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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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

- Turnover and Recurring Underlying Profit declined year-on-year by 5.0% and 3.4% respectively
- Reported Loss arising from non-cash fair value change of investment properties is recorded in the period
- Occupancies of Office and Retail portfolios were 96% and 94% respectively
- Hong Kong's economic outlook for the second half of 2020 remains uncertain, driven by COVID-19 effects, as well as other global and domestic political and economic factors

## RESULTS

		Notes	Six months ended 30 June		Change
			2020	2019	
Turnover	HK\$ million	1	1,981	2,086	-5.0%
Recurring Underlying Profit	HK\$ million	2	1,346	1,394	-3.4%
Underlying Profit	HK\$ million	3	1,346	1,394	-3.4%
Reported (Loss) Profit	HK\$ million	4	(2,626)	2,783	n/m
Basic (Loss) Earnings per Share	HK cent		(252)	266	n/m
First Interim Dividend per Share	HK cent		27	27	±0%
			<b>As at 30 June 2020</b>	<b>As at 31 December 2019</b>	
Shareholders' Funds	HK\$ million	5	73,696	77,650	-5.1%
Net Asset Value per Share	HK\$	6	70.7	74.4	-5.0%

n/m: not meaningful

## Notes:

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

## CHAIRMAN'S STATEMENT

Hong Kong enjoyed a promising but short-lived revival until the first wave of the COVID-19 pandemic was confirmed in January. Tourist arrivals soon dropped to nearly zero and both the city and city life basically shut down. Hong Kong therefore entered a further period of uncertainty having already suffered many months of social unrest during the second half of 2019. This difficult environment was exacerbated by the intensifying tension between China and the U.S. and its allies.

Hong Kong's retail sales in the first half of 2020 declined by more than 33% year-on-year as a result of reduced consumer confidence, lack of tourists and a negative economic climate. Sales of jewellery and luxury goods, in particular, dropped by more than 65% year-on-year. The office sector, while more resilient than retail, nevertheless experienced slowing new demand coupled with existing tenants reconsidering their space requirements due to an uncertain business environment and a work-from-home model triggered by the pandemic.

In this challenging trading environment, Hysan saw a 5.0% decline in its first half 2020 turnover and a 3.4% decrease in its Recurring Underlying Profit. Throughout the unprecedented crisis of a severe pandemic which was preceded by six months of social unrest, Hysan continued our strong commitment to provide a safe, secure and vibrant environment for our tenants, customers, staff members and our Lee Gardens community.

### **Changes to the Office Sector**

COVID-19 has introduced significant behavioural changes, including the usage of physical office space. We see the emergence of hybrid models, as corporations recognize the new normal of flexible locations and flexible working hours leading to multiple location work environment, and including, at least in the short to medium term, a slice of work-from-home component. However, the physical office will continue to function as a gathering place for in-person interaction, including meetings with clients. The "space", its setting, design and facilities, serve to support the human side, the psychology and culture of a company. New office designs are also expected to emphasize health and wellness, catering to the wellbeing needs of staff, both physically and mentally.

### **Disruptions to Retail**

In our recent reports, we highlighted the structural changes faced by the retail sector both globally and in Hong Kong. COVID-19 has accelerated changes. Online disruption in the form of e-commerce growth is an established pillar, with Food and Beverage "click and deliver" being a prime example. This trend is reinforced by technology disruption due to the widespread adoption of artificial intelligence,

and virtual reality. Supply chain disruption has been particularly severe in the past six months as COVID-19 stopped production and delayed shipments. Due to COVID-19, locals stayed home and the borders were closed to tourists. In a post COVID-19 world, the consumption patterns and demand of Generations X, Y and Z will continue to shape the retail landscape.

### ***How Hysan is Responding to the Challenges***

Hysan takes pride in having a balanced dual-engine portfolio with diversification and synergies generated by the Retail and Office segments. This portfolio helps Hysan remain resilient in the face of both expected and unexpected impacts. Lee Gardens area is a unique and varied combination of retail malls, office buildings and old-Hong Kong low-rise, set in the bustling heart of Hong Kong - busy yet leisurely, steeped in history with a sense of family and community. Hysan's curation of a dynamic and unique tenant mix together with a rich programme of activities and events is designed to create a home away from home, a community with a strong sense of belonging.

