cost in the consolidated financial statements approximate their fair values, except for the carrying amount of HK\$16,617 million (2019: HK\$10,528 million) unsecured fixed rate notes as stated in note 27 of the Notes to the Consolidated Financial Statements section with fair value of HK\$17,432 million (2019: HK\$9,096 million).

The fair value of HK\$11,476 million (2019: HK\$4,649 million) of the unsecured fixed rate notes is categorized into Level 1 of the fair value hierarchy, in which the fair value was derived from quoted prices in an active market translated at the spot foreign exchange rate of the respective currency at year end.

The fair value of HK\$5,956 million (2019: HK\$4,447 million) of the unsecured fixed rate notes is categorized into Level 2 of the fair value hierarchy, in which the fair value was measured using discounted cash flow methodology based on observable yield curves of the respective currency taking into account the credit margin of the Group as appropriate.

#### 4. FAIR VALUE MEASUREMENT continued

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

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

	2020			
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
<b>Financial assets</b>				
<b>Financial assets at FVTPL</b>				
Unlisted club debenture	–	1	–	1
Fund investment	–	–	292	292
<b>Financial asset at FVTOCI</b>				
Listed investment in equity security	200	–	–	200
Unlisted investment in equity security	–	–	297	297
<b>Total</b>	<b>200</b>	<b>1</b>	<b>589</b>	<b>790</b>
<b>Financial liabilities</b>				
<b>Derivatives under hedge accounting</b>				
Cross currency swaps	–	183	–	183
<b>Financial assets</b>				
<b>Financial assets at FVTPL</b>				
Unlisted club debenture	–	1	–	1
Fund investment	–	–	366	366
<b>Financial asset at FVTOCI</b>				
Listed investment in equity security	235	–	–	235
<b>Derivative under hedge accounting</b>				
Cross currency swap	–	7	–	7
<b>Total</b>	<b>235</b>	<b>8</b>	<b>366</b>	<b>609</b>
<b>Financial liability</b>				
<b>Derivative under hedge accounting</b>				
Cross currency swap	–	46	–	46

**4. FAIR VALUE MEASUREMENT** continued**(c) Reconciliation of Level 3 fair value measurement of financial asset**

	Fund investment HK\$ million	Unlisted investment in equity security HK\$ million
As at 1 January 2019	294	–
Addition	60	–
Loss recognized in profit or loss	12	–
As at 31 December 2019	366	–
Addition	10	257
Return of capital	(81)	–
Loss recognized in profit or loss	(3)	–
Profit recognized in other comprehensive income	–	40
<b>As at 31 December 2020</b>	<b>292</b>	<b>297</b>

There were no transfers between these three levels during the year.

The unrealized fair value loss of HK\$3 million (2019: unrealized fair value gain of HK\$12 million) relating to fund investment at fair value through profits or loss is included in other gains and losses.

**(d) Valuation techniques and inputs used in fair value measurements**

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

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

**(e) Valuation process of Level 3 fair value measurements of financial assets**

At the end of the reporting period, the management of the Group obtains the valuation techniques and inputs for Level 3 fair value measurements in relation to the fund investment and its underlying assets and liabilities. The Group engages independent qualified professional valuer to perform the valuation for investment in equity security. Where there is a material change in the fair value of the financial assets grouped in Level 3, analysis will be performed and the causes of the fluctuations will be reported to the Directors of the Company.

## 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The Group monitors its capital structure on the basis of a net debt to equity ratio. For this purpose, the Group defines net debt as borrowings as shown in the consolidated statement of financial position less time deposits, cash and cash equivalents.

The management reviews the Group's net debt to equity ratio regularly and adjusts the ratio through the payment of dividends, the issue of new share, perpetual capital securities or debt, the repurchase of shares and the redemption of existing perpetual capital securities or debt.

