



## 2021 was a milestone year for Hysan Development.

We delivered a series of significant investments in our medium-to-long term strategic plan. Our strategy involves the continued curation and expansion of our “Core” in Lee Gardens, as well as investment in growth “Pillars” which will deliver a more balanced and diversified portfolio for Hysan.

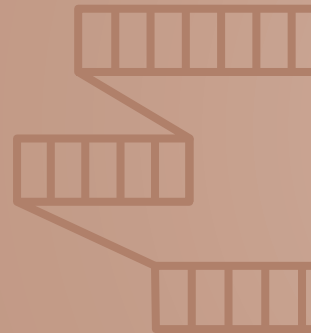
**Lee Irene Yun-Lien**  
*Chairman*

## Core and Pillars

### GBA Flex Business

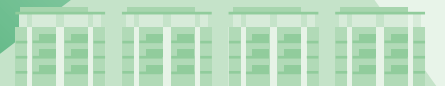


### AREA REJUVENATION



### CONNECTIVITY

### Residential Development & Sales



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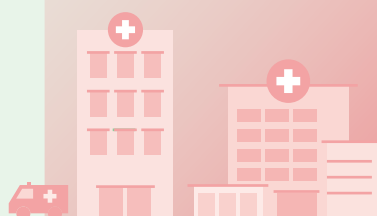
## Lee Gardens Shanghai



## CAROLINE HILL ROAD PROJECT

# LEE GARDENS HONG KONG

## SMART COMMUNITY BASED BUSINESS MODEL



## Medical & Health

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

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

A summary of the Sustainability Report is provided on pages 91 to 93 of this Annual Report.



Scan QR code to read the  
Sustainability Report 2021

# 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 site 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 minibuses 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



