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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 2021

- **2021 was a milestone year for Hysan. The successful tender for Caroline Hill Road Commercial Site significantly expands our core portfolio and creates new opportunities for continued transformation of Lee Gardens. Riding on our strong fundamentals, the Group continues to build strategic pillars to complement our core portfolio over the medium to long term**
- **The future of the pandemic remains uncertain for Hong Kong and the world. On a positive note, Hong Kong increasingly will be connected to other parts of the Greater Bay Area and has the potential to play an important role in its development**
- **Turnover and Recurring Underlying Profit decreased year-on-year by 2.7% and 2.8% respectively as COVID-19 continued to pressure the office sector while retail sector started to recover**
- **Occupancies for Office and Retail portfolios were 94% and 99% respectively**
- **Despite continued pressure from COVID-19, the Group maintained stable dividend with its resilient core earnings**

RESULTS

			Year ended 31 December		Change
			2021	2020	
		Notes			
Turnover	HK\$ million	1	3,608	3,710	-2.7%
Recurring Underlying Profit	HK\$ million	2	2,330	2,398	-2.8%
Underlying Profit	HK\$ million	3	2,330	2,398	-2.8%
Reported Profit (Loss)	HK\$ million	4	1,383	(2,547)	n/m
Basic Earnings (Loss) per Share	HK cent		133	(244)	n/m
Full-year Dividends per Share	HK cent		144	144	±0%
			As at 31 December		
			2021	2020	
Shareholders' Funds	HK\$ million	5	73,870	73,680	+0.3%
Net Asset Value per Share	HK\$	6	71.4	70.9	+0.7%

n/m: not meaningful

Notes:

- 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.
- 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.
- Underlying Profit**, a non-HKFRS measure, is arrived at by adding (i) Reported Profit (Loss) 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.
- Reported Profit (Loss)** is the profit (loss) 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.
- Shareholders' Funds** are the equity attributable to owners of the Company.
- Net Asset Value per Share** represents Shareholders' Funds divided by the number of issued shares at year-end.

CHAIRMAN'S STATEMENT

Hysan's core portfolio

Hysan has a renowned mixed-use portfolio in one of Hong Kong's most well-known, premier destinations. This has been our core for close to a century and will continue to be our centre of excellence. Lee Gardens is a tangible brand that people identify with. Our natural advantage includes high traffic flows concentrated in a dense land mass, which gives us the critical mass as a community lab to roll out and test digital solutions that bring convenience and added value to our patrons. Our smart community business model and our street shop curation connect people and promote 'wellness'. Lee Gardens is accessible and inclusive. We engage in responsible and sustainable development, which includes environmental and social considerations. Importantly, Hysan is well known for the quality of care and high standards of service throughout our malls and properties.

We will continue to enhance and rejuvenate our core business, especially with the planned extension to the Caroline Hill Road site. This will expand our core footprint while also adding a notable lifestyle element through the inclusion of a significant green community space. We will also provide major enhancements to our existing portfolio, including the creation of an exclusive destination for luxury retail flagship stores, an update of Hysan Place to maintain its leadership as a trend-setter, and the addition of rich textures to the neighbourhood streetscape.

The world is changing quickly, and there are plenty of threats and, equally, many opportunities. In addition to our core business, we have identified several strategic pillars which will deliver a more balanced, diversified, risk-adjusted and complementary portfolio over the medium to long term.

Our investment thesis for these growth pillars is predicated on a number of factors: that they complement our core, are asset-light, rely less on us being a pure capital provider but leverage our strength to partner with established and specialized operators, and, importantly, provide geographic diversification.

Summary of key achievements in 2021

2021 was a watershed year for Hysan. We executed a series of significant investments in our medium to long-term strategic plan, delivering strategic growth pillars which drive geographic diversification, invest in asset-light operating businesses, and target business opportunities that complement and reinforce our core business. In addition, we started a trading asset pillar with our first "develop and sale" project in Tai Po, which should produce periodic earnings 'pops'.

Our investments in 2021 included winning a tender for the Caroline Hill Road project in Hong Kong; acquiring a commercial complex development in Jing'an, Shanghai; partnering with IWG to promote flexible workspaces in the Greater Bay Area, and investing in New Frontier Group to expand its premium healthcare business throughout Mainland China.

We are making preparations for the sale of our residential project in Hong Kong's Tai Po, as well as participating in an urban renewal project in the city's To Kwa Wan area. Last but not least, we have led the sector with our green finance activities, including securing the Hong Kong market's largest ever green loan.

Growing our core footprint in Causeway Bay with the Caroline Hill Road project

Hysan won the tender for the Caroline Hill Road site in 2021, securing a strategic piece of our Lee Gardens area puzzle.

Caroline Hill Road is located between the south-eastern side of our Lee Gardens cluster and the historic South China Stadium, which has been the sporting playground of generations of Hong Kong people. It provides a natural extension of our footprint, adding to the already well-loved lifestyle offerings of Lee Garden Three.

The natural attributes of this piece of land are varied, significant, and beautiful. Our design will focus on showcasing an iconic and historic banyan tree against a lush background of 60,000 square feet of greenery. This will be Hong Kong's most unique urban oasis, open for the community to enjoy.

The Caroline Hill Road site will add approximately 30% to the Lee Gardens footprint, delivering premium Grade A commercial mixed-use buildings. We will also deliver community facilities on behalf of the government. These will be built alongside the proposed district court buildings. These additions are expected to bring more foot traffic to the area.

We are proud of our skills in curating vibrant elements within densely built environment for the benefit of our communities. The Caroline Hill Road site will further showcase our understanding of the community's needs and aspirations by introducing even more unique features for all stakeholders to enjoy.

By 2026, when this project is completed, we plan to deliver much-enhanced area connectivity including a fully-integrated and weatherproof pedestrian walkway system for the entire Lee Gardens area, from the Causeway Bay MTR station all the way to Caroline Hill Road. We expect several minibus routes will be relocated to an all-weather transportation hub in our Caroline Hill Road site, and we plan to improve vehicular access to the area.

Building the "Lee Gardens of Shanghai"

Shanghai is one of the most vibrant and cosmopolitan cities in the world. Hysan already has one highly successful investment, Grand Gateway 66, in the Xuhui district of the city. We have also added to our portfolio in another part of the city. The new 24-storey commercial complex which we acquired recently, known as Lee Gardens Shanghai, is located in the heart of Jing'an district, a historic area featuring Shikumen houses, which are architecturally unique to Shanghai - not dissimilar to our Lee Gardens area, which also blends new with the old architecture.

