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# Hysan Development Company Limited

## 希慎興業有限公司

(Incorporated in Hong Kong with limited liability)  
(Stock Code : 00014)

### ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

- Turnover and Recurring Underlying Profit increased year-on-year by 2.5% and 2.0% respectively
- Occupancies for Office and Retail portfolios were 98% and 96% respectively
- Hong Kong's economic outlook for 2020 is uncertain, driven by global headwinds, domestic factors and the effects of the COVID-19 epidemic

## RESULTS

	Notes	Year ended 31 December		Change
		2019	2018	
		HK\$ million	HK\$ million	
Turnover	1	<b>3,988</b>	3,890	<b>+2.5%</b>
Recurring Underlying Profit	2	<b>2,587</b>	2,536	<b>+2.0%</b>
Underlying Profit	3	<b>2,587</b>	2,536	<b>+2.0%</b>
Reported Profit	4	<b>4,845</b>	6,033	<b>-19.7%</b>
		HK cents	HK cents	
Basic earnings per share, based on:				
Recurring Underlying Profit	2	<b>247</b>	242	<b>+2.1%</b>
Underlying Profit	3	<b>247</b>	242	<b>+2.1%</b>
Reported Profit	4	<b>463</b>	577	<b>-19.8%</b>
Full-year dividends per share		<b>144</b>	144	<b>±0%</b>
		HK\$ million	HK\$ million	
Shareholders' Funds	5	<b>77,650</b>	74,431	<b>+4.3%</b>
		HK\$	HK\$	
Net Asset Value per Share	6	<b>74.4</b>	71.1	<b>+4.6%</b>

**Notes:**

1. **Turnover** comprises gross rental income from leasing of investment properties located in Hong Kong and management fee income from the provision of property management services for the year.
2. **Recurring Underlying Profit** is a performance indicator of the Group's core property investment business and is arrived at by excluding from Underlying Profit items that are non-recurring in nature.
3. **Underlying Profit** is arrived at by excluding from Reported Profit unrealised fair value changes on investment properties and items not generated from the Group's core property investment business.
4. **Reported Profit** is the profit attributable to owners of the Company. It is prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance.
5. **Shareholders' Funds** is the equity attributable to owners of the Company.
6. **Net Asset Value per Share** represents Shareholders' Funds divided by the number of issued shares at year-end.

**CHAIRMAN'S STATEMENT**

Hysan saw a 2.5% increase in its 2019 turnover and a 2.0% improvement in its Recurring Underlying Profit. A robust first half helped ease the impact of a negative second half. Rental reversions for our office, retail and residential portfolios remained healthy, while occupancies were satisfactory.

***Impact from Different Fronts***

Global uncertainties together with continued U.S.-China tensions were among the external factors negatively affecting Hong Kong's general economic well-being in 2019. On the domestic front, social unrest throughout the second half of the year had an immediate adverse impact on the economy and parts of Hysan's business. The sharp drop in spending by a drastically reduced number of visitors to Hong Kong was further exacerbated by a fall in local consumption arising from intermittent closure of shops and restaurants brought on by the social unrest. The retail sector, particularly cosmetics and certain popular brands favoured by mainland visitors, as well as the catering sector, were much adversely affected by the turmoil. Hong Kong's retail sales saw a full year decline of 11% as compared to 2018. Estimated sales of Hysan's retail tenants mirrored those of Hong Kong, sharply decreasing from July onwards.

***Managing the Crisis***

Through these difficult times, Hysan's management team stepped up its efforts to provide a safe and secure environment for the Company's staff, tenants and shoppers. The team delivered swift, proactive solutions and support to manage the impact on our retail and office tenants. The relationship built over the years through Hysan's community-building efforts were clearly evident as all stakeholders worked together during the crisis.

***Synergies from a Balanced Portfolio***

Hysan's balanced dual-engine business has provided a stable platform for the Company. The retail business, which by its nature is more volatile, is anchored by a more stable office portfolio. Hysan's office portfolio accounted for the same turnover, around 46%, as the retail portfolio.

Many brands, and in particular premium brands, are likely to consider consolidation after years of expansion. Lee Gardens' ability to attract and retain brands is a testament to our area curation and strong partnerships with our tenants. Apart from our premium brands, Lee Gardens has a portfolio of retail, services and food and beverage outlets offering a range of price points for locals, tourists and different age groups. The diverse range of services, shops and restaurants form the backbone of our vibrant business community. The completion of Lee Garden Three saw local and multinational companies, including global financial institutions, recognise the area's rich offerings set in a vibrant neighbourhood, with the added convenience of Causeway Bay which is a major transport hub. The demand from an

increasingly discerning office clientele will continue to drive a broader and more diverse retail offering. This positive and self-sustaining cycle of supply and demand will continue to inspire and power our business. The combination of a balanced portfolio with the synergies generated by the two main segments should help Hysan remain more resilient to unexpected disruptions and impacts.

### ***Flex Space in Lee Gardens***

Flex space or co-work have added youth and cultural diversity to our business platform, further sharpening our retail and service offerings. Although the co-working industry is facing inevitable consolidation and only those with proven business models are expected to survive, we believe this type of business model will remain a major part of the office ecosystem. Causeway Bay, and more specifically Lee Gardens remains an ideal venue for corporate clients and entrepreneurs who require convenience and vibrancy in their work environment in addition to general operational flexibility.

### ***A Vibrant Community***

Lee Gardens is located in the middle of Hong Kong Island's commercial foothills and houses an eclectic mix of low-rise and modern tower blocks. This geographical advantage and its historical nature complement the dual-engine model. The residents, shoppers, workers and businesses form the basis of a community that has grown significantly since Lee Hysan bought the hill, now Lee Gardens, close to a hundred years ago. Over the years, the Company actively carried out asset enhancements, re-developments, neighbourhood curation, and tenant mix changes, as well as community events and activities. Lee Gardens is now a premier destination for all ages and all walks of life, including locals, new Hong Kong migrants, as well as tourists.

At the end of 2019, Hysan unveiled Bizhouse, a concept that combines living and working in a regenerated low-rise building situated in a neighbourhood buzzing with character. Other changes, many in cooperation with nearby landlords and the Lee Gardens Association, have transformed the area's streets into a unique, dynamic and stylish community of old Hong Kong mixed with the latest trends that reflect the needs and interests of today.

Those who come to Lee Gardens to work, play and shop help bring the community to life. Most of our regulars are our long-standing loyalty club members. We are in the process of consolidating our two loyalty programmes into a single platform. This move will ensure that all operations, including a new mobile app, points systems for rewards, and club member communications, will be digital, hence more streamlined and user-friendly. We also look forward to unveiling new facilities for VIP-level club members in Q1 2020.

Throughout 2019, and especially in the second half of the year, we focused our efforts on supporting general shoppers' campaigns by launching strong promotions to help our tenants attract more customers. One of our target groups is children and their parents. A children's academy with a curriculum of life skills classes is in the pipeline. The aim of such an initiative is to form a long-term relationship and connection with youngsters and their families.

### ***Strengthening Sustainability***

Hysan's roots in Causeway Bay can be traced back almost 100 years. Long-term sustainable thinking comes naturally to us. Our stakeholders' demand for sustainability in the community has grown significantly in recent years. Over the past decade, the Group has taken the lead in the construction and operation of green buildings. Our Board has decided to establish a Sustainability Committee to oversee environmental, social and governance issues, supported by the management's Sustainability Executive Committee and Task Force. We are in a good position to further integrate sustainability initiatives with clear and measurable targets into our medium- to long-term plans.

### **Dividends**

The Board of Directors is pleased to declare a second interim dividend of HK117 cents per share (2018: HK117 cents). Together with the first interim dividend of HK27 cents per share (2018: HK27 cents), the total distribution is HK144 cents per share (2018: HK144 cents). The dividend will be payable in cash.