As COVID-19 emerged, immediate and appropriate protective measures were put in place in our office and retail ecosystems. From extensive facilities cleaning to body temperature checks, Hysan was among the first Hong Kong landlords to upgrade their properties' health and safety protocols. On the business side, we maintained clear paths of communication with our tenants to provide flexible and multi-faceted solutions ranging from rental assistance to marketing support to help them through their short-term financial and operational difficulties and plan for the longer term.

Efforts made in the past few years to enhance our portfolio have paid off as they strengthened our ability to deal with a downturn. The increased presence of banking and finance tenants, the growth of flex office space and retail's luxury lifestyle concept are among the factors that have increased our resilience. These have been further supported by our investment in and application of business technology and customer relationship management system. We will continue to improve our hardware and software capabilities in anticipation of the accelerated structural changes.

We launched a spending stimulus campaign with our "Power Up" in May. Technology, marketing know-how and close tenant relationships combined to establish an integrated digital platform. E-recruitment, e-payment and e-redemption provided an easy one-stop system which benefitted customers, tenants and the landlord and was well received by all. In the weeks that followed we launched a number of other popular promotional campaigns for shops and eateries. We maintained a momentum of excitement, new ideas and fresh surprise through initiatives such as Club Avenue's new lounge for our loyal VIPs, as well as Bizhouse on Pak Sha Road which showcased a live and work concept for a new cohort of young tenants especially those from the creative industry. Moreover, Xplore, the brainchild of our marketing and corporate communications departments, will roll out a series of bespoke children's programmes ranging from traditional arts and crafts to STEM education, skateboarding and junior rugby.

### ***Outlook***

The unknown trajectory of COVID-19 and the macro-geopolitical issues remain major factors in determining Hong Kong's economic outlook for the second half of 2020. These and other economic factors are changing many aspects of our lives at a faster-than-anticipated pace. Our dynamic and balanced portfolio, supported by strong financial position and ample liquidity, as well as our strategy to take the long-term view, provide resilience against crisis and form an essential foundation to realize Hysan's ambitions.

**Lee Irene Yun-Lien**

*Chairman*

Hong Kong, 10 August 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Review of Results

The Group's turnover for the 2020 interim period was HK\$1,981 million, down 5.0% from the same period in 2019 (2019: HK\$2,086 million). As at 30 June 2020, our office portfolio's and retail portfolio's occupancies were 96% and 94% respectively. The residential portfolio's occupancy was 83%.

Recurring Underlying Profit, our key leasing business performance indicator, and Underlying Profit both decreased by 3.4% to HK\$1,346 million (2019: HK\$1,394 million). A reconciliation of Recurring Underlying Profit, Underlying Profit and Reported (Loss) Profit is as follows:

	Six months ended 30 June	
	<u>2020</u>	<u>2019</u>
	HK\$ million	HK\$ million
(Loss) profit for the period attributable to owners of the Company	<b>(2,626)</b>	2,783
Change in fair value of investment properties	<b>4,065</b>	(1,453)
Effect of other non-controlling interests' shares	<b>(194)</b>	135
Share of change in fair value of investment properties (net of deferred taxation) of associates	<b>19</b>	(45)
Imputed interest income on interest-free loan to a joint venture	<b>(15)</b>	(15)
Other gains and losses	<b>8</b>	(11)
Profit attributable to perpetual capital securities holders	<b>89</b>	-
	<hr/>	<hr/>
Recurring Underlying Profit/Underlying Profit	<b>1,346</b>	1,394

2020 interim period recorded a Reported Loss of HK\$2,626 million as compared to a Reported Profit of HK\$2,783 million in the same period last year. Shareholders' Fund as at 30 June 2020 decreased to HK\$73,696 million from HK\$77,650 million as at 31 December 2019, reflecting primarily a fair value loss of HK\$4,065 million (2019: fair value gain of HK\$1,453 million) on the Group's investment properties during the period. More details of the fair value loss are presented under the section "*Financial Review - Revaluation of Investment Properties*".

Our financial position remains strong, with net interest coverage of 17.0 times (2019: 19.1 times) and net cash of HK\$1,829 million (31 December 2019: net debt of HK\$3,197 million).

The Board of Directors has declared a first interim dividend of HK27 cents per share (2019: HK27 cents) which will be payable in cash.