Drawing on our experience of cultivating vibrant communities in Hong Kong, we will showcase our unique brand of smart community, connectivity, integrating the present day with history, respecting traditions, and preserving authenticity.

Joint venture with leading flex operator IWG in the Greater Bay Area

The use of workspace, and indeed the very concept of an office, had been evolving even before COVID-19. Hysan has identified flexible workspaces as a fast-growing business segment that complements our traditional office portfolio and, at the same time, provides an effective hedge against our office portfolio exposure. The need to manage supply and demand and reduce the fixed costs of having a large office are now important considerations for corporates. Today's workforce, especially post-COVID-19, is likely to continue to adopt hybrid modes of work.

We entered into a 50/50 joint venture with IWG, a long-established global brand that is one of the most successful flex operators in the world. We are confident and optimistic about our opportunities in the Greater Bay Area.

Expanding into premium healthcare in Mainland China

Our investment in New Frontier Group aims to give us strategic exposure to the fast-growing premium healthcare services sector in Mainland China. The medical, health and wellness sector is now an increasingly important part of modern commercial properties, a trend we also observed within our own portfolio.

New Frontier Group operates a portfolio of acute hospitals, online hospital services, rehabilitation and geriatric hospitals, oncology centres, ambulatory centres, outpatient clinics, home health networks, doctor groups, training centres and health insurance services across the country.

Through this venture, we are partnering with a world-class operator in a high-growth sector, providing us with further geographic diversification beyond the Greater Bay Area and Shanghai.

Sales set to start at Hysan's Tai Po residential site

We are very excited about our Tai Po project, which is targeted to be launched around Q2 2022. Apart from the design, the quality of materials, landscaping, facilities, and the almost 360-degree views facing Tolo Harbour on one side and rolling green hills and the serene Tsz Shan Monastery on the other side, the Tai Po project will also benefit from the government policy to build out and expand Hong Kong's Northern Metropolis.

2022 outlook

The world continues to be critically affected by the pandemic. Hong Kong is entering its third difficult year, showing obvious fatigue. On a macro level, we are facing rising interest rates, potential inflation and unemployment and changes in national policy. This has all been set against a backdrop of ongoing global geopolitical tensions. On a positive note, Hong Kong increasingly will be connected to other parts of the Greater Bay Area and has the potential to play an important role in its development.

Hysan is well placed to capture opportunities across its strategic growth pillars, and to enhance and transform our core portfolio to position Lee Gardens as an attractive destination for future generations to live, work and flourish.

Lee Irene Yun-Lien

Chairman

Hong Kong, 24 February 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Strategy

Hysan strives to create value and provide stable and progressive return for our shareholders from our investment portfolio, which is predominantly located in Hong Kong's prime Causeway Bay district. We continue to maintain a strategic focus on our Lee Gardens portfolio while also seeking to complement our core business by tapping investment opportunities in Mainland China and the new economy.

Review of Operations

In HK\$ million	2021	2020	Change
Turnover	3,608	3,710	-2.7%
- Office	1,728	1,814	-4.7%
- Retail	1,620	1,600	+1.3%
- Residential	260	296	-12.2%
Recurring Underlying Profit	2,330	2,398	-2.8%
Underlying Profit	2,330	2,398	-2.8%

Hysan's investment property portfolio comprises three sectors – office, retail and residential - covering a total floor area of approximately 4.5 million square feet. As at 31 December 2021, office properties made up around 55% of the Group's investment portfolio by gross floor area, with retail properties accounting for approximately 30%. These properties are located in Lee Gardens, Causeway Bay. Around 15% of the Group's portfolio by gross floor area consists of residential properties, which are mainly apartments in Bamboo Grove, Mid-Levels.

Turnover and Underlying Profit decreased year-on-year by 2.7% and 2.8% respectively. COVID-19 continued to pressure the office sector. The retail sector started to recover as economic fundamentals and market sentiment improved. The residential segment declined mainly due to limited expatriate demand.

The Board of Directors has declared a second interim dividend of HK117 cents per share (2020: HK117 cents) which will be payable in cash.

The reconciliation of Recurring Underlying Profit, Underlying Profit and Reported Profit (Loss) is as follows:

	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
Reported profit (loss)	1,383	(2,547)
Change in fair value of properties	493	4,692
Investment properties	720	4,903
Less: Effect of other non-controlling interests	(55)	(223)
Share of associates (net of tax)	(172)	12
Imputed interest income on interest-free loan to a joint venture	(13)	(30)
Other gains and losses	8	(5)
Profit attributable to perpetual capital securities holders	459	288
Recurring Underlying Profit/Underlying Profit	<u>2,330</u>	<u>2,398</u>

Key Performance Indicators

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

Key Performance Indicators	Definition	Business Performance		
		Sector	2021	2020
Turnover Growth	Rental revenue in current year vs that in last year	Office	-4.7%	-1.0%
		Retail	+1.3%	-12.9%
		Residential	-12.2%	-7.2%
Occupancy Rate	Percentage of total lettable area leased / total lettable area of each portfolio at year-end	Office	94%	95%
		Retail	99%	96%
		Residential	71%	74%
Property Expenses Ratio	Property expenses divided by turnover	N/A	13.8%	13.2%

Note: No changes have been made to the source data or calculation methods used when compared to 2020.

Office

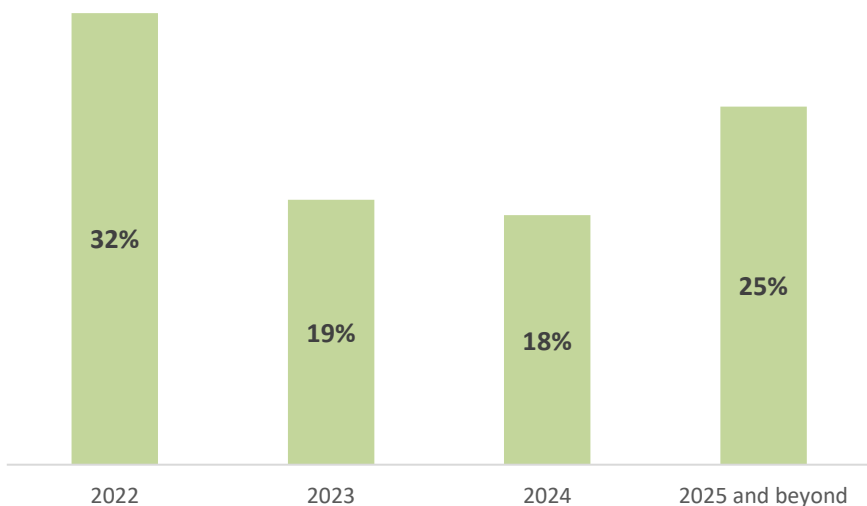
Turnover of the Group's office portfolio recorded a decline of 4.7% to HK\$1,728 million (2020: HK\$1,814 million), including turnover rent of HK\$5 million (2020: HK\$7 million).