The net debt to equity ratio at the year end was as follows:

	2020 HK\$ million	2019 HK\$ million
Unsecured bank loans	2,353	2,001
Unsecured fixed rate notes	16,617	10,528
Borrowings	18,970	12,529
Less: Time deposits	(10,546)	(5,735)
Cash and cash equivalents	(14,389)	(3,597)
Net (cash) debt	(5,965)	3,197
Total equity	87,449	80,972
Net debt to equity	N/A	3.9%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

# Five-Year Financial Summary

For the year ended 31 December

	2020 HK\$ million	2019 HK\$ million (Note a)	2018 HK\$ million (Note b)	2017 HK\$ million	2016 HK\$ million
<b>Results</b>					
Turnover	3,710	3,988	3,890	3,548	3,535
Property expenses	(490)	(536)	(523)	(449)	(428)
Gross profit	3,220	3,452	3,367	3,099	3,107
Other income	–	–	–	261	–
Investment income	272	154	78	69	50
Other gains and losses	5	10	(16)	–	–
Administrative expenses	(268)	(269)	(227)	(247)	(219)
Finance costs	(546)	(313)	(222)	(158)	(178)
Change in fair value of investment properties	(4,903)	792	3,532	853	(1,187)
Share of results of associates	225	1,733	288	220	237
(Loss) profit before taxation	(1,995)	5,559	6,800	4,097	1,810
Taxation	(353)	(473)	(481)	(484)	(463)
(Loss) profit for the year	(2,348)	5,086	6,319	3,613	1,347
Perpetual capital securities holders	(288)	–	–	–	–
Other non-controlling interests	89	(241)	(286)	23	(129)
(Loss) profit attributable to owners of the Company	(2,547)	4,845	6,033	3,636	1,218
Underlying profit for the year	2,398	2,587	2,536	2,491	2,369
Recurring underlying profit for the year	2,398	2,587	2,536	2,349	2,369
Dividends					
Dividends paid	1,502	1,507	1,444	1,411	1,394
Dividends declared	1,216	1,221	1,224	1,161	1,139
Dividends per share (HK cents)	144	144	144	137	135
(Loss) earnings per share (HK\$), based on:					
(Loss) profit for the year					
– basic	(2.44)	4.63	5.77	3.48	1.16
– diluted	(2.44)	4.63	5.76	3.48	1.16
<b>Performance indicators</b>					
Net debt to equity	N/A	3.9%	4.5%	4.8%	5.2%
Net interest coverage (times)	9.8x	17.0x	18.1x	17.1x	20.5x
Net asset value per share (HK\$)	70.87	74.39	71.12	66.89	64.56
Net (cash) debt per share (HK\$)	(5.74)	3.06	3.35	3.37	3.50
Year-end share price (HK\$)	28.40	30.55	37.25	41.45	32.05

## As at 31 December

	2020 HK\$ million	2019 HK\$ million (Note a)	2018 HK\$ million (Note b)	2017 HK\$ million	2016 HK\$ million
<b>Assets and liabilities</b>					
Investment properties	74,993	79,116	77,442	72,470	69,633
Investments in associates	5,577	5,189	3,708	3,779	3,497
Loans to associates	11	11	11	10	–
Investment in a joint venture	125	143	145	147	145
Loans to a joint venture	1,153	1,090	1,062	982	1,891
Other financial investments	789	601	294	21	–
Time deposits, cash and cash equivalents	24,935	9,332	2,817	2,662	2,630
Other assets	2,172	1,561	1,564	2,049	2,225
<b>Total assets</b>	<b>109,755</b>	<b>97,043</b>	<b>87,043</b>	<b>82,120</b>	<b>80,021</b>
Borrowings	(18,970)	(12,529)	(6,322)	(6,185)	(6,293)
Taxation	(1,031)	(1,341)	(962)	(945)	(863)
Other liabilities	(2,305)	(2,201)	(2,122)	(1,989)	(2,180)
<b>Total liabilities</b>	<b>(22,306)</b>	<b>(16,071)</b>	<b>(9,406)</b>	<b>(9,119)</b>	<b>(9,336)</b>
<b>Net assets</b>	<b>87,449</b>	<b>80,972</b>	<b>77,637</b>	<b>73,001</b>	<b>70,685</b>
Perpetual capital securities	(10,657)	–	–	–	–
Other non-controlling interests	(3,112)	(3,322)	(3,206)	(3,048)	(3,195)
<b>Shareholders' funds</b>	<b>73,680</b>	<b>77,650</b>	<b>74,431</b>	<b>69,953</b>	<b>67,490</b>