### Review of Operations

#### *Office Portfolio*

The Group's office portfolio turnover saw a slight decline of 0.2% to HK\$927 million (2019: HK\$929 million), including turnover rent of HK\$3 million (2019: HK\$3 million). While COVID-19 continues to negatively impact the office rental ecosystem in Hong Kong, occupancy of Hysan's office portfolio was 96% as at 30 June 2020 (31 December 2019: 98%). This was achieved against a backdrop of a negative net absorption of over 1.4 million square feet office space in Hong Kong in the first half of 2020. The portfolio continued to achieve an overall positive rental reversion on renewals, rent review and new lettings.

As at the end of June 2020, Banking and Finance remained the largest tenant sector, accounting for approximately 23% of area occupied within the office portfolio. We expect this proportion may further increase in the second half of the year, as financial companies from Central and Admiralty act on their

expressed interest in our portfolio, which is well known for the quality of its buildings and services, ease of transportation, abundance of retail/food and beverage outlets and close-knit community. Lee Gardens Club and its marketing promotions have proven to be very popular among our discerning office tenants. The Co-work/Flex-space industry is facing consolidation, but this option remains important for corporate clients and young entrepreneurs during these times of economic uncertainty.

### ***Retail Portfolio***

The Group's retail portfolio turnover decreased by 10% to HK\$900 million (2019: HK\$1,001 million), including turnover rent contribution of HK\$20 million (2019: HK\$49 million). The portfolio occupancy was 94% as at 30 June 2020 (31 December 2019: 96%).

COVID-19's effects became apparent in February. These damaging impacts were compounded by disruptions due to a number of social events in the late spring and early summer months. Hysan's estimated tenant sales underperformed Hong Kong's overall retail sales, with trades that traditionally benefitted from overseas and mainland visitors (e.g. cosmetics) among the hardest hit, while the other categories were largely on par with the overall market performance. Hysan's overall rental reversion in renewals, rent review and new lettings became negative in the first half of 2020.

During the first six months of 2020, a number of new shops joined the portfolio or refreshed their brand with a new design. It is expected that several new food and beverage tenants will join the portfolio in the coming months, as well as footwear, lifestyle and children's stores.

### ***Residential Portfolio***

The residential portfolio comprises mainly units in Kennedy Road's Bamboo Grove. The sector saw a slight decrease in turnover to HK\$154 million (2019: HK\$156 million). The occupancy of the sector was at 83% as at 30 June 2020 (31 December 2019: 87%).

In addition to renovation work to enhance the quality of a number of units, the lift modernization programme was ongoing and is expected to be completed by the fourth quarter of 2020.

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

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

Major interior designs and visual mock-ups of the development have been completed. Superstructure works are in progress and the target completion date of the construction work will be in the second half of 2021, subject to government approval. Interior design of the show flats is also in progress.

### ***Business Technology in Application***

Over the past six months, working and learning from home have become the new normal, along with increased dining at home with food delivery and home cooking. In response, Hysan's teams have swiftly deployed their experience and resources to enhance service delivery. Initiatives added include providing food and beverage ordering and delivering services, a new dining directory and a payment gateway within the Lee Gardens app. Electronic promotional coupons were also offered to support the new services. For younger members of the family, the Kids Club programme now includes digitalized stamp collection to make it easier to collect stamps and exchange them for gifts.

The "Power Up" campaign has also reshaped our traditional offline marketing plan into an omni channel plan, with the online platform playing a major role. The campaign successfully retained business and foot traffic for more than 100 tenants who participated in the plan. Throughout the promotion, we made use of data analytics on a real time basis to make any necessary adjustments. Overall, the campaign helped improve our operational efficiency and created extra value in line with the aims of our business technology initiatives.

### ***Loyalty Programmes and Marketing Activities***

Our VIP programme, Club Avenue, unveiled a brand new lounge at Lee Garden One whereby selected club members can now enjoy exceptional service and facilities whilst taking a break from shopping in the Lee Gardens area. This initiative supplements our digital plan for Club Avenue and our loyalty programme Lee Gardens Club to be integrated operationally into one platform in 2020.

We also continued to collaborate with our tenants and third-parties through a range of well-received promotional activities in the first half of 2020, despite the COVID-19 situation.

### ***Sustainability including Community Activities***

During the COVID-19 pandemic, health, wellness and safety have become top-of-mind issues for our stakeholders. From the early days of the pandemic both property management hardware and services were strengthened to reduce the chances of an outbreak within our portfolio. While a limited number of cases were brought in by visitors and confirmed on the estate, Hysan moved swiftly to provide intensive cleaning and disinfecting services, as well as issue timely communications to stakeholders to inform them of the cases.