# Expanding and Connecting Lee Gardens

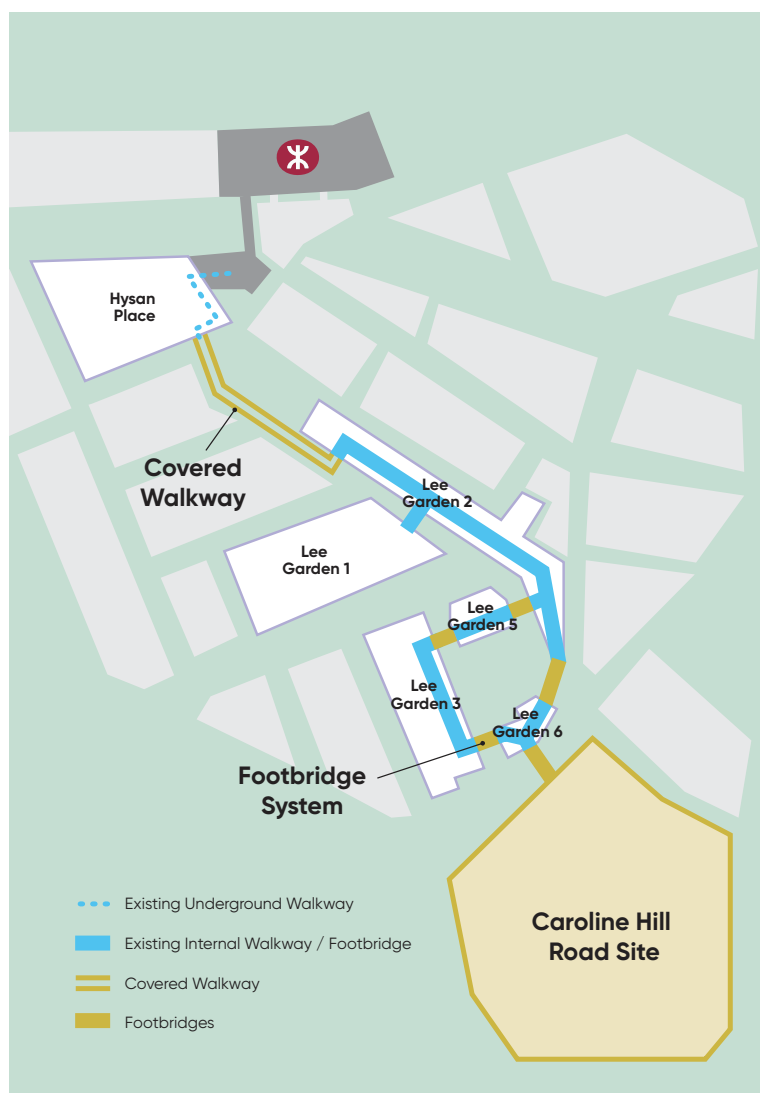
## Caroline Hill Road

The Caroline Hill Road site is a strategic piece of Hysan's Lee Gardens area puzzle. Hysan plans to develop premium commercial buildings with community facilities at this site, creating significant synergies with Hysan's existing Lee Gardens amenities. A long-term investment, it is scheduled for completion in 2026. It will expand

the scale of the Lee Gardens portfolio by 30%. It also aims to reinforce Hysan's leading position in Hong Kong and the importance of Causeway Bay as a key destination for locals and visitors. The lush background of 60,000 square feet of greenery will also make the site Hong Kong's most unique urban oasis.







## Enhanced Connectivity & Walkability

The potential value of the project will be enhanced by a proposed area connectivity scheme, which will offer pedestrians a pleasant, weatherproof walking journey to and from Causeway Bay MTR station and the present Lee Gardens area, as well as its future extension at the Caroline Hill Road site.







## BUILDING THE PILLARS

# Developing Lee Gardens Shanghai

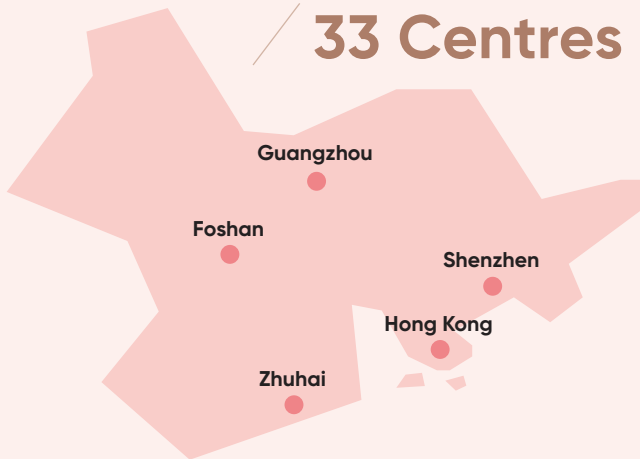


Shanghai is one of the most vibrant and cosmopolitan cities in the world. Hysan has added a new 24-storey commercial complex, Lee Gardens Shanghai, to our portfolio. It is located in the heart of Jing'an district, a 3-minute walk from the Shanghai Natural History Museum Station, and one station away from Nanjing West Road and Dazhongli. This is a historic area not

dissimilar to our Lee Gardens area, which also blends brand-new with traditional architecture.

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

## 5 Cities 33 Centres



Hysan joined the leading flexible workspace operator IWG to manage its 33 existing locations across the Greater Bay Area. Through the arrangement, we will continue to expand the business presence of IWG's brands in the vast and growing flexible workspace market in the region.