### **Appreciation and Outlook**

2019 was an exceptionally challenging year and I would like to give my heartfelt thanks to the management team, as well as our front-line colleagues, for their hard work and dedication. I would also like to thank my fellow board members for their support and advice. My special thanks to Professor Lau Lawrence Juen-Yee, who is stepping down from the Board as an independent non-executive Director upon the conclusion of our annual general meeting in May 2020. I am grateful for his wise counsel and diligent work and for all his contribution to the Board.

Hong Kong's economic outlook in 2020 is clouded by the global headwinds and domestic factors, including the outbreak of COVID-19. Hysan will maintain close working relationships with our tenants and continue our engagement with the local community to navigate through the turbulent times. The Group will also continue to explore opportunities within our core area and beyond.

**Lee Irene Yun-Lien**

*Chairman*

Hong Kong, 20 February 2020

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Strategy**

Hysan's mission clearly states that the Group strives to provide its stakeholders with sustainable and outstanding returns from its property portfolio, which is located predominantly in Hong Kong's premier commercial district of Causeway Bay. The Lee Gardens area of Causeway Bay is Hysan's home base and will remain the Group's focus. Hysan is also active in seeking other investment opportunities beyond its core geographical area.

Hysan enhances its portfolio's value through asset improvement, repositioning and redevelopment. Due to the nature of its portfolio, Hysan also actively curates the content of the Lee Gardens community for the benefit of the tenants, customers and other stakeholders.

### **Review of Results of the Group**

	<b>2019</b>	<b>2018</b>	<b>Change</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>	
Turnover	<b>3,988</b>	3,890	+2.5%
Recurring Underlying Profit	<b>2,587</b>	2,536	+2.0%
Underlying Profit	<b>2,587</b>	2,536	+2.0%
Reported Profit	<b>4,845</b>	6,033	-19.7%

The Group's turnover in 2019 was HK\$3,988 million, an increase of 2.5% from HK\$3,890 million in 2018. These results were mainly attributable to a good performance in the first half of the year partially offset by the impact of strong economic headwinds in the second half of the year.

Recurring Underlying Profit, our key leasing business performance indicator, and Underlying Profit, were both HK\$2,587 million in 2019 (both up 2.0% from HK\$2,536 million in 2018), reflecting positive rental reversion from our portfolio. Basic earnings per share based on Recurring Underlying Profit was HK247 cents (2018: HK242 cents), up 2.1%.

The Group's Reported Profit for 2019 was HK\$4,845 million (2018: HK\$6,033 million). This included a fair value gain on the Group's investment properties' valuation of HK\$792 million (2018: HK\$3,532 million) and the share of fair value gain of investment properties on our investment in associates of HK\$1,528 million (2018: HK\$96 million). These fair value gains reflected the rental outlook after taking into consideration (i) the completion of asset enhancement projects and (ii) economic outlook.

As at 31 December 2019, the valuation of the Group's investment property portfolio in Hong Kong increased by 2.2% to HK\$79,116 million (2018: HK\$77,442 million). The capitalisation rates used in valuing each portfolio remained unchanged from those used as at 31 December 2018.

## Review of Operations

Hysan's property portfolio is comprised of three sectors: retail, office and residential. The total floor area of the entire portfolio is approximately 4.5 million square feet. Around 55% of the Group's investment portfolio by gross floor area were office properties, while around 30% were retail properties as at 31 December 2019. These properties are located in Lee Gardens, Causeway Bay. Approximately 15% were residential properties, mainly represented by Bamboo Grove in Mid-Levels.

The turnover of each sector is shown as below:

	2019	2018	Change	Contribution to Turnover	
	HK\$ million	HK\$ million		2019	2018
Office sector	1,833	1,688	+8.6%	46%	43%
Retail sector	1,836	1,923	-4.5%	46%	50%
Residential sector	319	279	+14.3%	8%	7%
	<b>3,988</b>	3,890	<b>+2.5%</b>	<b>100%</b>	<b>100%</b>

The office sector now contributes around the same amount to the overall portfolio turnover as the retail sector. Office contribution grew significantly in 2018 after the completion of Lee Garden Three, a predominantly office building. The office sector achieved healthy positive rental reversion in 2019.

## Key Performance Indicators

The Group's turnover growth and occupancy rate are the key measurements used for 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		
		Portfolio	2019	2018
Turnover Growth	Rental revenue in current year vs that in last year	Office	+8.6%	+24.2%
		Retail	-4.5%	-0.1%
		Residential	+14.3%	+5.7%
Occupancy Rate	Percentage of total lettable area leased / total lettable area of each portfolio at year end	Office	98%	97%
		Retail	96%	98%
		Residential	87%	88%
Property Expenses Ratio	Property expenses divided by turnover	N/A	13.4%	13.4%

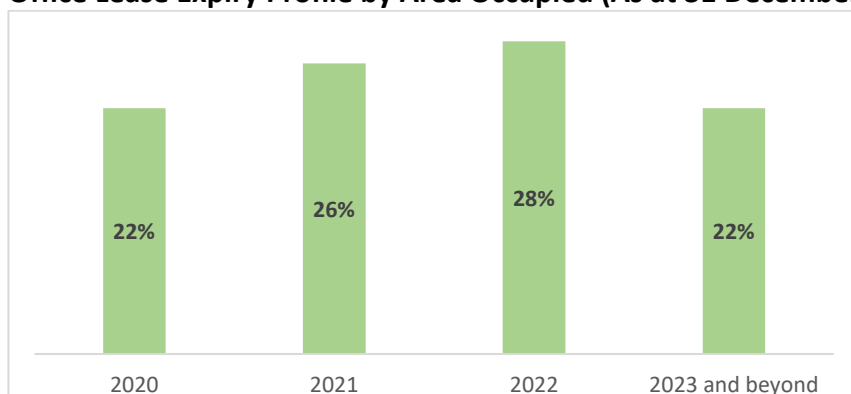
Note: No changes have been made to the source data or calculation methods used when compared to 2018.

### Office Portfolio

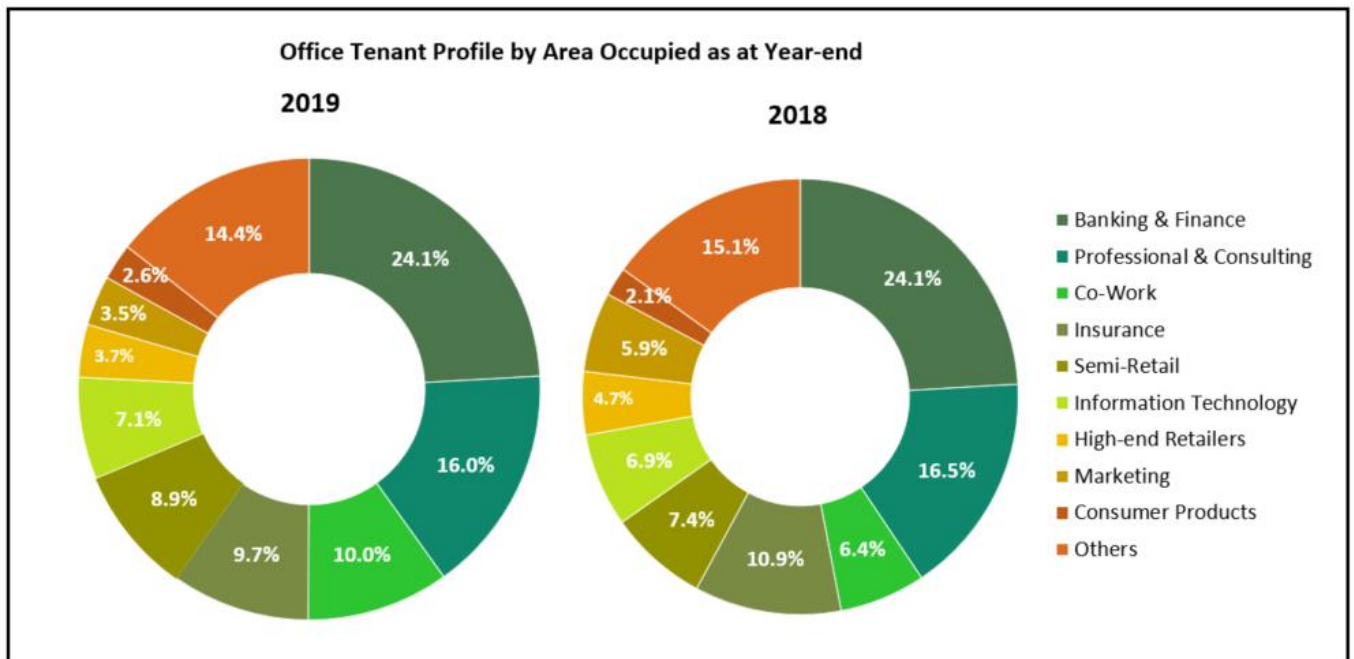
The Group's office portfolio turnover rose 8.6% to HK\$1,833 million (2018: HK\$1,688 million), including turnover rent of HK\$7 million (2018: nil). The office portfolio's occupancy was 98% as at 31 December 2019 (31 December 2018: 97%).