In relation to the pandemic, a range of our community activities also focused on topics of health and wellness. Hysan launched a first corporate-sponsored Virtual Hike and Run to promote physical activities while avoiding crowds. Several of Lee Gardens Association's events centred on yoga and workouts. Hysan's staff talks and training sessions also had physical and mental wellness as their main themes.

Our community art programme brought cheerful colours and uplifting designs into the area. A joint programme with Hong Kong Arts Centre displayed local heritage artwork produced by school students. The "cityscape", a massive paper installation art piece, dominated Lee Garden One's mall for weeks with its unique sights and sounds.

## **Financial Review**

### ***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 maintained at around same level as last year's corresponding period, at 17.2%.

### ***Finance Costs***

Finance costs increased to HK\$234 million, compared to HK\$127 million in the first half of 2019, as the Group started to prepare funding for potential investment opportunities and other strategic initiatives. The Group has raised approximately HK\$13 billion from new issuance via MTN program since 2019 to capture market liquidity and low interest rate environment. During the period, finance costs relating to such funding exercise amounted to HK\$116 million (2019: HK\$14 million). The effective interest rate for the period was 3.1%, as compared to 3.5% in the same period 2019.

### ***Revaluation of Investment Properties***

As at 30 June 2020, the investment properties of the Group were valued at HK\$75,630 million, a decrease of 4.4% from HK\$79,116 million as at 31 December 2019. The valuation was carried out by Knight Frank Petty Limited, an independent professional valuer, based on open market value.

A fair value loss on investment properties (after considering capital expenditure spent on the Group's investment properties) of HK\$4,065 million (2019: fair value gain of HK\$1,453 million) was recognized in the condensed consolidated statement of profit or loss for the period. This loss mainly reflects the

expansion of capitalization rates taking into account the increasing market risk of the negative retail sector, coupled with a weakened office sector impacted by global economic uncertainties.

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

The Group's investments in associates are substantially represented by its interest in Shanghai Grand Gateway 66, a retail, office and residential complex, in Shanghai, China. The shared results decreased to HK\$92 million (2019: HK\$145 million), mainly due to the Group's share of revaluation loss (net of deferred tax) amounting to HK\$19 million (2019: revaluation gain of HK\$45 million).

The Group's investment in a joint venture represents its interest in the Tai Po residential project.

### ***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 to a joint venture company for the residential site development in Tai Po of HK\$15 million (2019: HK\$15 million), like-for-like interest income increased to HK\$137 million (2019: HK\$35 million) resulting from higher bank deposit balances during the period.

The Group also extended its investments beyond its core geographical area and businesses. As at 30 June 2020, these investments totalling HK\$725 million (31 December 2019: HK\$601 million) expanded our reach to Mainland China and other areas in Asia with a view to generating new sources of income and capital.

### ***Capital Expenditure***

The Group is committed to enhancing the asset value of its investment property portfolio through selective enhancement and redevelopment. Total cash outlay of such capital expenditure amounted to HK\$619 million during the interim period (2019: HK\$663 million).

## **Treasury Policy**

### ***Market Highlights***

The global economic environment was full of uncertainties during the first half of 2020 mainly due to the COVID-19 pandemic. The expected slowdown in the global economy is undermining market sentiment. The U.S. Federal Reserve has revised expectations regarding its interest rate policy based on the impact of the ongoing public health crisis on economic activity, employment and inflation. It is expected that the U.S. Federal Reserve will maintain its low federal fund rate for the next two years to boost the U.S. economy. Hong Kong dollar (HKD) HIBOR followed the United States Dollar (USD) LIBOR to decrease during the first half of 2020. The 3-month HKD HIBOR declined from 2.43% at the end of 2019 to around 0.78% at the end of June 2020.

Hong Kong's economy and financial conditions are closely linked with global market uncertainties. A weaker Hong Kong retail sales performance was recorded in the first six months of 2020 mainly due to the COVID-19 outbreak and decrease in the number of visitors due to the lockdown restrictions. Hong Kong's GDP further contracted in 2020, recorded -8.9% in Q1 2020 and -9.0% in Q2 2020, after two consecutive quarters of negative GDP in 2019 of -2.8% and -3.0% respectively, confirming that the economy is in recession.

Uncertainties caused by both global and local political issues may worsen our operating environment and dampen business expansion potential. It is therefore important for the Group to maintain our prudent financial management policy.