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

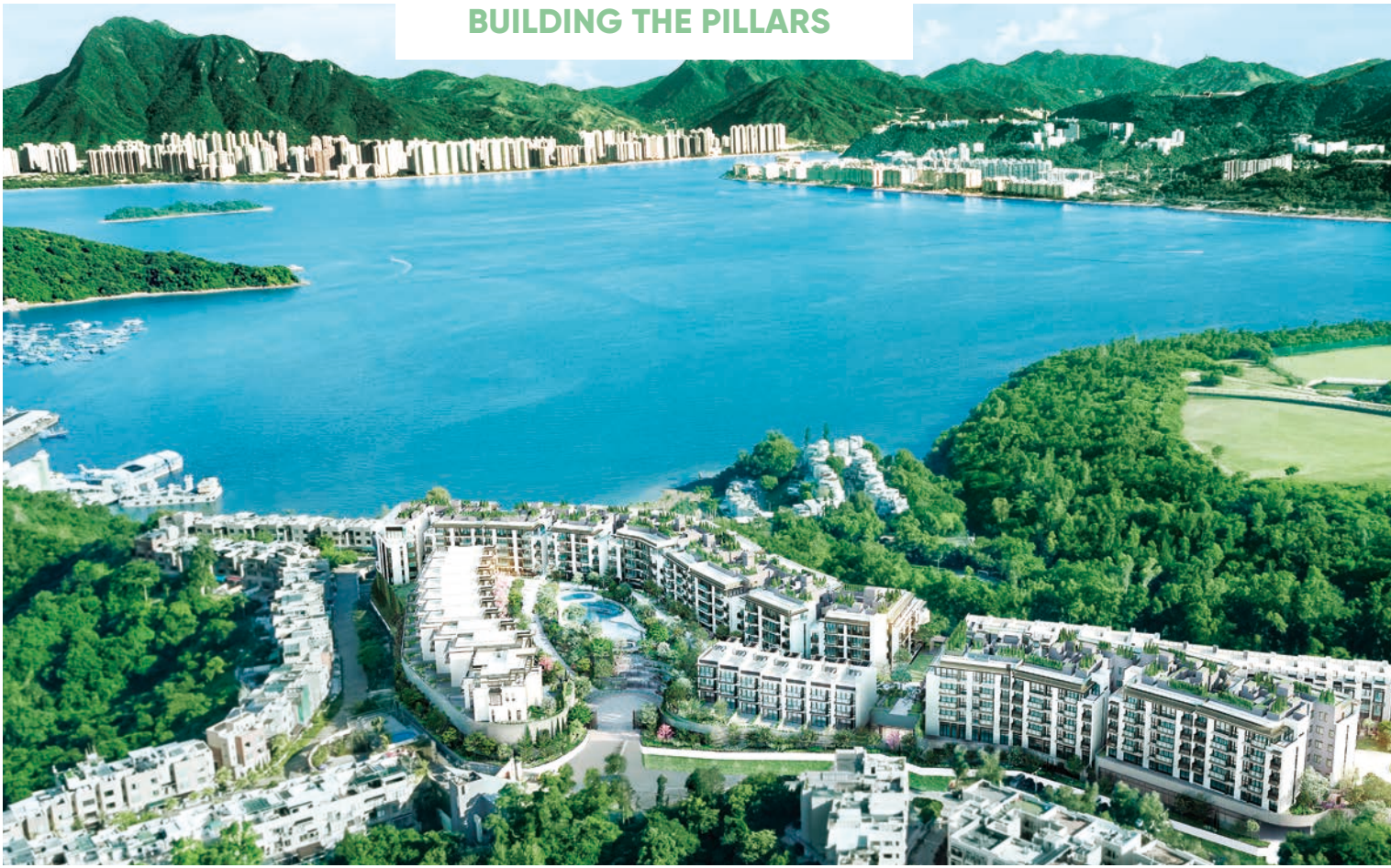
# Joining IWG on a Greater Bay Area Flex Workspace Venture



### BUILDING THE PILLARS







## Unveiling a Quality Residential Haven in Tai Po



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

Its geographical advantages will be magnified with 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 be the perfect haven for executives and professionals working in those areas.