Hong Kong's office rental market saw reduced demand and rental pressure during the period under review. The submarkets of Central and Wan Chai/Causeway Bay were among those most affected, due to major tenants' downsizing. However, several established flexible workspace operators took the opportunity to expand in popular commercial areas like Causeway Bay.

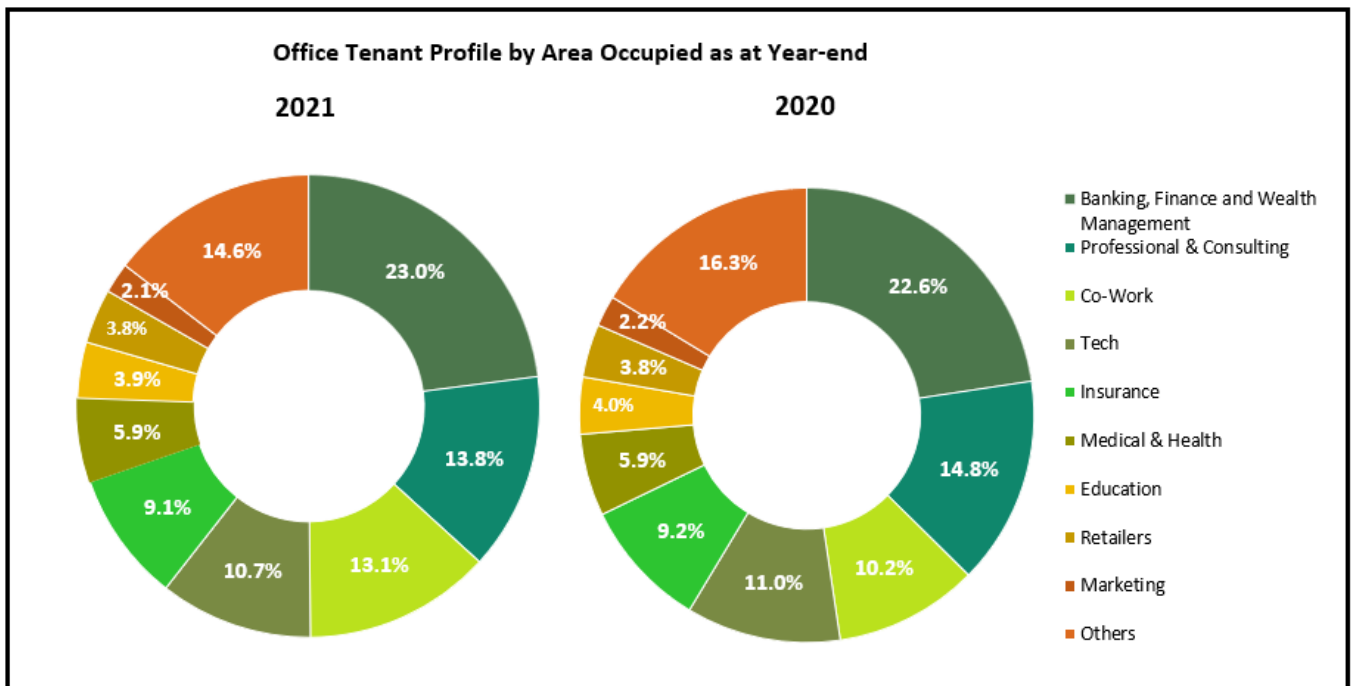
The average rental reversion rate on renewals, rent review and new lettings for Hysan's Lee Gardens portfolio slipped into negative territory, but occupancy held firm at a resilient 94% as at 31 December 2021 (2020: 95%).

Hysan's offices are seen as ideal locations for the wealth management industry owing to their premier location, excellent facilities and complementary retail amenities. HSBC and Standard Chartered Bank each leased one of the upper floors in Hysan Place and Lee Garden One respectively. Given this combination of attractive location and office/retail synergies, we expect that our offices will remain attractive to technology firms, flexible workspace operators, and the medical and health sector.

Office Lease Expiry Profile by Area Occupied (As at 31 December 2021)



The office tenant profile remained stable. Banking, Finance and Wealth Management (23.0%), Professional & Consulting (13.8%) and Co-Work (13.1%) accounted for the top three slots in our tenant portfolio by floor area occupied, while the Tech sector was in fourth place with 10.7%.



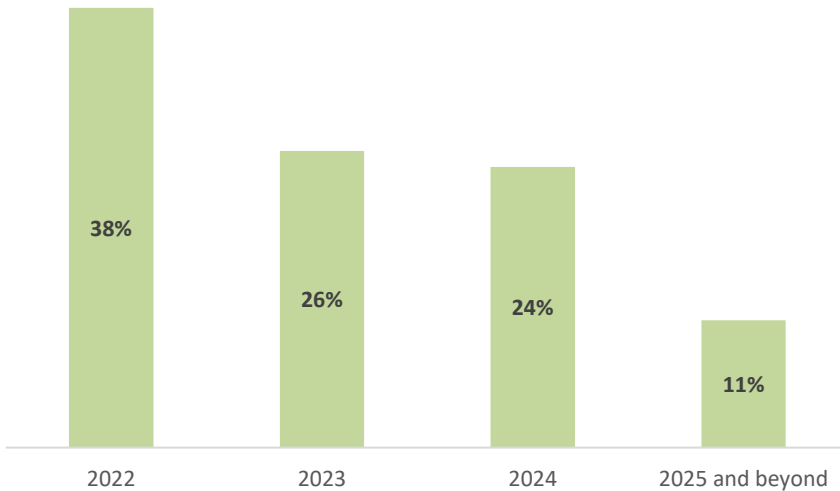
Retail

Turnover of the Group's retail portfolio experienced an increase of 1.3% to HK\$1,620 million (2020: HK\$1,600 million), including an increase in turnover rent to HK\$112 million (2020: HK\$44 million). Retail occupancy was 99% as at 31 December 2021 (2020: 96%). The average rental reversion rate on renewals, rent review and new lettings remained negative during the year.

Hong Kong retail sales generally improved throughout 2021 as the COVID-19 situation became less volatile, the employment market improved, and the government's consumption voucher scheme was rolled out. However, the lack of any meaningful cross-border traffic led to minimal tourist spending. The recovery of some retail sub-sectors still depends on the return of visitors from Mainland China and overseas.