## Definitions:

- (1) Underlying profit for the year:  
a non-HKFRS measure, is arrived at by adding (i) Reported (Loss) Profit excluding unrealized fair value change of investment properties and items not generated from the Group's core property investment business; and (ii) Profit attributable to holders of perpetual capital securities.
- (2) Recurring underlying profit for the year:  
a non-HKFRS measure, is a performance indicator of the Group's core property investment business and is arrived at by excluding from Underlying Profit items that are non-recurring in nature
- (3) Net debt to equity:  
borrowings less time deposits, cash and cash equivalents divided by total equity
- (4) Net interest coverage:  
gross profit less administrative expenses before depreciation divided by net interest expenses
- (5) Net asset value per share:  
shareholders' funds divided by number of issued shares as at year end
- (6) Net debt per share:  
borrowings less time deposits, cash and cash equivalents divided by number of issued shares at year end

## Notes:

- a. In 2019, the Group has applied HKFRS 16. Accordingly, certain comparative information for the years ended 31 December 2016, 2017 and 2018 may not be comparable to the year ended 31 December 2019 as such comparative information was prepared under HKAS 17. Accounting policies resulting from application of HKFRS 16 are disclosed in the "Significant Accounting Policies" Section.
- b. In 2018, the Group has applied the remaining sections of HKFRS 9. Accordingly, certain comparative information for the years ended 31 December 2016 and 2017 may not be comparable to the years ended 31 December 2018 and 2019 as such comparative information was prepared under HKAS 39. Accounting policies resulting from application of HKFRS 9 are disclosed in the "Significant Accounting Policies" Section.

# Report of the Valuer

To the Board of Directors  
**Hysan Development Company Limited**

Dear Sirs,

## **Annual Revaluation of Investment Properties as at 31 December 2020**

In accordance with your appointment of Knight Frank Petty Limited to value the investment properties in Hong Kong owned by Hysan Development Company Limited and its subsidiaries, we are pleased to advise that the market value of the investment properties as at 31 December 2020 was in the approximate sum of Hong Kong Dollars Seventy-Four Billion Nine Hundred and Ninety Three Million (Hong Kong Dollars 74,993 million).

The completed investment properties have been valued individually on market value basis and have been assessed on the basis of capitalization of the net and potential income. We have also cross-checked the values by market comparables.

Yours faithfully  
**Knight Frank Petty Limited**

Hong Kong, 17 February 2021

# Schedule of Principal Properties

As at 31 December 2020

## INVESTMENT PROPERTIES

Address	Lot No.	Use	Category of the Lease	Percentage held by the Group
1. <b>Bamboo Grove</b> 74-86 Kennedy Road Mid-Levels Hong Kong	I.L. 8624	Residential	Medium term lease	100 %
2. <b>Hysan Place</b> 500 Hennessy Road Causeway Bay Hong Kong	Sec. FF of I.L. 29 and the R.P. of Marine Lot 365	Commercial	Long lease	100 %
3. <b>Lee Garden One</b> 33 Hysan Avenue Causeway Bay Hong Kong	Sec. DD of I.L. 29, Sec. L of I.L. 457, Sec. MM of I.L. 29, the R.P. of Sec. L of I.L. 29, and the R.P. of I.L. 457	Commercial	Long lease	100 %
4. <b>Lee Garden Two</b> 28 Yun Ping Road Causeway Bay Hong Kong	Sec. G of I.L. 29, Sec. A, O, F and H of I.L. 457, the R.P. of Sec. C, D, E and G of I.L. 457, Subsec. 1 of Sec. C, D, E and G of I.L. 457, Subsec. 2 of Sec. E of I.L. 457 and Subsec. 1, 2, 3 and the R.P. of Sec. C of I.L. 461	Commercial	Long lease	65.36 %
5. <b>Lee Garden Three</b> 1 Sunning Road Causeway Bay Hong Kong	The R.P. of Subsec. 1 of Sec. J of I.L. 29, Subsec. 2 of Sec. J of I.L. 29 and the R.P. of Sec. J of I.L. 29	Commercial	Long lease	100 %

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SCHEDULE OF PRINCIPAL PROPERTIES continued

As at 31 December 2020

**INVESTMENT PROPERTIES** continued

Address	Lot No.	Use	Category of the Lease	Percentage held by the Group
6. <b>Lee Garden Five</b> 18 Hysan Avenue Causeway Bay Hong Kong	Sec. N of I.L. 457 and Sec. LL of I.L. 29	Commercial	Long lease	100%
7. <b>Lee Garden Six</b> 111 Leighton Road Causeway Bay Hong Kong	Sec. KK of I.L. 29	Commercial	Long lease	100%
8. <b>Lee Theatre Plaza</b> 99 Percival Street Causeway Bay Hong Kong	I.L. 1452, the R.P. of I.L. 472 and 476	Commercial	Long lease	100%
9. <b>Leighton Centre</b> 77 Leighton Road Causeway Bay Hong Kong	Sec. B, C and the R.P. of I.L. 1451	Commercial	Long lease	100%
10. <b>One Hysan Avenue</b> 1 Hysan Avenue Causeway Bay Hong Kong	The R.P. of Sec. GG of I.L. 29	Commercial	Long lease	100%