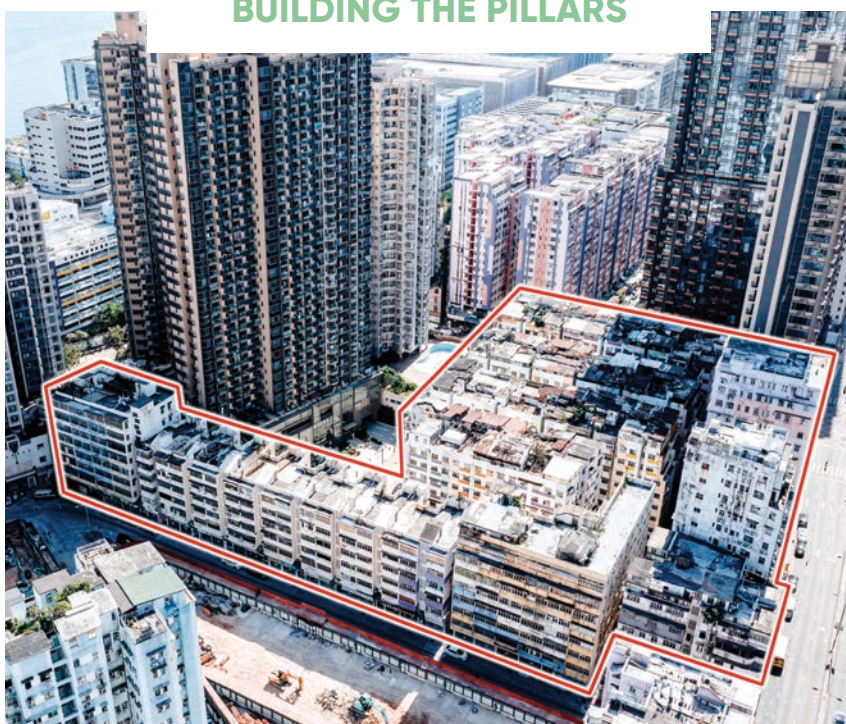


# Curating the retail portion of a To Kwa Wan Residential Project

Hysan recently acquired a 25% stake in a joint venture to develop the Urban Renewal Authority's residential project at Bailey Street/Wing Kwong Street in Kowloon's To Kwa Wan.

The quality site is adjacent to the blossoming commercial and residential hub of Kai Tak and within a 5-minute walk 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.

## BUILDING THE PILLARS



# Investing in the Premium Healthcare Sector through New Frontier Group

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 have 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.

## BUILDING THE PILLARS





# Combatting COVID-19

2021 remained a difficult year for Hong Kong as COVID-19 continued to prevent the city from returning to full normalcy. Hysan played its part to provide extensive support to the community throughout the year. Our dynamic and multi-faceted solutions to aid our tenants included the provision of more than 1000 medical-grade air purifiers to our food and beverage and service industry lessees.

We partnered with Adventist Medical to host Hong Kong's first mall-based vaccination promotion centre. We also donated health-check packages through Adventist and Po Leung Kuk to the underprivileged and frontline workers in preparation for vaccination.

We are proud that 99 % of our staff members had received two vaccination doses even before the end of 2021.







# OVERVIEW

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# Key Facts

## VISION

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

## MISSION

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

## VALUES

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

## ➤ Our Portfolio



Hysan's investment portfolio is set predominantly in Lee Gardens, a unique part of Hong Kong's renowned commercial heart in Causeway Bay.

Within our approximately 4.5 million square feet of retail, office and residential tenant space, we strive to become partners with our tenants and create a sustainable ecosystem. Our medium-to-long term strategy involves the continued refinement and expansion of our "Core" in Lee Gardens, as well as investment in growth "Pillars" which will deliver a more balanced and diversified portfolio for Hysan.



## Value Creation

### Financial Achievements:

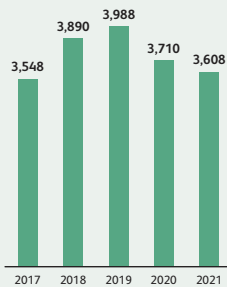
- Steady and progressive total return
- Strong balance sheet

#### Active Management

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

#### Turnover

2017-2021 (HK\$ million)

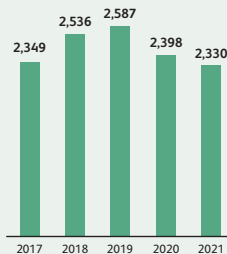


#### Financial Achievements

Maintain resilience and strength in the face of adversity

#### Recurring Underlying Profit

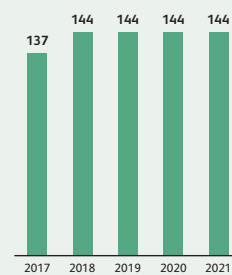
2017-2021 (HK\$ million)



#### Dividends per Share

Provide steady returns

2017-2021 (HK cents)