This performance reflected overall positive rental reversion on renewals, rent review, new lettings, and full-year contributions from Lee Garden Three.

### Office Lease Expiry Profile by Area Occupied (As at 31 December 2019)



With the addition of Lee Garden Three, Banking and Finance has become the largest tenant sector, accounting for almost 25% of area occupied within the office portfolio. Although Professional and Consulting remained the second largest tenant sector in area used, Co-work/flex spaces overtook Insurance as the third largest sector during the year. Shared workspace as a flexible option, both for major corporations and also for entrepreneurial entities, is more necessary than ever during times of economic uncertainty and modern shared economy. We believe that we have allocated the right amount of space for this sector, attracting millennial users whose lifestyle needs will continue to help refine our retail tenant mix. Being familiar with the full range of facilities and services in the Lee Gardens community, these flex space users also rate our office space highly when they come to consider a larger and more permanent office space.

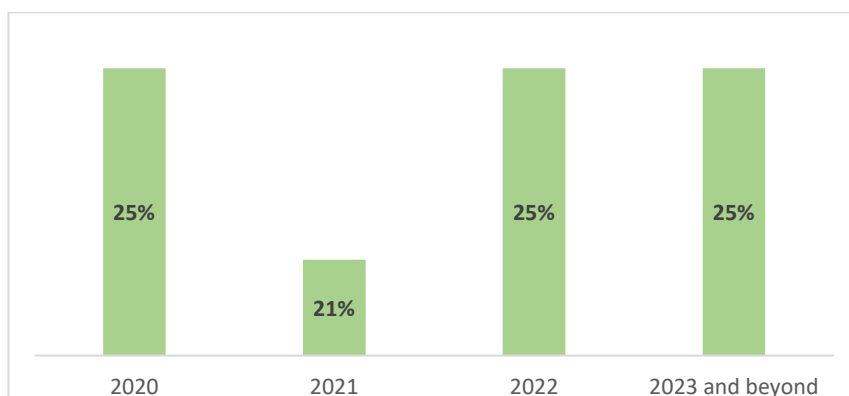


### **Retail Portfolio**

The Group's retail portfolio turnover decreased by 4.5% to HK\$1,836 million (2018: HK\$1,923 million), including turnover rent contribution of HK\$66 million (2018: HK\$81 million). The portfolio's occupancy was 96%, as at 31 December 2019 (31 December 2018: 98%).

In the second half of 2019, shopping mall operations in Hong Kong were intermittently disrupted by various social events. The estimated drop in Hysan's overall tenant sales year-on-year was on par with the decline of Hong Kong's overall retail sales. Hysan's overall rental reversion in renewals, rent review and new lettings remained positive in 2019.

### **Retail Lease Expiry Profile by Area Occupied (As at 31 December 2019)**



During the year, as a result of continual tenant mix curation, 35 new brands were added and 27 shops were refreshed with a new design. This reflected our efforts to tackle the structural changes in the retail sector.

### **Residential Portfolio**

The residential portfolio comprises mainly units in Kennedy Road's Bamboo Grove. The sector saw an increase of 14.3% in turnover to HK\$319 million (2018: HK\$279 million). The occupancy of the sector was at 87% as at 31 December 2019 (31 December 2018: 88%). A range of Bamboo Grove units were renovated, including penthouses, which were all well received by the market. Lobby renovations were

completed in 2019, further enhancing the buildings' desirability. Lift modernisation works were also ongoing.

The rental reversion was overall positive in renewals, rent review and new lettings in this sector.

### ***Tai Po Luxury Residential Project***

The major design of Tai Po Residential Development including the architecture, structure, building services, and typical interior design has been completed. Landscape and clubhouse design are making good progress. Foundation and basement works are largely completed, and superstructure works have started recently. Construction work is expected to complete in 2021, subject to government approval.

### ***Loyalty Clubs and Marketing Events***

Our loyalty club, Lee Gardens Plus, has changed its name to Lee Gardens Club, in anticipation of an integration with our VIP club, Club Avenue, into a single operating platform in 2020. There will be points-earning features for members of all levels. In conjunction with the forthcoming integration, a new Lee Gardens Club app was launched in October 2019. We also unveiled the Electronic Gift Coupon (EGC) system, which essentially replaced old-fashioned paper coupons. More than 20,000 transactions were conducted using EGCs, providing a successful multiplier effect for our retail tenants.

More than 160 marketing events were conducted in collaboration with tenants in 2019, representing around a 25% growth from the year before. A number of these events were unique, being either the Hong Kong-leg of global events, or first-time-in-Hong Kong shows or pop-ups. The themes ranged from digital "retailtainment" to health and lifestyle and festive offerings.

### ***Business Technology Applications***

In addition to the Lee Gardens Club app and the EGC launch, our social media activities also gained traction, with double and triple digit percentage growth in our WeChat and Instagram followers respectively. This combination of customer relationship channels helped us learn more about our customers' individual preferences, hobbies and interests. Our area-wide Wifi and IoT also provided a picture of the demographics of our visitors, as well as the traffic patterns of their visits. We are devoting more resources and efforts to gain greater insight into these trends so that we can improve foresight and planning for our operations. In 2020, we plan to further use data analytics and AI, as well as other platforms, to strengthen our understanding of the world of digital economy. Our ultimate business technology aims are to improve operational efficiency, make data-driven decisions, and create value, taking strong consideration in data privacy.

### ***Community Activities***

Hysan continues to play a significant role in the development of the Causeway Bay community in general, and the Lee Gardens community in particular. Our model focuses on curating a community that is authentic, sustainable, engaging, and technologically-minded. Arts and culture, health and wellness, families and children, as well as living and working are among our major themes.

Although some of the higher profile area-wide events in 2019 had to be cancelled or postponed due to safety and traffic concerns caused by social conflicts, Hysan still supported Lee Gardens Association in hosting several major street events during the year, entertaining tens of thousands with games and performances. The brand new Urban Sky also became a popular venue for arts and culture events at Hysan Place. Hysan's Art Programme, curated by our management trainees who are mentored by our project and design teams, made its debut with artwork adorning Hysan Place and Lee Garden One. Towards the end of the year, Bizhouse at Pak Sha Road unveiled the concept of combined living and working in comfortable Causeway Bay spaces. For details about these and other community activities and projects supported by Hysan in 2019, please refer to our Sustainability Report.