Our own retail tenants' sales were also buoyed by these positive trends in the Hong Kong economy. With Hysan maintaining its traditionally strong relationship with local consumers, estimated tenant sales for the year outperformed overall Hong Kong retail sales. During 2021, our tenant list expanded to include a number of food and beverage outlets, luxury boutiques, lifestyle and apparel shops, and health and beauty product stores. We also hosted pop-up shops, including a popular art gallery.

Retail Lease Expiry Profile by Area Occupied (As at 31 December 2021)



Marketing Initiatives and Loyalty Programmes

In response to the official pandemic prevention measures in force throughout the year, Hysan rolled out a series of digital marketing campaigns to enable a 24/7 shopping experience. This included collaborations with luxury brands, as well as international and local labels. Our “Dine Safe at Lee Gardens” and “Power Up” campaigns also offered e-coupons and merchant e-vouchers from restaurant tenants and other renowned brands.

Beyond digital, our physical marketing campaigns also brought impressive traffic to Lee Gardens and drove strong sales. Our two major Christmas campaigns attracted more than 1.3 million visitors to the area over the promotional period. Crowd-pleasing shopping privileges saw a more than 15% year-on-year rise for tenant sales transactions, bringing more than 30% increase in year-on-year promotional sales during the Christmas period.

Club Avenue saw further recruitment of VIP members via external partnerships and brand cooperation. Prominent brand events were held with fashion, jewellery and beauty ones having the highest profile. Overall members’ spending achieved a double-digit percentage year-on-year growth across all membership tiers, with contributions from existing and quality new members.

Harnessing Business Technology

In 2021, Hysan unveiled “hy!”, a one-stop digital engagement platform with comprehensive e-commerce capabilities that aims to engage stakeholders and strengthen customer activation and retention. With the official launch set for early 2022, the Hysan community will soon enjoy upgraded online functions that allow members to access a wider variety of e-shopping products as well as to participate in community programmes.

Meanwhile, the foundation data integration of Hysan’s data lake will also be completed in early 2022. This process will consolidate information from multiple sources including membership, coupon usage, e-commerce transactions, car parking and others.

Against the backdrop of rapid changes to the office environment brought about by the COVID-19 pandemic and other factors, Hysan also upgraded its back-end remote system to further improve the efficiency of its “work from home” arrangements.

Residential

Hysan's residential portfolio turnover decreased by 12.2% to HK\$260 million (2020: HK\$296 million). Occupancy stood at 71% as at 31 December 2021 (2020: 74%).

Average rental reversion in the sector was negative with regard to renewals, rent review and new lettings.

The luxury residential rental market remained under pressure due to the lack of professional expatriates arriving in Hong Kong. Flexible leases were offered to customers in 2021, providing those who required shorter-term stays in Bamboo Grove with more options. To secure new tenants, we made agency fees more attractive and adopted a tenant referral programme.

Core Expansion & Strategic Pillars

Hong Kong Investment Property - Caroline Hill Road Project

Hysan will develop a premium commercial building with community facilities at the Caroline Hill Road site that neighbours its existing Lee Gardens portfolio. This joint venture project with Chinachem Group is a strategic long-term investment that will enhance the significance of Lee Gardens as a key commercial destination.

Ground investigation works began in the fourth quarter of 2021 and foundation works are expected to commence in the third quarter of 2022, with the entire project scheduled to be completed in 2026. The new site will be linked to the rest of Lee Gardens via a weatherproof walking route.

Shanghai Investment Property - Commercial Complex in Jing'an District

Subsequent to the year-end, Hysan acquired a commercial complex that is strategically located in the heart of Shanghai's Jing'an district. The newly completed 24-storey building features approximately 50,000 square metres of ready-to-rent Grade A office space and 18,000 square metres of retail space. Hysan is now conducting asset enhancement works for the retail space, with completion expected by mid-2023.

This investment marks an important step in Hysan's long-term planning and development strategy for Shanghai, through which we aim to bring our Lee Gardens business philosophy and smart community business model to China's most populous city.

Shanghai Investment Property - Grand Gateway 66

This investment property, in which Hysan owns a 26% stake, continued to record strong performance thanks to an asset enhancement initiative completed in 2020.

Residential Development - Tai Po Luxury Residential Project

Located on a verdant hilltop in Tai Po, Hysan's joint-venture residential development was ready for its sales launch in the first half of 2022. The low-density project comprises 262 exclusive houses and flats, showcasing Hysan's continuous pursuit of excellence in design and facilities.

Its geographical advantages will be amplified by the future development of Hong Kong's "Northern Metropolis", complementing the already-burgeoning Shenzhen business districts just across the border. When completed, the Tai Po site will become the perfect haven for executives and professionals working in those areas.

Residential Development - URA Residential Project in To Kwa Wan

In February 2022, Hysan acquired a 25% stake in a joint venture with Henderson Land and Empire Holdings to develop the URA residential project at Bailey Street/Wing Kwong Street in To Kwa Wan.

This is a quality site with high development potential, adjacent to the burgeoning commercial and residential hub of Kai Tak and within 5-minute walking distance to To Kwa Wan and Sung Wong Toi MTR stations. Hysan will leverage its skillsets by overseeing the design and operation of the retail portion of the project, which comprises a retail mall and shopping streets.

Greater Bay Area Flex - Joint Venture with IWG

In August 2021, Hysan and IWG plc formed a joint venture with the exclusive rights to operate all IWG brands in Hong Kong and the Greater Bay Area. The investment expands Hysan's business footprint in the Greater Bay Area into flexible workspace. The joint venture operates 33 existing locations across the Greater Bay Area and will continue to expand the business presence of IWG's brands within the region's vast and growing flexible workspace market.

Hysan's vision encompasses a fast-evolving workspace ecosystem, with IWG playing an important role in meeting end-users' needs and expectations. The joint venture also reflects the confidence of both partners in the economic growth potential of the Greater Bay Area.

Medical and Health - New Frontier Group

New Frontier Group is a leading private healthcare services provider based in China which operates a system of acute hospitals, online hospital, rehabilitation and geriatric hospitals, oncology centres, ambulatory centres, outpatient clinics, home health network, doctor groups, training centres and health insurance services across China.

Hysan's minority stake investment in New Frontier Group provides strategic exposure for the Group in Mainland China's fast-growing healthcare sector and demand for premium healthcare services.

Financial Review

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

Operating Costs

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

The Group's operating costs to turnover ratio was 21.4% (2020: 20.4%).