### Supported by Strong Underlying Non-Financial Achievements:

#### Environment

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

#### Community

Make positive contributions to communities where we operate

#### Employees

Create a working environment where talent can thrive

#### Governance

Strong governance is the heart of long-term sustainable performance

## KEY FACTS

### ➤ Our Assets

#### **Hysan Place** *Office and Retail*

**Greenest commercial building and trendiest shopping centre in town**

Completed 2012

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

#### **Lee Theatre Plaza** *Retail only*

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

Completed 1994 | Lower zone renovated 2013

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

#### **Leighton Centre** *Office and Retail*

**Popular office complex amongst sports and lifestyle shops**

Completed 1977 | Renovated 2011

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

**HYSAN PLACE**

**LEE THEATRE PLAZA**

**ONE HYSAN AVENUE**

**LEE GARDEN ONE**

**LEIGHTON CENTRE**

#### **One Hysan Avenue** *Office and Retail*

**Efficient office and retail building in prime site**

Completed 1976 | Renovated 2011

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

## Shanghai

### **Lee Gardens Shanghai**

**Grade A commercial complex in one of the world's most vibrant cities**

Acquired in 2022

Approx. Gross Floor Area	Number of Floors
<b>736,000 ft<sup>2</sup></b>	<b>24</b>



**Lee Garden One** *Office and Retail*

Home to international corporations and premium brands

Completed 1997

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

**Lee Garden Two** *Office and Retail*

Spacious offices and home to children's concept floors

Completed 1992 | Retail podium renovated 2019

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

**Lee Garden Three** *Office and Retail*

Newest commercial address in Lee Gardens

Completed 2017

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

**Lee Garden Five** *Office and Retail*

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

Completed 1989 | Renovated 2009

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

**Lee Garden Six** *Office and Retail*

Convenient office and retail location