# Shareholding Analysis

## SHARE CAPITAL

As at 31 December 2020

	HK\$	Number of Ordinary Shares
Issued and fully paid-up capital	7,721,662,909	1,039,700,891

There was one class of ordinary shares with equal voting rights.

## DISTRIBUTION OF SHAREHOLDINGS

(At 31 December 2020, as per register of members of the Company)

Size of registered shareholdings	Number of shareholders	% of shareholders	Number of ordinary shares	% of the total no. of issued shares (Note)
5,000 or below	2,214	72.42	3,476,125	0.33
5,001 – 50,000	731	23.91	11,332,263	1.09
50,001 – 100,000	63	2.06	4,640,443	0.45
100,001 – 500,000	41	1.34	8,425,487	0.81
500,001 – 1,000,000	2	0.07	1,131,041	0.11
Above 1,000,000	6	0.20	1,010,695,532	97.21
<b>Total</b>	<b>3,057</b>	<b>100</b>	<b>1,039,700,891</b>	<b>100</b>

## TYPES OF SHAREHOLDERS

(At 31 December 2020, as per register of members of the Company)

Type of shareholders	Number of ordinary shares held	% of the total no. of issued shares (Note)
Lee Hysan Company Limited	433,130,735	41.66
Other corporate shareholders	579,179,454	55.71
Individual shareholders	27,390,702	2.63
<b>Total</b>	<b>1,039,700,891</b>	<b>100</b>

## LOCATION OF SHAREHOLDERS

(At 31 December 2020, as per register of members of the Company)

Location of shareholders	Number of ordinary shares held	% of the total no. of issued shares (Note)
Hong Kong	1,037,569,353	99.795
United States and Canada	1,898,751	0.183
United Kingdom	17,085	0.002
Others	215,702	0.020
<b>Total</b>	<b>1,039,700,891</b>	<b>100</b>

Note:

The percentages were compiled based on the total number of issued shares of the Company as at 31 December 2020 (i.e. 1,039,700,891 ordinary shares).

# Shareholder Information

## FINANCIAL CALENDAR

Full year results announced	25 February 2021
Ex-dividend date for second interim dividend	10 March 2021
Closure of register of members and record date for second interim dividend	12 March 2021
Dispatch of second interim dividend warrants	(on or about) 26 March 2021
Closure of register of members for Annual General Meeting	17 to 21 May 2021
Annual General Meeting	21 May 2021
2021 interim results to be announced	11 August 2021*

\* subject to change

## DIVIDEND

The Board declares the payment of a second interim dividend of HK117 cents per share. The second interim dividend will be payable in cash to shareholders on the register of members as at Friday, 12 March 2021.

The register of members will be closed on Friday, 12 March 2021, for the purpose of determining shareholders' entitlement to the second interim dividend, on which date no transfer of shares will be registered. In order to qualify for the second interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar not later than 4:00 p.m. on Thursday, 11 March 2021.

Dividend warrants will be dispatched to shareholders on or about Friday, 26 March 2021.

The register of members will also be closed from Monday, 17 May 2021 to Friday, 21 May 2021, both dates inclusive, for the purpose of determining shareholders' entitlement to attend and vote at the Annual General Meeting to be held on Friday, 21 May 2021, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar not later than 4:00 p.m. on Friday, 14 May 2021.

## SHAREHOLDER SERVICES

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

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

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

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

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

## INVESTOR RELATIONS

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

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

# Corporate Information

## BOARD OF DIRECTORS

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

## AUDIT AND RISK MANAGEMENT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

\* Non-Executive Director

\*\* Independent Non-Executive Director

## SUSTAINABILITY COMMITTEE

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

## COMPANY SECRETARY

Cheung Ka Ki Maggie

## REGISTERED OFFICE

50/F Lee Garden One  
33 Hysan Avenue  
Hong Kong

## OUR WEBSITE

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

## SHARE LISTING

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

## STOCK CODE

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

## AUDITOR

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



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