## Capital Structure Management

The Group's total Gross Debt<sup>1</sup> level as at 30 June 2020 increased to HK\$19,458 million (31 December 2019: HK\$12,615 million), thereby expanding its funding capacity for strategic initiatives. The Group's average debt maturity was at 7.2 years as at 30 June 2020 (31 December 2019: 6.6 years).

The following shows the debt maturity profile of the Group at 2020 interim period-end and 2019 year-end:

	<b>As at 30 June 2020 HK\$ million</b>	<b>As at 31 December 2019 HK\$ million</b>
Maturing in not exceeding 1 year	<b>565</b>	565
Maturing in more than 1 year but not exceeding 2 years	<b>1,131</b>	250
Maturing in more than 2 years but not exceeding 3 years	<b>2,526</b>	1,331
Maturing in more than 3 years but not exceeding 4 years	<b>904</b>	467
Maturing in more than 4 years but not exceeding 5 years	<b>1,816</b>	3,230
Maturing in more than 5 years	<b>12,516</b>	6,772
	<b>19,458</b>	12,615

As at 30 June 2020, bank loans accounted for approximately 11% of the Group's total Gross Debt, with the remaining 89% from capital market financing (31 December 2019: 16% : 84%). All the Group's debts are unsecured and on a committed basis.

## Gearing Ratio and Net Interest Coverage

The Group's gearing ratio, as measured by Net Debt to Equity<sup>2</sup>, was 3.94% at year-end 2019. It is improved at interim period-end 2020 with a net cash position. We issued US\$850 million subordinated perpetual securities in March 2020 for the purpose of fortifying the Group's financial position and hence our total cash and bank deposits exceeded the total Gross Debts. The Group's Net Interest Coverage<sup>3</sup> maintained at same level as in 2019, at 17.0 times.

## Credit Ratings

As at 30 June 2020, the Group's credit ratings were maintained at A3 from Moody's and A- from Fitch.

## Liquidity Management

As at 30 June 2020, the Group has cash and bank deposits totalling about HK\$21,103 million (31 December 2019: HK\$9,332 million). In order to preserve liquidity and enhance interest yields, the Group invested HK\$454 million (31 December 2019: HK\$172 million) in debt securities.

Further liquidity, if required, is available from the undrawn committed facilities offered by the Group's relationship banks. These facilities, amounting to HK\$4,700 million at 2020 interim period-end (31 December 2019: HK\$3,250 million), essentially allow the Group to obtain additional funding as the need arises.

<sup>1</sup> The Gross Debt represents the contractual principal payment obligations as at 30 June 2020. However, in accordance with the Group's accounting policies, the debt is measured at amortized costs, using the effective interest method. As disclosed in the Group's condensed consolidated statement of financial position as at 30 June 2020, the book value of the outstanding debt of the Group was HK\$19,274 million (31 December 2019: HK\$12,529 million).

<sup>2</sup> Net Debt to Equity is defined as borrowings less time deposits, cash and cash equivalents divided by total equity.

<sup>3</sup> Net Interest Coverage is defined as gross profit less administrative expense before depreciation divided by net interest expenses.

### **Interest Rate Management**

Interest expenses represent one of the key cost drivers of the Group's business. Therefore, the Group monitors its interest rate exposure closely and adopts an appropriate hedging strategy in light of market conditions. The fixed rate debt ratio increased slightly to 89% at interim period-end 2020 from 84% at year-end 2019. We believe we are in a good position to manage our finance costs given our high fixed-rate debt ratio.

### **Foreign Exchange Management**

The Group aims to achieve minimal currency exposure and does not speculate in currency movements for asset and liability management. The majority of the Group's borrowings are denominated in or hedged to HKD with the remainder predominately in USD with limited exposure to foreign exchange risk.