Completed 1988 | Renovated 2004

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

**Bamboo Grove** *Residential*

Quality international living in Mid-Levels

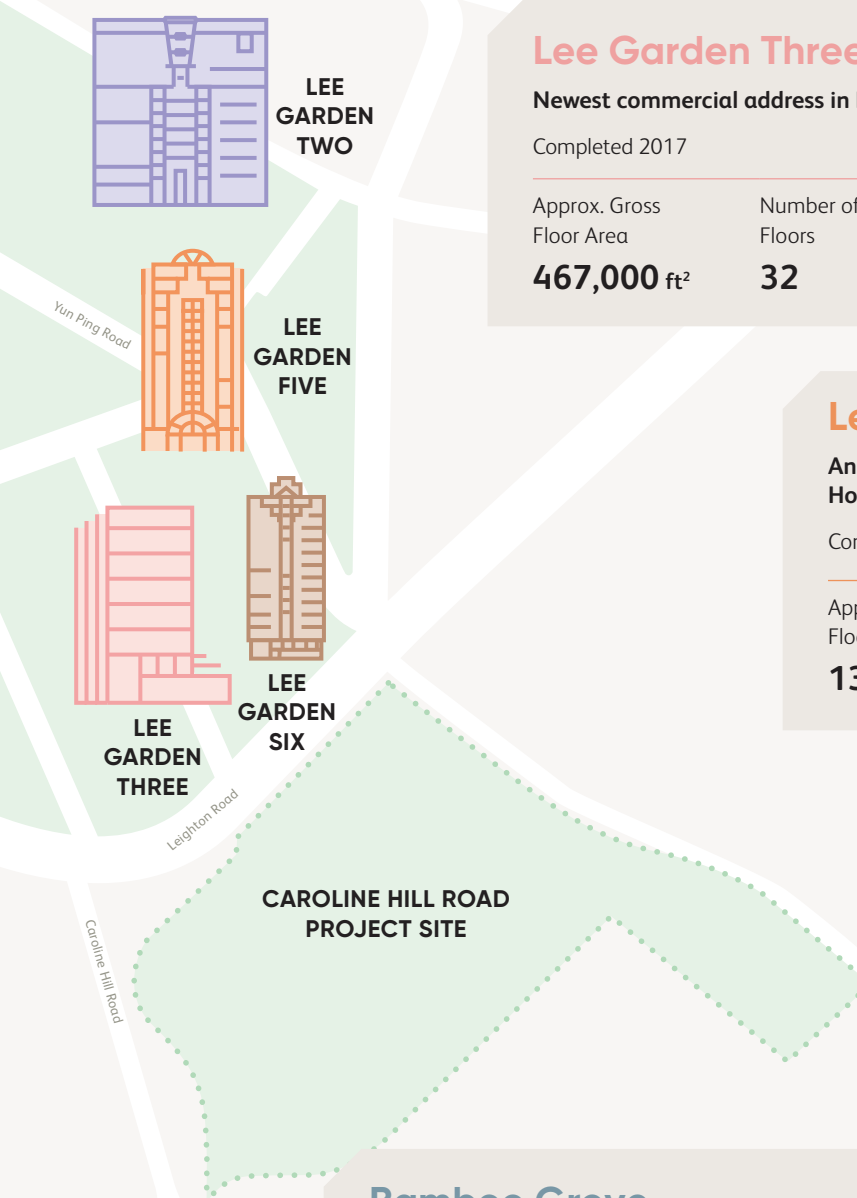
Completed 1985 | Renovated 2019

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

Kennedy Road



**BAMBOO GROVE**





# 2021 Performance at a Glance

## ➤ Environmental, Social and Governance Recognitions

- “Four-star” rating and “Green Star” designation: Global Real Estate Sustainability Benchmark (“GRESB”). An “A” for public disclosure for the third year running
- “AA” Rating: Hang Seng Corporate Sustainability Benchmark Index
- “A” Rating: MSCI ESG Ratings assessment
- Constituent member: FTSE4Good Index Series
- “Low Risk”: Sustainalytics ESG Risk Rating
- Best IR Company, Best Annual Report, Grand ESG Award, Best ESG-E, Best ESG-S, Best ESG-G (Mid Cap) in the Hong Kong Investor Relations Association’s Investor Relations Awards 2021
- Gold Award (Non-Hang Seng Index - Medium Market Capitalization Category) in the Hong Kong Institute of Certified Public Accountants Most Sustainable Companies/Organizations Awards 2021
- Excellence Award in Environmental, Social and Governance Reporting in the Hong Kong Management Association’s 2021 Best Annual Reports Awards
- Certificate of Excellence in the Hong Kong Management Association’s Hong Kong Sustainability Award 2020/21 Organization Awards (Large-sized Organizations Category)
- Honours Award (Traditional Annual Report) in MerComm, Inc’s 2021 International ARC Awards (Real Estate Development/SVC: Various & Multi-Use Category)

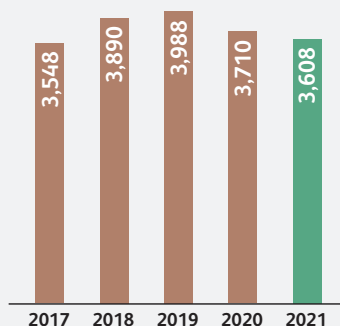


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## ➤ Financial Performance

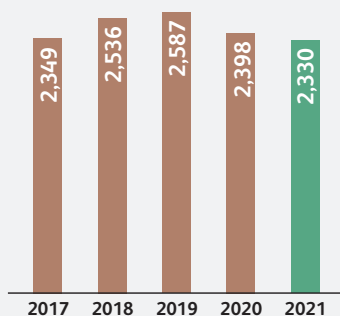
### Turnover

HK\$3,608m  
↓ 2.7%



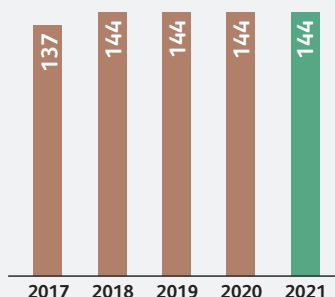
### Recurring Underlying Profit

HK\$2,330m  
↓ 2.8%



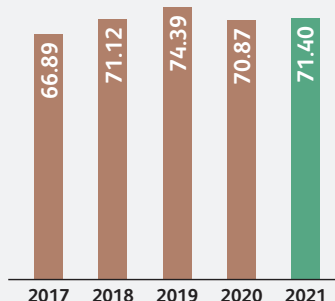
### Dividends per Share

HK144 cents



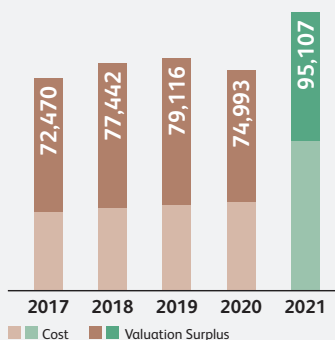
### Net Asset Value per Share

HK\$71.40  
↑ 0.7%



### Property Value

HK\$95,107m  
↑ 26.8%



## Financial Prudence

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

9.1 times  
(2020: 9.8 times)