## 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 representing payroll related costs of management and head office staff).

The Group's operating costs to turnover ratio increased from 19.3% in 2018 to 20.2% in 2019, largely reflecting the full operation of Lee Garden Three during the year.

### **Finance Costs**

Finance costs increased to HK\$313 million, compared to HK\$222 million in 2018, mainly due to additional borrowings during the year. The effective interest rate for the year was 3.4%, which is the same as 2018.

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

### **Revaluation of Investment Properties**

As at 31 December 2019, the Group's investment real estate portfolio was valued at HK\$79,116 million, an increase of 2.2% from HK\$77,442 million as at 31 December 2018. This valuation was carried out by Knight Frank, an independent professional valuer, on the basis of open market value. The capitalisation rates used in valuing each portfolio remained unchanged from those used as at 31 December 2018.

Fair value gain on investment properties (excluding capital expenditure spent on the Group's investment properties) of HK\$792 million (2018: HK\$3,532 million) was recognised in the Group's consolidated statement of profit or loss for the year. This reflected the rental outlook after the completion of a number of asset enhancement works, but taking into account Hong Kong's economic uncertainties.

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

	<b>2019</b>	2018	Change
	<b>HK\$ million</b>	HK\$ million	
Office	<b>35,498</b>	34,159	<b>+3.9%</b>
Retail	<b>35,059</b>	35,102	<b>-0.1%</b>
Residential	<b>8,559</b>	8,181	<b>+4.6%</b>
	<b>79,116</b>	77,442	<b>+2.2%</b>

### **Investments in Associates and a Joint Venture**

The Group's investments in associates mainly represent its interest in Shanghai Grand Gateway, a retail, office and residential complex, in Shanghai, China. The share of results of associates increased significantly to HK\$1,733 million (2018: HK\$288 million), mainly due to the Group's share of the revaluation gain (net of deferred tax) amounting to HK\$1,528 million (2018: HK\$96 million). The properties at Shanghai Grand Gateway were revalued at fair value by an independent professional valuer for both the years ended 31 December 2018 and 2019.

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 2019.

### **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 recognition of imputed interest income on an interest-free loan to a joint venture company for a residential site development in Tai Po of HK\$30 million (2018: HK\$29 million), like-for-like interest income increased by 153.1% to HK\$124 million (2018: HK\$49 million). This increase mainly reflected higher bank deposit balances.

The Group also extended its investments beyond its core geographical area and businesses. As at 31 December 2019, these investments totalled HK\$601 million (2018: HK\$294 million) expanding our reach to other areas in Asia with a view to generating new sources of income and capital.

### **Cash Flow**

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

	2019 HK\$ million	2018 HK\$ million	Change
Cash generated from operations	3,300	3,224	+2.4%
Net advance to			
a joint venture company	-	(56)	n/m
Net borrowings	6,287	46	n/m
Bank deposits and other investments	(5,065)	211	n/m
Interest and taxation	(316)	(636)	-50.3%
Dividends paid and proceeds on			
exercise of options	(1,630)	(1,551)	+5.1%
Considerations for share repurchases	(92)	-	n/m
Capital expenditure	(956)	(1,203)	-20.5%
<b>Net cash inflow</b>	<b>1,528</b>	<b>35</b>	<b>n/m</b>

n/m: not meaningful

The Group's net cash generated from operations was HK\$3,300 million (2018: HK\$3,224 million), HK\$76 million higher than that in 2018, reflecting the stable cash flow from our core leasing business.

Net advance to a joint venture company in 2018 amounted to HK\$56 million was related to the residential site development in Tai Po.

Net borrowings amounted to HK\$6,287 million, reflecting net borrowings of fixed rate notes and bank loans totalling of HK\$6,290 million, as well as repayment to the non-controlling interest of a subsidiary during the year. In 2018, net borrowings were HK\$46 million for the year.

Cash used in bank deposits and other investments was HK\$5,065 million (2018: cash from bank deposits and other investments: HK\$211 million), mainly attributable to additional deposits with a longer tenor.

The Group paid dividends of HK\$1,507 million (2018: HK\$1,444 million), being the 2018 second interim dividend of HK117 cents per share (2018: HK111 cents) and the 2019 first interim dividend of HK27 cents per share (2018: HK27 cents).

During the year, the Group repurchased 3 million of its own shares which would further enhance shareholders' value with an aggregate consideration of HK\$92 million.

### **Capital Expenditure and Management**

The Group is committed to enhancing the asset value of our 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 pro-actively implement preventive maintenance activities. Total cash outlay of capital expenditure during the year was HK\$956 million (2018: HK\$1,203 million), including payment of the construction costs of Lee Garden Three.

### **Treasury Policy**

#### **Market Highlights**

The global economy in 2019 was impacted by the U.S.-China trade tensions. The Hong Kong stock market followed global market trends and performed well in the first half of the year. However, as social conflicts became increasingly frequent from mid-June onwards, the Hong Kong stock market fell around 20% from its peak in April, reaching a trough in mid-August. The market remained volatile for the rest of the year.

In view of the relatively low inflation rate and in order to sustain the expansion of economic activity, the U.S. Federal Reserve cut the federal fund rate three times, amounting to a total of 75bps for the whole of 2019. The U.S. Federal Reserve believes that its policy is currently in a “good place” and likely to remain the same as long as current conditions persist. The “dot plot” shows little chance of a rate cut or increase in 2020.

The Hong Kong Dollar (“HKD”) HIBOR rose sharply in the first half of 2019 and remained relatively high in the second half due to mega IPOs and the HKD HIBOR rising above United States Dollar (“USD”) LIBOR. The 3-month HKD HIBOR decreased from 2.3% at the end of 2018 to around 1.5% at the end of February 2019, and then climbed to around 2.6% at the beginning of July, remaining high for the rest of the year. Despite the increase in the HKD HIBOR, the Hong Kong bank loans market continued to have ample liquidity. The credit margin of bank loans for companies with investment grade credit ratings slightly increased.

With uncertainties both in the macro and domestic environment, the Hong Kong economy declined notably in 2019. Private consumption and fixed investment in Hong Kong shrank from 2018 levels, while exports were also markedly down. With the continued uncertainty in the global financial markets and its impact on the economy, it is important for the Group to maintain our policy of prudent financial management.