## **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the period ended 30 June 2020 (unaudited)*

	<u>Notes</u>	<b>Six months ended 30 June</b>	
		<b><u>2020</u></b>	<b><u>2019</u></b>
		<b>HK\$ million</b>	<b>HK\$ million</b>
Turnover	4	<b>1,981</b>	2,086
Property expenses		<b>(219)</b>	(238)
Gross profit		<b>1,762</b>	1,848
Investment income		<b>152</b>	50
Other gains and losses		<b>(8)</b>	11
Administrative expenses		<b>(121)</b>	(123)
Finance costs		<b>(234)</b>	(127)
Change in fair value of investment properties		<b>(4,065)</b>	1,453
Share of results of associates		<b>92</b>	145
(Loss) profit before taxation		<b>(2,422)</b>	3,257
Taxation	6	<b>(236)</b>	(265)
<b>(Loss) profit for the period</b>	7	<b>(2,658)</b>	2,992
(Loss) profit for the period attributable to:			
Owners of the Company		<b>(2,626)</b>	2,783
Perpetual capital securities holders		<b>89</b>	-
Other non-controlling interests		<b>(121)</b>	209
		<b>(2,658)</b>	2,992
<b>(Loss) earnings per share</b> (expressed in HK cents)	8		
Basic		<b>(252)</b>	266
Diluted		<b>(252)</b>	266

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2020 (unaudited)

	Six months ended 30 June	
	<u>2020</u>	<u>2019</u>
	HK\$ million	HK\$ million
<b>(Loss) profit for the period</b>	<b>(2,658)</b>	2,992
<b>Other comprehensive (expenses) income</b>		
<b><i>Items that will not be reclassified subsequently to profit or loss:</i></b>		
Revaluation of properties held for own use (net of tax)	2	15
Change in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")	<b>(42)</b>	-
	<b>(40)</b>	15
<b><i>Items that may be reclassified subsequently to profit or loss:</i></b>		
Net adjustments to hedging reserve	106	29
Share of translation reserve of an associate	<b>(102)</b>	(17)
	4	12
Other comprehensive (expenses) income for the period (net of tax)	<b>(36)</b>	27
<b>Total comprehensive (expenses) income for the period</b>	<b>(2,694)</b>	3,019
Total comprehensive (expenses) income attributable to:		
Owners of the Company	<b>(2,662)</b>	2,810
Perpetual capital securities holders	89	-
Other non-controlling interests	<b>(121)</b>	209
	<b>(2,694)</b>	3,019

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020 (unaudited)

	<u>Notes</u>	As at 30 June 2020 HK\$ million	As at 31 December 2019 HK\$ million (audited)
<b>Non-current assets</b>			
Investment properties		75,630	79,116
Property, plant and equipment		778	776
Investments in associates		5,179	5,189
Loans to associates		11	11
Investment in a joint venture		141	143
Loans to a joint venture		1,123	1,090
Other financial investments		725	601
Debt securities		454	172
Other financial assets		42	8
Other receivables	10	322	291
		<u>84,405</u>	<u>87,397</u>
<b>Current assets</b>			
Accounts and other receivables	10	473	314
Time deposits		13,590	5,735
Cash and cash equivalents		7,513	3,597
		<u>21,576</u>	<u>9,646</u>
<b>Current liabilities</b>			
Accounts payable and accruals	11	821	934
Deposits from tenants		366	316
Amounts due to other non-controlling interests		220	220
Borrowings		565	565
Taxation payable		187	416
		<u>2,159</u>	<u>2,451</u>
<b>Net current assets</b>		<u>19,417</u>	<u>7,195</u>
<b>Total assets less current liabilities</b>		<u>103,822</u>	<u>94,592</u>
<b>Non-current liabilities</b>			
Borrowings		18,709	11,964
Other financial liabilities		-	46
Deposits from tenants		627	685
Deferred taxation		957	925
		<u>20,293</u>	<u>13,620</u>
<b>Net assets</b>		<u>83,529</u>	<u>80,972</u>
<b>Capital and reserves</b>			
Share capital		7,722	7,720
Reserves		65,974	69,930
<b>Equity attributable to owners of the Company</b>		<u>73,696</u>	<u>77,650</u>
<b>Perpetual capital securities</b>		6,693	-
<b>Other non-controlling interests</b>		3,140	3,322
<b>Total equity</b>		<u>83,529</u>	<u>80,972</u>

Notes:

**1. Independent Review**

The interim results for the six months ended 30 June 2020 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), by Deloitte Touche Tohmatsu, whose report on review of condensed consolidated financial statements is included in the interim report to be sent to shareholders. The interim results have also been reviewed by the Group’s Audit and Risk Management Committee.

**2. Basis of Preparation**

The unaudited condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA.

The financial information relating to the year ended 31 December 2019 that is included in this result announcement as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.
- The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

**3. Principal Accounting Policies**

The unaudited condensed 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 appropriate.

The accounting policies and methods of computations followed in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the accounting policy of perpetual capital securities.

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.

The application of all the amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA are disclosed below.