Finance Costs

Finance costs decreased to HK\$393 million, as compared with HK\$546 million in 2020, as the Group capitalized the interest expense of funds used to finance its property development activities. The Group raised approximately HK\$7 billion from new issuance via its medium term note programme in 2020, taking advantage of ample market liquidity and a low interest rate environment. During 2021, finance costs related to such funding exercises amounted to HK\$394 million (2020: HK\$313 million). The effective interest rate for the year was 2.9%, as compared with 3.0% in 2020.

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

Revaluation of Investment Properties

As at 31 December 2021, the Group's investment real estate portfolio was valued at HK\$95,107 million, an increase of 26.8% from the HK\$74,993 million recorded at the prior year-end, mainly due to the successful tender of a commercial site at Caroline Hill Road, Causeway Bay, Hong Kong in May 2021 at a land premium of \$19,778 million.

The valuation was carried out by Knight Frank Petty Limited, an independent professional valuer, on the basis of market value. A fair value loss on investment properties (after considering capital expenditure spent on the Group's investment properties) of HK\$720 million (2020: fair value loss of HK\$4,903 million) was recognized in the Group's consolidated statement of profit or loss for the year. The loss mainly reflects heightened market risk in a challenged retail sector, coupled with an office sector weakened by continued global economic uncertainty.

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

	2021 HK\$ million	2020 HK\$ million	Change
Office	34,707	34,593	+0.3%
Retail	31,868	31,670	+0.6%
Residential	8,712	8,730	-0.2%
Property under development	19,820	-	n/m
	95,107	74,993	+26.8%

Investments in Associates and Joint Ventures

The Group's investments in associates are primarily represented by its interest in Grand Gateway 66, a retail, office and residential complex in Shanghai, China. The share of results of associates increased to HK\$458 million (2020: HK\$225 million), mainly due to the Group's share of the revaluation gain (net of deferred tax) amounting to HK\$172 million (2020: revaluation loss of HK\$12 million). The properties at Grand Gateway 66 were revalued at fair value by an independent professional valuer for both years ended 31 December 2020 and 2021.

The Group's investment in joint ventures comprises interests in a Tai Po residential project and in the IWG Flex business. The increase in carrying value reflects the acquisition of IWG Flex business completed in September 2021.

Other Financial Investments

During the year, the Group extended its geographical and business reach through certain strategic minority stake investments. Investment in New Frontier Group was one of the key initiatives which provides strategic exposure for the Group in the fast-growing healthcare sector in Mainland China. As at 31 December 2021, other financial investments totalled HK\$1,780 million (2020: HK\$789 million).

Bank Deposits

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

Excluding imputed interest income recognized on an interest-free loan of HK\$13 million (2020: HK\$30 million) to a joint venture company for a residential site development in Tai Po, like-for-like interest income decreased to HK\$79 million (2020: HK\$242 million) resulting from shorter-tenor bank deposits placed to provide flexibility to meet funding requirement from investment opportunities and other strategic initiatives.

Cash Flow

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

	2021	2020
	HK\$ million	HK\$ million
Cash generated from operations	2,845	2,758
Net investment and advance to joint ventures and other financial investments	(1,126)	(285)
Net borrowings	7,507	6,458
Issuance of perpetual capital securities, net of distribution and transaction costs	(459)	10,314
Bank deposits	8,340	(4,843)
Interest and taxation	(861)	(980)
Dividends paid	(1,617)	(1,621)
Considerations for share repurchases	(146)	(96)
Capital expenditure	(22,334)	(913)
Net cash (outflow) inflow	(7,851)	10,792

n/m: not meaningful

The Group's cash generated from operations was HK\$2,845 million (2020: HK\$2,758 million), HK\$87 million higher than that in 2020, reflecting improvement in working capital management.

Net investment and advance to joint venture and other financial investments, amounted to HK\$1,126 million (2020: HK\$285 million) in 2021 related to the investment in IWG Flex business, an advance to the residential site development in Tai Po and investment in New Frontier Group.

Net borrowings amounted to HK\$7,507 million, reflecting an advance from non-controlling interest, issuance of fixed rate notes and repayment of bank loans. In 2020, total net borrowings were HK\$6,458 million.

In 2020, the Group through a wholly owned subsidiary of the Company (the "Issuer") issued US\$850 million (equivalent to approximately HK\$6,604 million) 4.10% subordinated perpetual capital securities, which are unconditionally and irrevocably guaranteed by the Company. Further, the Issuer issued US\$500 million (equivalent to approximately HK\$3,875 million) 4.85% senior perpetual capital securities, which are unconditionally and irrevocably guaranteed by the Company. The proceeds of the capital securities are for general corporate purposes and the capital securities are listed on The Stock Exchange of Hong Kong Limited. In 2021, the distribution paid to perpetual capital securities holders amounted to HK\$459 million.

Cash from bank deposits was HK\$8,340 million (2020: cash placed in bank deposits: HK\$4,843 million), which was mainly attributable to increase in shorter tenor deposits.

The Group paid dividends of HK\$1,497 million (2020: HK\$1,502 million), via a 2020 second interim dividend of HK117 cents per share (2020: HK117 cents) and a 2021 first interim dividend of HK27 cents per share (2020: HK27 cents).

During the year, the Group repurchased 5.5 million of its own shares as part of its capital management programme for an aggregate consideration of approximately HK\$146 million.

Capital Expenditure and Management

The Group had successfully tendered for the Caroline Hill Road commercial site in May 2021 for a consideration of HK\$19,778 million to develop a premium commercial project. In addition to this strategic development project, the Group is also committed to enhancing the asset value of its current investment property portfolio through selective asset enhancement and redevelopment. The Group has also established a portfolio-wide whole-life cycle maintenance programme as part of our ongoing strategy to proactively implement preventive maintenance activities.

Total capital expenditure during the year was HK\$22,334 million (2020: HK\$913 million).

Treasury Policy

Capital Structure Management

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

Funding Sources

The Group's total Gross Debt¹ level decreased to HK\$18,807 million as at 31 December 2021 (2020: HK\$19,204 million), mainly owing to new issuance of HK\$400 million of medium-term notes and early repayment of HK\$800 million in bank loans during the year.

As at 31 December 2021, bank loans accounted for approximately 8% of the Group's total Gross Debt with the remaining 92% made up of capital market financing (2020: 11% : 89%). All the Group's debts are on an unsecured and committed basis.

¹ Gross Debt represents the Group's contractual principal payment obligations as at 31 December 2021. 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 consolidated statement of financial position as at 31 December 2021, the book value of the outstanding debt of the Group was HK\$18,657 million (2020: HK\$18,970 million).