### **Capital Structure Management**

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

#### **Funding Source**

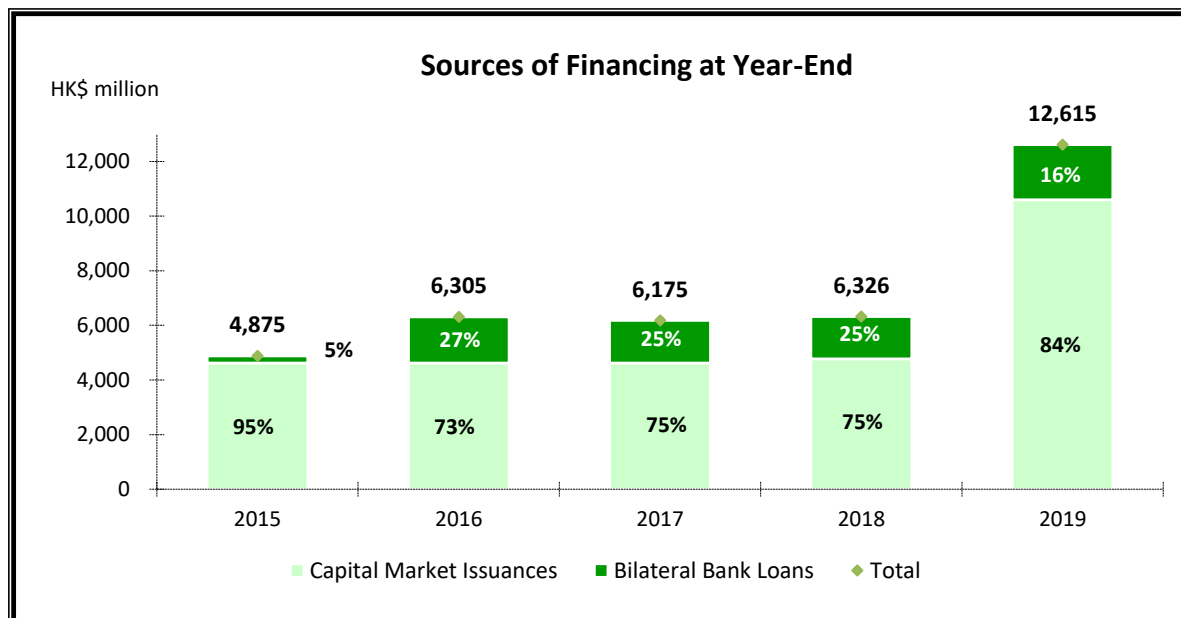
During the year, the Group issued new medium term notes of HK\$2,200 million and US\$500 million, and repaid HK\$300 million maturing note. The Group also drew down US\$60 million bank loan. The Group’s outstanding gross debt<sup>1</sup> was HK\$12,615 million (2018: HK\$6,326 million) at year-end 2019. All the outstanding borrowings are on an unsecured basis.

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<sup>1</sup> The gross debt represents the contractual principal payment obligations as at 31 December 2019. However, in accordance with the Group’s accounting policies, the debt is measured at amortised costs, using the effective interest method. As disclosed in the consolidated statement of financial position as at 31 December 2019, the book value of the outstanding debt of the Group was HK\$12,529 million (31 December 2018: HK\$6,322 million).

As at 31 December 2019, the proportion of debts sourced from the capital market increased to 84% (2018: 75%). The Group continued to maintain long-term relationships with a number of local and overseas banks in order to diversify funding sources. At the end of 2019, thirteen local and overseas banks provided bilateral banking facilities to the Group as funding alternatives.

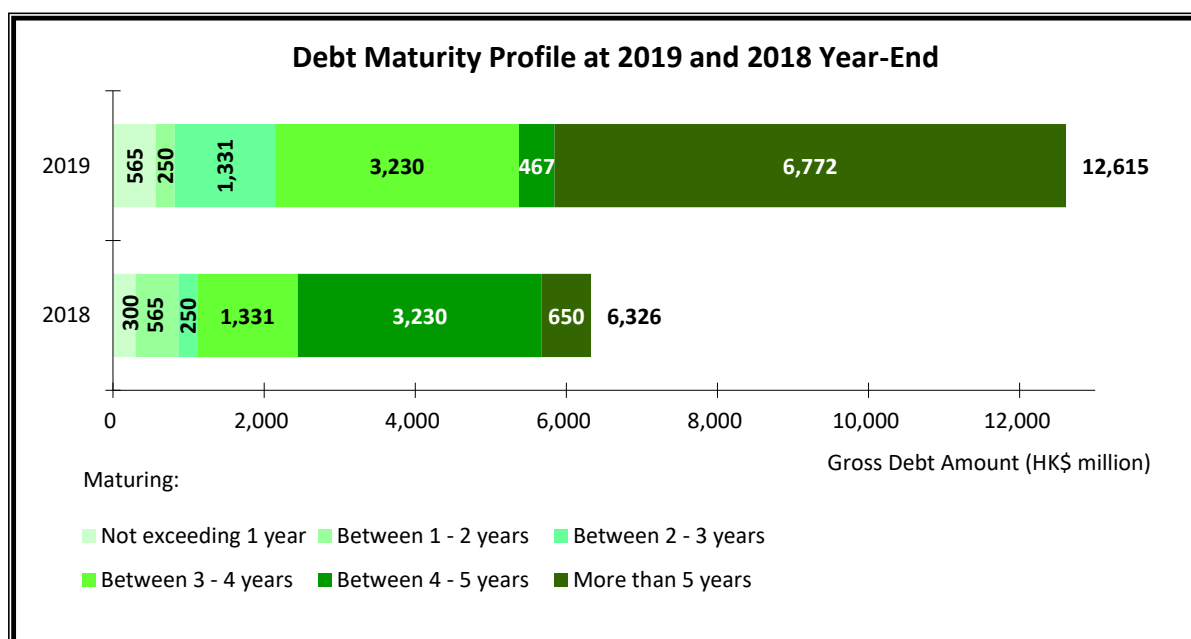
The following graph shows the percentages of total outstanding gross debts sourced from banks and the debt capital markets in the past five years.



The Group strives to maintain an appropriate debt maturity profile to match with the nature of our assets and operations. As at 31 December 2019, the average maturity of debt portfolio was about 6.6 years (2018: 3.9 years), of which about HK\$565 million or 4.5% of the outstanding gross debt will be due in 2020. Given our strong cash balance, debt repayment will not result in significant immediate refinancing pressure.

#### Maturity Profile

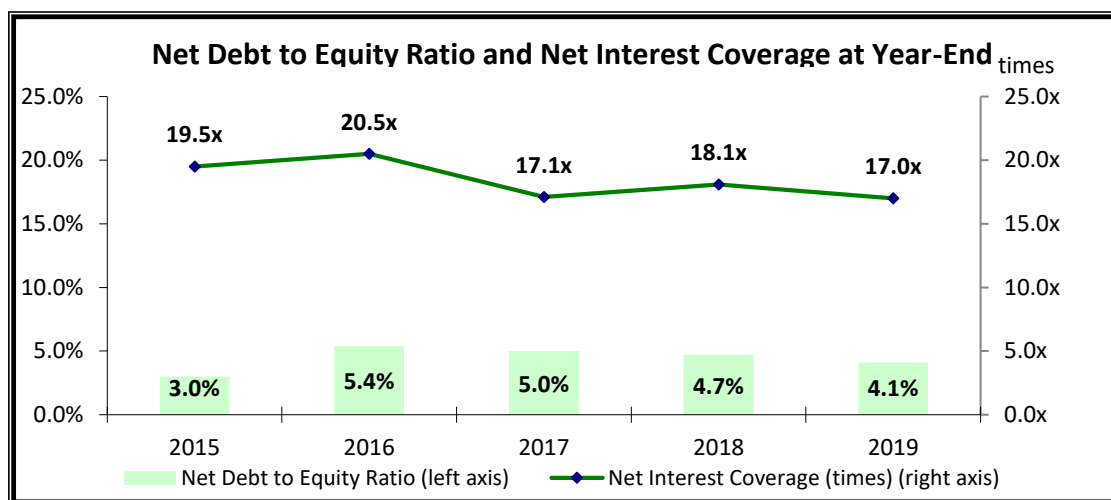
The graph below shows the debt maturity profile of the Group as at 31 December 2018 and 2019.



### Gearing ratio and net interest coverage

The Group's gearing ratio, as measured by Net Debt to Equity ratio<sup>1</sup>, decreased slightly from 4.7% at the end of 2018 to 4.1% at the end of 2019, because of the increase in equity attributable to owners of the Company from HK\$74 billion at the end of 2018 to HK\$78 billion at the end of 2019 driven by the increase in fair value of investment properties. The Group's Net Interest Coverage<sup>2</sup> decreased to 17.0 times for 2019 (2018: 18.1 times) due to the increase in the total debt level. The low gearing and strong ability to meet interest payments reflected the Group's resilience and capability to raise further debt for new investments and projects, if necessary.