## Application of amendments to HKFRSs

In the current interim period, 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 condensed 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 impact on the condensed consolidated financial statements in the current and prior periods. Their impacts on presentation and disclosures, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

## 4. Turnover

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

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

For revenue from provision of property management services recognized over time in Hong Kong, the categories for disaggregation of revenue are consistent with the segment disclosure under note 5.

## 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.

	<u>Retail</u> HK\$ million	<u>Office</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Property Development</u> HK\$ million	<u>Consolidated</u> HK\$ million
<b><i>For the six months ended 30 June 2020 (unaudited)</i></b>					
<b>Turnover</b>					
Leasing of investment properties	815	819	138	-	1,772
Provision of property management services	85	108	16	-	209
<b>Segment revenue</b>	<b>900</b>	<b>927</b>	<b>154</b>	<b>-</b>	<b>1,981</b>
Property expenses	(106)	(87)	(26)	-	(219)
<b>Segment profit</b>	<b>794</b>	<b>840</b>	<b>128</b>	<b>-</b>	<b>1,762</b>
Investment income					152
Other gains and losses					(8)
Administrative expenses					(121)
Finance costs					(234)
Change in fair value of investment properties					(4,065)
Share of results of associates					92
Loss before taxation					(2,422)

	<u>Retail</u> HK\$ million	<u>Office</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Property Development</u> HK\$ million	<u>Consolidated</u> HK\$ million
<b><i>For the six months ended 30 June 2019 (unaudited)</i></b>					
<b>Turnover</b>					
Leasing of investment properties	914	818	141	-	1,873
Provision of property management services	87	111	15	-	213
<b>Segment revenue</b>	<b>1,001</b>	<b>929</b>	<b>156</b>	<b>-</b>	<b>2,086</b>
Property expenses	(125)	(84)	(29)	-	(238)
<b>Segment profit</b>	<b>876</b>	<b>845</b>	<b>127</b>	<b>-</b>	<b>1,848</b>
Investment income					50
Other gains and losses					11
Administrative expenses					(123)
Finance costs					(127)
Change in fair value of investment properties					1,453
Share of results of associates					145
Profit before taxation					3,257

All the segment turnover reported above is from external customers.

Segment profit represents the profit earned by each segment without allocation of investment income, other gains and losses, administrative expenses (including central administration 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> HK\$ million	<u>Office</u> HK\$ million	<u>Residential</u> HK\$ million	<u>Property Development</u> HK\$ million	<u>Consolidated</u> HK\$ million
<b><i>As at 30 June 2020 (unaudited)</i></b>					
<b>Segment assets</b>	<b>32,140</b>	<b>35,057</b>	<b>8,559</b>	<b>1,264</b>	<b>77,020</b>
Investments in and loans to associates					5,190
Other financial investments					725
Other assets					<b>23,046</b>
Consolidated assets					<b>105,981</b>
<b><i>As at 31 December 2019 (audited)</i></b>					
<b>Segment assets</b>	35,080	35,499	8,561	1,233	80,373
Investments in and loans to associates					5,200
Other financial investments					601
Other assets					<b>10,869</b>
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 results.

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

## 6. Taxation

	Six months ended 30 June	
	<u>2020</u>	<u>2019</u>
	HK\$ million	HK\$ million
Current tax		
Hong Kong Profits Tax		
- current period	204	241
- underprovision in prior periods	-	2
	<u>204</u>	<u>243</u>
Deferred tax	<u>32</u>	<u>22</u>
	<u>236</u>	<u>265</u>

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

## 7. (Loss) Profit for the Period

	Six months ended 30 June	
	<u>2020</u>	<u>2019</u>
	HK\$ million	HK\$ million
(Loss) profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	<u>11</u>	<u>10</u>
Gross rental income from investment properties including rentals received with reference to turnover of tenants of HK\$23 million (2019: HK\$52 million)	<u>(1,772)</u>	<u>(1,873)</u>
Staff costs (including directors' emoluments)	<u>139</u>	<u>138</u>
Share of income tax of associates (included in share of results of associates)	<u>39</u>	<u>57</u>

## 8. (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:

	<b>(Loss) Earnings</b>	
	<b>Six months ended 30 June</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share:		
(Loss) profit for the period attributable to owners of the Company	<b><u>(2,626)</u></b>	<b><u>2,783</u></b>
	<b>Number of shares</b>	
	<b>Six months ended 30 June</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	<b>1,042,562,017</b>	1,046,512,587
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	<b><u>-</u></b>	<b><u>368,066</u></b>
Weighted average number of ordinary shares for the purpose of calculating diluted (loss) earnings per share	<b><u>1,042,562,017</u></b>	<b><u>1,046,880,653</u></b>

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.