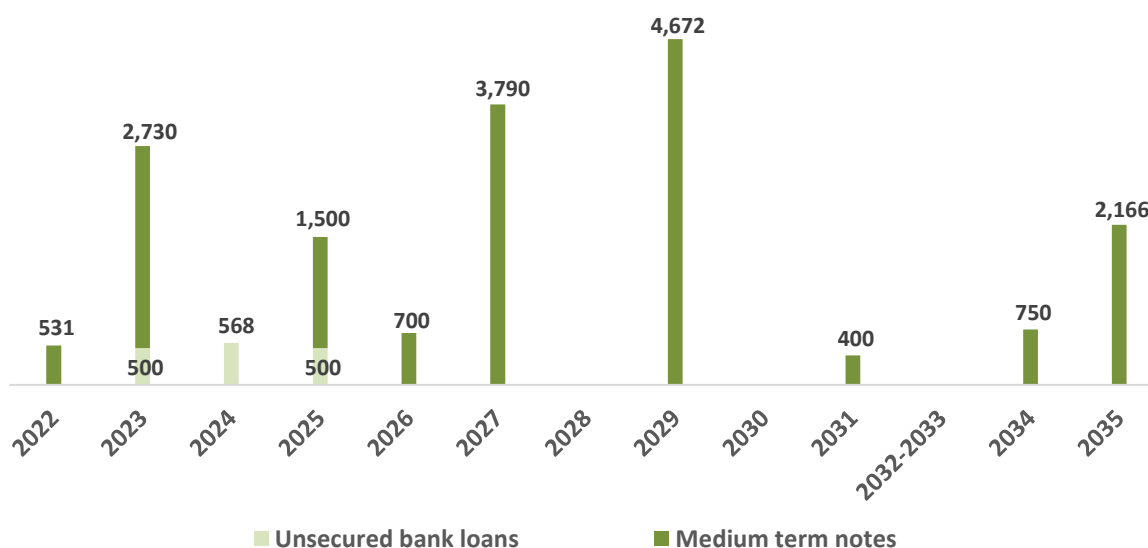
The following table shows the Group's sources of debt financing as at 31 December 2021 (in HK\$ million):

	Available	Drawn	Undrawn
Term loans	1,817	1,567	250
Committed revolving loans	5,300	-	5,300
Capital market issuances	17,240	17,240	-
Total committed facilities	24,357	18,807	5,550
Uncommitted revolving loans	1,580	-	1,580
Total source of debts financing	25,937	18,807	7,130

Maturity Profile

The Group maintains a well-structured debt maturity profile extending over in the next 14 years, aligned appropriately with the nature of our assets and operations. As at 31 December 2021, the average maturity of debt portfolio was about 6.1 years (2020: 6.8 years). The Group has approximately HK\$531 million of debt maturing in 2022.

The following shows the debt maturity profile of the Group at the end of 2021 (in HK\$ million):



Gearing ratio and net interest coverage

The Group's gearing ratio, as measured by Net Debt to Equity ratio¹, was 11.7% at year-end 2021 (2020: net cash position). The Group's Net Interest Coverage decreased to 9.1 times for 2021 (2020: 9.8 times).

Credit Rating

The Group aims to maintain investment-grade credit ratings and keeps up active dialogue with credit rating agencies. As at 31 December 2021, the Group maintained its credit ratings at A3 from Moody's and A- from Fitch, reflecting its strong financial position and prudent capital management strategy.

¹ Net Debt to Equity ratio is defined as borrowings less time deposits, cash and cash equivalents divided by total equity.

Liquidity Management

As at 31 December 2021, the Group had cash and bank deposits totalling about HK\$8,404 million (2020: HK\$24,935 million). To preserve liquidity and enhance interest yields, the Group invested HK\$1,014 million (2020: HK\$454 million) in investment-grade debt securities.

Further liquidity, if needed, is available from the undrawn committed facilities offered by the Group's relationship banks. These facilities, amounted to HK\$5,550 million as at the end of 2021 (2020: HK\$5,450 million), allow the Group to obtain additional liquidity as the need arises.

Interest Rate Management

Interest expense represents one of the key costs of the Group's business. The Group monitors its interest rate exposure closely and adopts an appropriate hedging strategy in light of market conditions. The fixed rate debt ratio (after taking into account interest rate swap) as at 31 December 2021 was 75% (2020: 88%). The effective interest rate decreased slightly to 2.9% at the end of 2021 from 3.0% at the prior year-end.

Foreign Exchange Management

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

All USD fixed rate notes were hedged through cross-currency swaps that effectively converted the borrowings into HKD. A USD bank loan has also been drawn down as a natural hedge against the Group's outstanding foreign currency balances in debt securities investments.

Use of Derivatives

As at 31 December 2021, all the Group's outstanding derivatives were related to the hedging of foreign exchange exposures. Strict internal guidelines have been established to ensure derivatives are only used to manage volatilities or to adjust the risk profile of the Group's treasury assets and liabilities in an appropriate manner.

Counterparty Credit Risk

All deposits are placed with banks with strong credit ratings and counterparty risk is monitored on a regular basis.

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

Sustainable Finance Initiatives

The Group established its Green Finance Framework (“Framework”) in 2019 and subsequently issued HK\$1,550 million green bonds to refinance the construction costs for Lee Garden Three, which has achieved green building certificates from BEAM Plus and LEED. In July 2021, we established the Sustainable Finance Framework, expanding the scope of the Framework to finance eligible projects that potentially offer a positive environment and social impact.

Under the Framework, the Group has completed the following sustainable finance transactions:

- HK\$1,550 million green bonds issued in 2019
- US\$125 million sustainability-linked hedging solution in 2020
- HK\$400 million sustainable bonds issued in 2021
- HK\$965 million sustainability-linked loans in 2021

Total sustainable financing at year-end stood at approximately HK\$3,890 million, representing around 21% of the Group’s total Gross Debts. We aim to gradually increase the sustainable finance portion of the Group’s overall debt portfolio.