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



### Credit Rating

The Group aims at maintaining investment-grade credit ratings to ensure a stable and lower cost of financing, and to reflect our prudent financial management strategy. During the year, the Group maintained its credit ratings, reflecting the Group's strong financial position.

	2019	2018
Moody's	A3	A3
Fitch	A-	A-
Standard and Poor's	BBB+	BBB+

### Liquidity Management

As at 31 December 2019, the Group had cash and bank deposits totalling about HK\$9,332 million (2018: HK\$2,817 million). In order to preserve liquidity and enhance interest yields, the Group invested HK\$172 million (2018: HK\$227 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\$3,250 million at the end of 2019 (2018: HK\$950 million), essentially allowing the Group to obtain additional liquidity as the need arises.

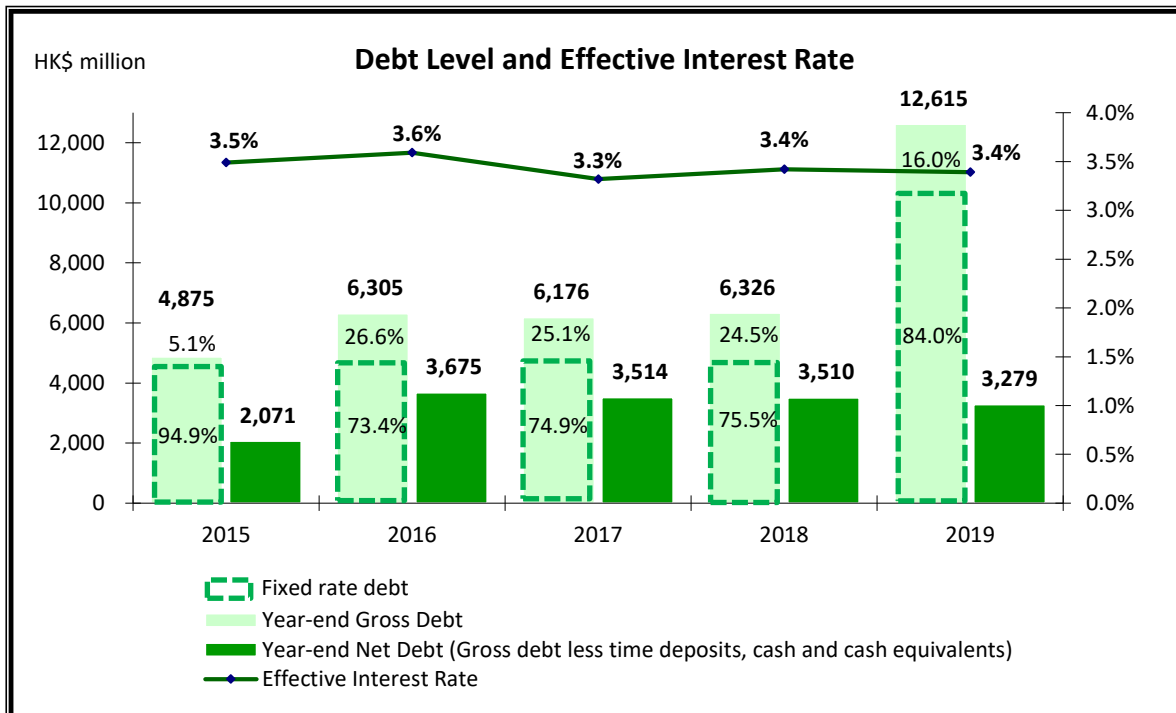
### Interest Rate Management

The fixed rate debt ratio increased to 84% at the end 2019 from 75% at the end of 2018. As the interest rate movements become more uncertain, we believe the current fixed rate debt ratio will enable us to manage the impact from interest rate fluctuations.

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

<sup>2</sup> Net Interest Coverage is defined as gross profit less administrative expense before depreciation divided by net interest expense.

The diagram below shows the fixed rate debt and floating rate debt portions in the past five years.



### Foreign Exchange Management

The Group aims to achieve minimal currency exposure and does not speculate in currency movements for asset and liability management. 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.

For the US\$300 million fixed rate notes issued in January 2013 and US\$500 million fixed rate notes issued in September 2019, hedges were entered to effectively convert the borrowings into HKD. A USD bank loan had 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 amounting to US\$136 million (2018: US\$88 million).

Other foreign exchange exposure mainly relates to investment in the Shanghai project. These unhedged foreign exchange exposures amounted to the equivalent to HK\$5,199 million (2018: HK\$3,715 million) or 5.4% (2018: 4.3%) of total assets.

### Use of Derivatives

As at 31 December 2019, outstanding derivatives were all related to the hedging of foreign exchange exposures. Strict internal guidelines have been established to ensure derivatives are used to manage volatilities or to adjust the appropriate risk profile of the Group's treasury assets and liabilities.

### Counterparty Credit Risk

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

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

## **FINANCIAL INFORMATION**

The final results of the Group for the year ended 31 December 2019 have been reviewed by the Audit and Risk Management Committee of the Company. The financial information relating to the years ended 31 December 2019 and 2018 in this announcement does not constitute the Company's statutory consolidated financial statements for those years, but represents an extract from those consolidated financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows.

The Company has delivered the consolidated financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2019 in due course. The Company's auditor has reported on the consolidated financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

### **Scope of Work of Messrs. Deloitte Touche Tohmatsu**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the announcement.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	<u>Notes</u>	<u>2019</u> <i>HK\$ million</i>	<u>2018</u> <i>HK\$ million</i>
Turnover	3	3,988	3,890
Property expenses		(536)	(523)
Gross profit		3,452	3,367
Investment income		154	78
Other gains and losses		10	(16)
Administrative expenses		(269)	(227)
Finance costs		(313)	(222)
Change in fair value of investment properties		792	3,532
Share of results of associates		1,733	288
Profit before taxation		5,559	6,800
Taxation	5	(473)	(481)
<b>Profit for the year</b>	6	<b>5,086</b>	<b>6,319</b>
Profit for the year attributable to:			
Owners of the Company		4,845	6,033
Non-controlling interests		241	286
		<b>5,086</b>	<b>6,319</b>
<b>Earnings per share</b> (expressed in HK cents)	7		
Basic		463	577
Diluted		463	576



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<u>Note</u>	<u>2019</u> <i>HK\$ million</i>	<u>2018</u> <i>HK\$ million</i>
<b>Profit for the year</b>		<b>5,086</b>	6,319
<b>Other comprehensive (expenses) income</b>	8		
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Gain on revaluation of properties held for own use (net of tax)		<b>21</b>	47
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Net adjustments to hedging reserve		<b>29</b>	(5)
Share of translation reserve of an associate		<b>(84)</b>	(172)
		<b>(55)</b>	(177)
Other comprehensive expenses for the year (net of tax)		<b>(34)</b>	(130)
<b>Total comprehensive income for the year</b>		<b>5,052</b>	6,189
Total comprehensive income attributable to:			
Owners of the Company		<b>4,811</b>	5,903
Non-controlling interests		<b>241</b>	286
		<b>5,052</b>	6,189