## 9. Dividends

(a) Dividends recognized as distribution during the period:

	<b>Six months ended 30 June</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
2019 second interim dividend paid – HK117 cents per share	<b>1,221</b>	-
2018 second interim dividend paid – HK117 cents per share	-	1,224
	<b><u>1,221</u></b>	<b><u>1,224</u></b>

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

	<b>Six months ended 30 June</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>HK\$ million</b>	<b>HK\$ million</b>
First interim dividend		
- HK27 cents per share (2019: HK27 cents per share)	<b><u>281</u></b>	<b><u>283</u></b>

The first interim dividend for 2020 is not recognized as a liability as at 30 June 2020 because it has been declared after the end of the reporting period. It will be payable in cash.

## 10. Accounts and Other Receivables

	<b>As at 30 June <u>2020</u> HK\$ million</b>	<b>As at 31 December <u>2019</u> HK\$ million</b>
Accounts receivable	<b>126</b>	24
Interest receivable	<b>126</b>	105
Prepayments in respect of investment properties	<b>128</b>	124
Other receivables and prepayments	<b><u>415</u></b>	<b><u>352</u></b>
Total	<b><u>795</u></b>	<b><u>605</u></b>
Analysed for reporting purposes as:		
Current assets	<b>473</b>	314
Non-current assets	<b><u>322</u></b>	<b><u>291</u></b>
	<b><u>795</u></b>	<b><u>605</u></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.

	As at <b>30 June</b> <u>2020</u> HK\$ million	As at 31 December <u>2019</u> HK\$ million
Less than 30 days	57	14
Between 31-90 days	52	10
Over 90 days	17	-
	<u>126</u>	<u>24</u>

#### 11. Accounts Payable and Accruals

	As at <b>30 June</b> <u>2020</u> HK\$ million	As at 31 December <u>2019</u> HK\$ million
Accounts payable	231	319
Interest payable	153	131
Other payables	437	484
	<u>821</u>	<u>934</u>

As at 30 June 2020, accounts payable of the Group with carrying amount of HK\$115 million (31 December 2019: HK\$220 million) were aged less than 90 days.

## ADDITIONAL INFORMATION

### Corporate Governance

The Board and management of the Company are committed to maintaining high standards of corporate governance. The Board has adopted a Statement of Corporate Governance Policy which gives guidance on how corporate governance principles are applied to the Company. On 1 January 2020, the Board has established a Sustainability Committee to oversee environmental, social and governance issues, supported by the management's Sustainability Executive Committee and Task Force. 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).

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

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Following specific enquiries by the Company,

all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the review period.

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

The Company was authorized at its annual general meetings to repurchase its own ordinary shares not exceeding 10% of the total number of issued shares as at the date of the passing of the resolution. During the review period, 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 review period, the Company repurchased an aggregate of 1,700,000 ordinary shares on the Stock Exchange for a total consideration of approximately HK\$41 million. The repurchased shares were cancelled during the review period. 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
	<u>1,700,000</u>			<u>41</u>

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

### **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 30 June 2020 was 506.

There has been no material change to the human resources, training and development programmes as set out in the "Sustainability Report 2019".

### **Closure of Register of Members**

The first interim dividend will be paid to shareholders whose names appear on the register of members on Tuesday, 25 August 2020 and the payment date will be on or about Thursday, 3 September 2020. The register of members will be closed on Tuesday, 25 August 2020, on which date no transfer of shares will be registered. The ex-dividend date will be Friday, 21 August 2020. In order to qualify for the first 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 Monday, 24 August 2020.

By Order of the Board

**Lee Irene Yun-Lien**

*Chairman*

Hong Kong, 10 August 2020

*As at the date of this announcement, the Board comprises: Lee Irene Yun-Lien (Chairman), Churchouse Frederick Peter\*\*, Fan Yan Hok Philip\*\*, Poon Chung Yin Joseph\*\*, Wong Ching Ying Belinda\*\*, Jebsen 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 interim 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 Interim Report 2020 containing all the information required by the Listing Rules will be despatched to shareholders and made available on the above websites around end of August 2020.*