FINANCIAL INFORMATION

The final results of the Group for the year ended 31 December 2021 have been reviewed by the Audit and Risk Management Committee of the Company. The financial information relating to the years ended 31 December 2021 and 2020 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 2020 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 2021 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 2021 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 2021

	<u>Notes</u>	<u>2021</u> <i>HK\$ million</i>	<u>2020</u> <i>HK\$ million</i>
Turnover	3	3,608	3,710
Property expenses		(499)	(490)
Gross profit		3,109	3,220
Investment income		92	272
Other gains and losses		(8)	5
Administrative expenses		(274)	(268)
Finance costs		(393)	(546)
Change in fair value of investment properties		(720)	(4,903)
Share of results of:			
associates		458	225
joint ventures		(3)	-
Profit (loss) before taxation		2,261	(1,995)
Taxation	5	(358)	(353)
Profit (loss) for the year	6	1,903	(2,348)
Profit (loss) for the year attributable to:			
Owners of the Company		1,383	(2,547)
Perpetual capital securities holders		459	288
Other non-controlling interests		61	(89)
		1,903	(2,348)
Earnings (loss) per share (expressed in HK cents)	7		
Basic		133	(244)
Diluted		133	(244)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
Profit (loss) for the year	1,903	(2,348)
Other comprehensive income (expenses)		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Loss on revaluation of properties held for own use (net of tax)	(18)	(1)
Change in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")	314	5
	296	4
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net adjustments to hedging reserve	(20)	(122)
Share of translation reserve of an associate	167	341
	147	219
Other comprehensive income for the year (net of tax)	443	223
Total comprehensive income (expenses) for the year	2,346	(2,125)
Total comprehensive income (expenses) attributable to:		
Owners of the Company	1,826	(2,324)
Perpetual capital securities holders	459	288
Other non-controlling interests	61	(89)
	2,346	(2,125)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<u>Notes</u>	<u>2021</u> <i>HK\$ million</i>	<u>2020</u> <i>HK\$ million</i>
Non-current assets			
Investment properties		95,107	74,993
Property, plant and equipment		472	834
Investments in associates		5,995	5,577
Loans to associates		10	11
Investments in joint ventures		475	125
Loans to a joint venture		1,256	1,153
Other financial investments		1,780	789
Debt securities		843	454
Deferred tax assets		90	55
Other financial assets		9	1
Other receivables	9	1,835	361
		<u>107,872</u>	<u>84,353</u>
Current assets			
Accounts and other receivables	9	887	467
Debt securities		171	-
Tax recoverable		39	-
Time deposits		1,866	10,546
Cash and cash equivalents		6,538	14,389
		<u>9,501</u>	<u>25,402</u>
Current liabilities			
Accounts payable and accruals	10	820	931
Deposits from tenants		372	377
Amounts due to non-controlling interests		214	217
Borrowings		531	-
Taxation payable		-	27
		<u>1,937</u>	<u>1,552</u>
Net current assets		<u>7,564</u>	<u>23,850</u>
Total assets less current liabilities		<u>115,436</u>	<u>108,203</u>
Non-current liabilities			
Amounts due to non-controlling interests		7,639	-
Borrowings		18,126	18,970
Other financial liabilities		149	183
Deposits from tenants		546	597
Deferred tax liabilities		1,091	1,004
		<u>27,551</u>	<u>20,754</u>
Net assets		<u>87,885</u>	<u>87,449</u>
Capital and reserves			
Share capital		7,723	7,722
Reserves		66,147	65,958
Equity attributable to owners of the Company		<u>73,870</u>	<u>73,680</u>
Perpetual capital securities		10,657	10,657
Other non-controlling interests		3,358	3,112
Total equity		<u>87,885</u>	<u>87,449</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 2021. 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.

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 recognized 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 of properties for sale or leasing

Segment turnover and results

The following is an analysis of the Group's turnover and results 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>
For the year ended					
31 December 2021					
Turnover					
Leasing of investment properties	1,447	1,519	233	-	3,199
Provision of property management services	173	209	27	-	409
Segment revenue	1,620	1,728	260	-	3,608
Property expenses	(265)	(178)	(56)	-	(499)
Segment profit	1,355	1,550	204	-	3,109
Investment income					92
Other gains and losses					(8)
Administrative expenses					(274)
Finance costs					(393)
Change in fair value of investment properties					(720)
Share of results of: associates					458
a joint venture					(3)
Profit before taxation					2,261

	<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
For the year ended					
31 December 2020					
Turnover					
Leasing of investment properties	1,431	1,598	266	-	3,295
Provision of property management services	169	216	30	-	415
Segment revenue	<u>1,600</u>	<u>1,814</u>	<u>296</u>	<u>-</u>	<u>3,710</u>
Property expenses	(247)	(187)	(56)	-	(490)
Segment profit	<u><u>1,353</u></u>	<u><u>1,627</u></u>	<u><u>240</u></u>	<u><u>-</u></u>	<u><u>3,220</u></u>
Investment income					272
Other gains and losses					5
Administrative expenses					(268)
Finance costs					(546)
Change in fair value of investment properties					(4,903)
Share of results of associates					225
Loss before taxation					<u>(1,995)</u>

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 and a joint venture. 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>
As at 31 December 2021					
Segment assets	31,921	34,715	8,715	21,199	96,550
Investments in and loans to associates					6,005
Investment in a joint venture					352
Other financial investments					1,780
Other assets					12,686
Consolidated assets					117,373
As at 31 December 2020					
Segment assets	31,727	34,602	8,731	1,278	76,338
Investments in and loans to associates					5,588
Other financial investments					789
Other assets					27,040
Consolidated assets					109,755

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, investment in a joint venture, other financial investments, debt securities, other financial assets, deferred tax asset, 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.

Included in the Property Development segment is an investment property under development, which will be transferred to other segment upon completion of the development.

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

All the Group's non-current assets excluding financial instruments and deferred tax assets are located in Hong Kong, except for those assets with carrying amounts of HK\$7,522 million (2020: HK\$5,585 million) which operate in Mainland China.

Other segment information

	<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
For the year ended					
31 December 2021					
Additions to non-current assets	320	102	8	20,020	20,450
For the year ended					
31 December 2020					
Additions to non-current assets	730	66	46	-	842

5. Taxation

	<u>2021</u> HK\$ million	<u>2020</u> HK\$ million
Current tax		
Hong Kong Profits Tax		
- current year	306	329
- under-provision in prior years	3	-
Deferred tax	49	24
	358	353

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

6. Profit (loss) for The Year

	<u>2021</u> <i>HK\$ million</i>	<u>2020</u> <i>HK\$ million</i>
Profit (loss) 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>29</u>	<u>24</u>
Gross rental income from investment properties including rentals received with reference to turnover of tenants of HK\$118 million (2020: HK\$51 million)	(3,199)	(3,295)
Less:		
- Direct operating expenses arising from leasing of investment properties	<u>167</u>	<u>166</u>
	<u>(3,032)</u>	<u>(3,129)</u>
Staff costs (including directors' emoluments)	<u>274</u>	<u>282</u>
Share of income tax of associates (included in share of results of associates)	<u>180</u>	<u>92</u>

7. Earnings (loss) Per Share

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

	<u>Earnings (loss)</u>	
	<u>2021</u> <i>HK\$ million</i>	<u>2020</u> <i>HK\$ million</i>
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share:		
Profit (loss) for the year attributable to owners of the Company	<u>1,383</u>	<u>(2,547)</u>

	<u>Number of shares</u>	
	<u>2021</u>	<u>2020</u>
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	1,038,238,085	1,041,797,236
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	<u>95,159</u>	<u>-</u>
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<u>1,038,333,244</u>	<u>1,041,797,236</u>

The computation of diluted earnings (loss) per share does not assume the exercise of certain (2020: all) of the Company's outstanding share options as the exercise prices of those options were higher than the average market price for shares.