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	<u>Notes</u>	<u>2019</u> <i>HK\$ million</i>	<u>2018</u> <i>HK\$ million</i>
<b>Non-current assets</b>			
Investment properties		79,116	77,442
Property, plant and equipment		776	747
Investments in associates		5,189	3,708
Loans to associates		11	11
Investment in a joint venture		143	145
Loans to a joint venture		1,090	1,062
Other financial investments		601	294
Debt securities		172	-
Other financial assets		8	1
Other receivables	10	291	386
		<u>87,397</u>	<u>83,796</u>
<b>Current assets</b>			
Accounts and other receivables	10	314	203
Debt securities		-	227
Time deposits		5,735	748
Cash and cash equivalents		3,597	2,069
		<u>9,646</u>	<u>3,247</u>
<b>Current liabilities</b>			
Accounts payable and accruals	11	934	873
Deposits from tenants		316	331
Amounts due to non-controlling interests		220	223
Borrowings		565	300
Taxation payable		416	108
		<u>2,451</u>	<u>1,835</u>
<b>Net current assets</b>		<u>7,195</u>	<u>1,412</u>
<b>Total assets less current liabilities</b>		<u>94,592</u>	<u>85,208</u>
<b>Non-current liabilities</b>			
Borrowings		11,964	6,022
Other financial liabilities		46	26
Deposits from tenants		685	669
Deferred taxation		925	854
		<u>13,620</u>	<u>7,571</u>
<b>Net assets</b>		<u>80,972</u>	<u>77,637</u>
<b>Capital and reserves</b>			
Share capital		7,720	7,718
Reserves		69,930	66,713
<b>Equity attributable to owners of the Company</b>		<u>77,650</u>	<u>74,431</u>
<b>Non-controlling interests</b>		<u>3,322</u>	<u>3,206</u>
<b>Total equity</b>		<u>80,972</u>	<u>77,637</u>

Notes:

**1. Basis of Preparation**

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

**2. Principal Accounting Policies**

In the current year, the Group has applied all of the new and amendments to HKFRSs issued by the HKICPA that are relevant to its operations and effective for the Group’s financial year beginning on 1 January 2019. Except as described below, the application of these new and amendments to HKFRSs had no material effect on the results and financial position of the Group for the current and/or prior accounting years.

**Impacts changes in accounting policies of application on HKFRS 16 “Leases”**

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 “Leases”, and the related interpretations. However, assessments of whether a contract, which existed prior to 1 January 2019, contains a lease in accordance with HKAS 17 and Hong Kong (IFRIC) – Interpretation 4 “Determining whether an Arrangement contains a Lease” have been maintained. No reassessment of the related lease contracts has been made.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. The Group, as a lessor, is thus not required to make any adjustment on transition for leases but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated. However, the application of HKFRS 16 resulted in changes of accounting policies.

Effective from 1 January 2019, lease payments received from lessees relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

The application of HKFRS 16 has had no material impact on the Group's consolidated statement of profit or loss for the year ended 31 December 2019 and the consolidated statement of financial position as at 31 December 2019 and at the date of initial recognition.

**3. Turnover**

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

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

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

#### 4. Segment Information

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

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

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

Residential segment – leasing of luxury residential properties and related facilities

Property development segment – development and sale of properties

#### **Segment turnover and results**

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

	<u>Retail</u> HK\$ million	<u>Office</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Property</u> <u>Development</u> HK\$ million	<u>Consolidated</u> HK\$ million
<b>For the year ended</b>					
<b>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
<b>Profit before taxation</b>					<b>5,559</b>

	<u>Retail</u> <i>HK\$ million</i>	<u>Office</u> <i>HK\$ million</i>	<u>Residential</u> <i>HK\$ million</i>	<u>Property</u> <u>Development</u> <i>HK\$ million</i>	<u>Consolidated</u> <i>HK\$ million</i>
<b>For the year ended</b>					
<b>31 December 2018</b>					
<b>Turnover</b>					
Leasing of					
investment properties	1,764	1,492	251	-	3,507
Provision of property					
management services	159	196	28	-	383
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Segment revenue</b>	1,923	1,688	279	-	3,890
Property expenses	(275)	(190)	(58)	-	(523)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Segment profit</b>	1,648	1,498	221	-	3,367
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Investment income					78
Other gains and losses					(16)
Administrative expenses					(227)
Finance costs					(222)
Change in fair value of					
investment properties					3,532
Share of results of associates					288
					<hr/>
<b>Profit before taxation</b>					6,800
					<hr/> <hr/>

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

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

## Segment assets

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

	<u>Retail</u> <i>HK\$ million</i>	<u>Office</u> <i>HK\$ million</i>	<u>Residential</u> <i>HK\$ million</i>	<u>Property</u> <u>Development</u> <i>HK\$ million</i>	<u>Consolidated</u> <i>HK\$ million</i>
<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					<b>5,200</b>
Other financial investments					<b>601</b>
Other assets					<b>10,869</b>
Consolidated assets					<b>97,043</b>
<b>As at 31 December 2018</b>					
<b>Segment assets</b>	<b>35,112</b>	<b>34,160</b>	<b>8,185</b>	<b>1,207</b>	<b>78,664</b>
Investments in and loans to associates					<b>3,719</b>
Other financial investments					<b>294</b>
Other assets					<b>4,366</b>
Consolidated assets					<b>87,043</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 operates in the People's Republic of China (the "PRC") and other major cities in Asia, with carrying amounts of HK\$5,800 million (2018: HK\$3,715 million), all the Group's assets are located in Hong Kong.

**Other segment information**

	<u>Retail</u> <i>HK\$ million</i>	<u>Office</u> <i>HK\$ million</i>	<u>Residential</u> <i>HK\$ million</i>	<u>Property</u> <u>Development</u> <i>HK\$ million</i>	<u>Consolidated</u> <i>HK\$ million</i>
<b>For the year ended</b>					
<b>31 December 2019</b>					
Additions to non-current assets	<b>808</b>	<b>43</b>	<b>40</b>	-	<b>891</b>
<b>For the year ended</b>					
<b>31 December 2018</b>					
Additions to non-current assets	1,133	202	28	-	1,363

**5. Taxation**

	<u>2019</u> <i>HK\$ million</i>	<u>2018</u> <i>HK\$ million</i>
Current tax		
Hong Kong Profits Tax		
- current year	<b>406</b>	425
- overprovision in prior years	-	(2)
	<b>406</b>	423
Deferred tax	<b>67</b>	58
	<b>473</b>	481

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

## 6. Profit for The Year

	<u>2019</u> <i>HK\$ million</i>	<u>2018</u> <i>HK\$ million</i>
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	<u>3</u>	<u>3</u>
Depreciation of property, plant and equipment	<u>22</u>	<u>17</u>
Gross rental income from investment properties including rentals received with reference to turnover of tenants of HK\$73 million (2018: HK\$81 million)	<b>(3,556)</b>	(3,507)
Less:		
- Direct operating expenses arising from properties that generated rental income	<b>527</b>	498
- Direct operating expenses arising from properties that did not generate rental income	<u>9</u>	<u>25</u>
	<b>(3,020)</b>	<b>(2,984)</b>
Staff costs (including directors' emoluments)	<u>285</u>	<u>245</u>
Share of income tax of associates (included in share of results of associates)	<u>627</u>	<u>122</u>

## 7. Earnings Per Share

(a) Basic and diluted earnings per share

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

	<u>Earnings</u>	
	<u>2019</u> <i>HK\$ million</i>	<u>2018</u> <i>HK\$ million</i>
Earnings for the purposes of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	<u>4,845</u>	<u>6,033</u>



	<u>Number of shares</u>	
	<u>2019</u>	<u>2018</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,046,186,877</b>	1,046,189,778
Effect of dilutive potential ordinary shares: Share options issued by the Company	<u>157,908</u>	<u>501,942</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>1,046,344,785</b></u>	<u>1,046,691,720</u>

In both years, the computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices of those options are higher than the average market price for shares.

(b) Adjusted basic and diluted earnings per share

For the purpose of assessing the performance of the Group's principal activities, the management is of the view that the profit for the year attributable to the owners of the Company should be adjusted in the calculation of basic and diluted earnings per share as follows:

**For the year ended 31 December 2019**

	<u>Profit</u> <i>HK\$ million</i>	<u>Basic earnings per share</u> <i>HK cents</i>	<u>Diluted earnings per share</u> <i>HK cents</i>
<b>Profit for the year attributable to owners of the Company</b>	<b>4,845</b>	<b>463</b>	<b>463</b>
Change in fair value of investment properties	<b>(792)</b>	<b>(76)</b>	<b>(76)</b>
Effect of non-controlling interests' shares	<b>102</b>	<b>10</b>	<b>10</b>
Share of change in fair value of investment properties (net of deferred taxation) of an associate	<b>(1,528)</b>	<b>(146)</b>	<b>(146)</b>
Imputed interest income on interest-free loan to a joint venture	<b>(30)</b>	<b>(3)</b>	<b>(3)</b>
Other gains and losses	<b>(10)</b>	<b>(1)</b>	<b>(1)</b>
<b>Underlying Profit</b>	<u><b>2,587</b></u>	<u><b>247</b></u>	<u><b>247</b></u>
<b>Recurring Underlying Profit</b>	<u><b>2,587</b></u>	<u><b>247</b></u>	<u><b>247</b></u>

**For the year ended 31 December 2018**

	<u>Profit</u> HK\$ million	Basic earnings per <u>share</u> HK cents	Diluted earnings per <u>share</u> HK cents
<b>Profit for the year attributable to owners of the Company</b>	6,033	577	576
Change in fair value of investment properties	(3,532)	(338)	(337)
Effect of non-controlling interests' shares	144	14	14
Share of change in fair value of investment properties (net of deferred taxation) of an associate	(96)	(9)	(9)
Imputed interest income on interest-free loan to a joint venture	(29)	(3)	(3)
Other gains and losses	16	1	1
	<u>2,536</u>	<u>242</u>	<u>242</u>
<b>Underlying Profit</b>	<u>2,536</u>	<u>242</u>	<u>242</u>
<b>Recurring Underlying Profit</b>	<u>2,536</u>	<u>242</u>	<u>242</u>

*Notes:*

- (1) *Recurring Underlying Profit is arrived at by excluding from Underlying Profit items that are non-recurring in nature. As there were no such adjustments in both 2019 and 2018, the Recurring Underlying Profit was the same as the Underlying Profit.*
- (2) *The denominators used in calculating the adjusted earnings per share are the same as those detailed above for basic and diluted earnings per share.*

## 8. Other Comprehensive (Expenses) Income

	<u>2019</u> HK\$ million	<u>2018</u> HK\$ million
Other comprehensive (expenses) income comprises:		
<b><i>Items that will not be reclassified subsequently to profit or loss:</i></b>		
Revaluation of properties held for own use:		
Gain on revaluation of properties held for own use	25	56
Deferred taxation arising on revaluation	(4)	(9)
	<u>21</u>	<u>47</u>
<b><i>Items that may be reclassified subsequently to profit or loss:</i></b>		
Derivatives designated as cash flow hedges:		
Net (losses) gains arising during the year	(14)	2
Reclassification of net losses (gains) to profit or loss	43	(7)
	<u>29</u>	<u>(5)</u>
Share of translation reserve of an associate	(84)	(172)
	<u>(55)</u>	<u>(177)</u>
Other comprehensive expenses for the year (net of tax)	<u>(34)</u>	<u>(130)</u>

## 9. Dividends

(a) Dividends recognised as distribution during the year:

	<u>2019</u> HK\$ million	<u>2018</u> HK\$ million
2019 first interim dividend paid - HK27 cents per share	283	-
2018 first interim dividend paid - HK27 cents per share	-	283
2018 second interim dividend paid - HK117 cents per share	1,224	-
2017 second interim dividend paid - HK111 cents per share	-	1,161
	<u>1,507</u>	<u>1,444</u>

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

	<u>2019</u> HK\$ million	<u>2018</u> HK\$ million
Second interim dividend (in lieu of a final dividend) - HK117 cents per share (2018: HK117 cents per share)	<u>1,221</u>	<u>1,224</u>

The second interim dividend is not recognised as a liability as at 31 December 2019 because it has been declared after the end of the reporting period. It will be payable in cash.

## 10. Accounts and Other Receivables

	<u>2019</u> <i>HK\$ million</i>	<u>2018</u> <i>HK\$ million</i>
Accounts receivable	24	15
Interest receivable	105	46
Prepayments in respect of investment properties	124	228
Other receivables and prepayments	352	300
Total	<u>605</u>	<u>589</u>
Analysed for reporting purposes as:		
Current assets	314	203
Non-current assets	291	386
	<u>605</u>	<u>589</u>

Rents from leasing of investment properties are normally received in advance. At the end of the reporting period, accounts receivable of the Group with carrying amount of HK\$24 million (2018: HK\$15 million) mainly represented rents receipts in arrears, which were aged less than 90 days.

At the end of the reporting period, HK\$10 million (2018: HK\$5 million) of the accounts receivable were past due but not impaired as the accounts receivable are generally fully covered by the deposits from corresponding tenants.

## 11. Accounts Payable and Accruals

	<u>2019</u> <i>HK\$ million</i>	<u>2018</u> <i>HK\$ million</i>
Accounts payable	319	257
Interest payable	131	74
Other payables	484	542
	<u>934</u>	<u>873</u>

At the end of the reporting period, accounts payable of the Group with carrying amount of HK\$220 million (2018: HK\$175 million) were aged less than 90 days.

## **ADDITIONAL INFORMATION**

### **Corporate Governance**

The Board and management of the Company are committed to maintaining high standards of corporate governance. The Board has adopted a Statement of Corporate Governance Policy which gives guidance on how corporate governance principles are applied to the Company. In addition to complying with applicable statutory requirements, we aim to continually review and enhance our corporate governance practices in the light of local and international best practices.

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

### **Corporate Responsibility and Sustainability**

The Group's first corporate responsibility/sustainability report was published in 2006. This year's report is the 14th report we have produced focusing on our social and environmental efforts.

The Group's corporate responsibility and sustainability performance are set out in the "2019 Sustainability Report" in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules. The reported information has been verified by Hong Kong Quality Assurance Agency and will be available on our website at [www.hysan.com.hk](http://www.hysan.com.hk).

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

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. 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 review year.

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

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

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

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

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

### Human Resources Practices

The Group aims to attract, retain and develop high calibre individuals committed to attaining our objectives. The total number of employees as at 31 December 2019 was 514 (2018: 485). The Group's human resources practices are aligned with our corporate objectives so as to maximise shareholder value and achieve growth. Details on our human resources programs, training and development are set out in the "2019 Sustainability Report".

### Closure of Register of Members

The second interim dividend will be paid to shareholders whose names appear on the register of members on Friday, 6 March 2020 and the payment date will be on or about Friday, 20 March 2020. The register of members will be closed on Friday, 6 March 2020, on which date no transfer of shares will be registered. The ex-dividend date will be Wednesday, 4 March 2020. In order to qualify for the second interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Thursday, 5 March 2020.

The register of members will also be closed from Friday, 8 May 2020 to Wednesday, 13 May 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Company's forthcoming annual general meeting (the "AGM"), all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Standard Limited at the abovementioned address, not later than 4:00 p.m. on Thursday, 7 May 2020.

## **AGM**

The AGM will be held at Meeting Room N101, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong (use Expo Drive Entrance) on Wednesday, 13 May 2020. The Notice of AGM will be published on the websites of the Company ([www.hysan.com.hk](http://www.hysan.com.hk)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)), and despatched to shareholders around end of March 2020.

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

Hong Kong, 20 February 2020

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

\* *Non-Executive Directors*

\*\* *Independent Non-Executive Directors*

*This final results announcement is published on the websites of the Company ([www.hysan.com.hk](http://www.hysan.com.hk)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The Annual Report 2019 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites around end of March 2020.*