8. Dividends

(a) Dividends recognized as distribution during the year:

	<u>2021</u> <i>HK\$ million</i>	<u>2020</u> <i>HK\$ million</i>
2021 first interim dividend paid - HK27 cents per share	281	-
2020 first interim dividend paid - HK27 cents per share	-	281
2020 second interim dividend paid - HK117 cents per share	1,216	-
2019 second interim dividend paid - HK117 cents per share	-	1,221
	<u>1,497</u>	<u>1,502</u>

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

	<u>2021</u> <i>HK\$ million</i>	<u>2020</u> <i>HK\$ million</i>
Second interim dividend (in lieu of a final dividend) - HK117 cents per share (2020: HK117 cents per share)	<u>1,210</u>	<u>1,216</u>

The second interim dividend is not recognized as a liability as at 31 December 2021 because it has been declared after the end of the reporting period. It will be payable in cash.

9. Accounts and Other Receivables

	<u>2021</u> <i>HK\$ million</i>	<u>2020</u> <i>HK\$ million</i>
Accounts receivable	64	67
Interest receivable	111	109
Prepayments in respect of investment properties	132	149
Deposits of acquisition of a subsidiary	1,520	-
Other receivables and prepayments	895	503
	<hr/>	<hr/>
Total	2,722	828
	<hr/> <hr/>	<hr/> <hr/>
Analysed for reporting purposes as:		
Current assets	887	467
Non-current assets	1,835	361
	<hr/>	<hr/>
	2,722	828
	<hr/> <hr/>	<hr/> <hr/>

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.

	<u>2021</u> <i>HK\$ million</i>	<u>2020</u> <i>HK\$ million</i>
Less than 30 days	28	34
31-90 days	30	23
Over 90 days	6	10
	<hr/>	<hr/>
	64	67
	<hr/> <hr/>	<hr/> <hr/>

10. Accounts Payable and Accruals

	<u>2021</u> <i>HK\$ million</i>	<u>2020</u> <i>HK\$ million</i>
Accounts payable	193	277
Interest payable	155	161
Other payables	472	493
	<u>820</u>	<u>931</u>

At the end of the reporting period, accounts payable of the Group with carrying amount of HK\$143 million (2020: HK\$160 million) were aged less than 90 days.

11. Subsequent Event

On 4 January 2022, Hysan (Shanghai) Limited, an indirect wholly-owned subsidiary of the Company, completed the acquisition of asset through an acquisition of Scorecity Investments Limited (the "Acquisition"), being an indirect holder of a commercial complex located at Nos. 668 and 688 Xinzha Road, Shanghai, the PRC. Upon the completion of the Acquisition, Scorecity Investments Limited became an indirect wholly-owned subsidiary of the Company.

On 25 January 2022, Patchway Holdings (HK) Limited, a 60% owned-subsiary of the Company, entered into a facility agreement with several banks for an aggregate facility amounted to HK\$12,951 million. The proceeds from such facilities are expected to be used for refinancing up to 40% of the total sum of land premium paid and 80% of construction cost and the related professional fees in connection with the Group's investment properties under development.

On 7 February 2022, Lucida Enterprises Limited, an indirect wholly-owned subsidiary of the Company, entered into the shareholder's agreement to subscribe 25% of the enlarged issued share capital of Nation Star Development Limited ("Nation Star"). Nation Star won the tender of the development of the land known as Kowloon Inland Lot No. 11279 in October 2021. Upon completion, Nation Star will be accounted for in the Group's future consolidated financial statements by applying equity accounting method.

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 provides guidance on how corporate governance principles are applied in 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 complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the review year. 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.

Corporate Responsibility and Sustainability

The Group's first corporate responsibility/sustainability report was published in 2006. This year's report is the 16th report we have produced focusing on our social and environmental efforts.

Our "Sustainability Report 2021", setting out the Group's corporate responsibility and sustainability performance, will be available on our website at www.hysan.com.hk. The Group has applied the principles and complied with all applicable requirements and provisions of the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules in preparation of its Sustainability Report. The reported information has also been verified by Hong Kong Quality Assurance Agency.

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 year.

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

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

During the year, the Company repurchased an aggregate of 5,500,000 ordinary shares for a total consideration of approximately HK\$146 million on the Stock Exchange. The repurchased shares were cancelled during the year. Details of the shares repurchased are as follows:

Month of repurchase in 2021	Number of ordinary shares repurchased	Consideration per share		Aggregate consideration paid HK\$ million
		Highest HK\$	Lowest HK\$	
June	100,000	29.95	29.95	3
August	1,600,000	28.50	27.45	45
September	1,700,000	27.60	24.20	42
October	1,500,000	27.30	24.75	40
November	600,000	27.10	26.25	16
	<u>5,500,000</u>			<u>146</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 2021 was 467 (2020: 489). The Group's human resources practices are aligned with our corporate objectives so as to maximize shareholder value and achieve growth. Details on our human resources programmes, training and development are set out in the "Sustainability Report 2021".

Closure of Register of Members

The second interim dividend will be paid to shareholders whose names appear on the register of members on Friday, 11 March 2022 and the payment date will be on or about Friday, 25 March 2022. The register of members will be closed on Friday, 11 March 2022, on which date no transfer of shares will be registered. The ex-dividend date will be Wednesday, 9 March 2022. 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, 10 March 2022.

The register of members will also be closed from Monday, 16 May 2022 to Thursday, 19 May 2022, 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 Friday, 13 May 2022.

AGM

AGM will be held on Thursday, 19 May 2022. Notice of AGM will be published on the websites of the Company (www.hysan.com.hk) and the Stock Exchange (www.hkexnews.hk), and despatched to shareholders around end of March 2022.

By Order of the Board

Lee Irene Yun-Lien

Chairman

Hong Kong, 24 February 2022

*As at the date of this announcement, the Board of Directors comprises: Lee Irene Yun-Lien (Chairman), Lui Kon Wai (Executive Director and Chief Operating Officer), Churchouse Frederick Peter**, Fan Yan Hok Philip**, 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) and the Stock Exchange (www.hkexnews.hk). The Annual Report 2021 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 2022.