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

11.7%  
(2020: Net Cash)

### Effective Interest Rate

2.9%  
(2020: 3.0 %)

### Average Debt Maturity

6.1 years  
(2020: 6.8 years)

### Fixed Rate Debt

75%  
(2020: 88 %)

### Capital Market Issuances

92%  
(2020: 89 %)

### Credit Ratings

Moody's: A3

Fitch: A-

#### Notes:

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

# Financial Review Summary

## 1 Turnover

Turnover decreased year-on-year by 2.7%. 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.

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.

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). 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.

Hysan's residential portfolio turnover decreased by 12.2% to HK\$260 million (2020: HK\$296 million). 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.

Details of the operating performances of the group's individual operations are set out on pages 26 to 30 of the Review of Operations.

## 2 Finance cost

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.

## Consolidated Statement of profit or loss for the year ended 31.12.2021

	HK\$ million
1 Turnover	3,608
Operating cost	(773)
Net margin	2,835
Investment income	92
Other losses	(8)
2 Finance costs	(393)
3 Change in fair value of investment properties	(720)
4 Share of results of associates	458
4 Share of results of joint ventures	(3)
Profit before taxation	2,261
Taxation	(358)
Profit for the year	1,903
Attributable to perpetual capital securities holders and other non-controlling interests	(520)
Profit attributable to shareholders	1,383

## Underlying profit attributable to shareholders for the year ended 31.12.2021

	HK\$ million
Profit attributable to shareholders	1,383
Non-operating items	947
5 Underlying profit	2,330

## Consolidated Statement of Cash Flows for the year ended 31.12.2021

	HK\$ million
Net margin	2,835
Changes in other working capital	(19)
Depreciation of property, plant and equipment	29
Cash generated from operations	2,845
Net investment and advance to joint ventures and other financial investments	(1,126)
Net borrowings	7,507
Issuance of perpetual capital securities, net of distribution and transaction costs	(459)
Bank deposits	8,340
Interest and taxation	(861)
Dividends paid	(1,617)
Considerations for share repurchases	(146)
3 Acquisition of investment properties and other capital expenditure	(22,334)
Net cash outflow	(7,851)
Time deposits, cash and cash equivalents	24,935
Less: Time deposits maturing more than 3 months	(10,546)
Cash and cash equivalents at 1.1.2021	14,389
Cash and cash equivalents at 31.12.2021*	6,538
*Representing:	
Time deposits, cash and cash equivalents	8,404
Time deposits maturing more than 3 months	(1,866)
	6,538



## Consolidated Statement of Financial Position at 31.12.2021

	HK\$ million
<b>Net Assets</b>	
3 Investment properties	95,107
Other long-term investments	9,516
Time deposits, cash and cash equivalents	8,404
Other assets	4,346
Total assets	117,373
Borrowings	(18,657)
Taxation	(1,091)
Other liabilities	(9,740)
	87,885
<b>Capital and reserves</b>	
Share capital	7,723
Retained Profits	64,873
Other reserves	15,289
	87,885

## Consolidated Statement of Financial Position at 1.1.2021

	HK\$ million
<b>Net Assets</b>	
3 Investment properties	74,993
Other long-term investment	7,655
Time deposits, cash and cash equivalents	24,935
Other assets	2,172
Total assets	109,755
Borrowings	(18,970)
Taxation	(1,031)
Other liabilities	(2,305)
	87,449
<b>Capital and reserves</b>	
Share capital	7,722
Retained Profits	65,131
Other reserves	14,596
	87,449

## Consolidated Retained Profits for the year ended 31.12.2021

	HK\$ million
Retained profits at 1.1.2021	65,131
Profit attributable to shareholders	1,383
Repurchase of own shares	(146)
Dividends paid during the year	(1,497)
Other reserve movement	2
Retained profits at 31.12.2021	64,873

### 3 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.

### 4 Share of results of 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.

### 5 Underlying profit

Underlying Profit decreased year-on-year by 2.8%. Details of the reconciliation from reported profit to underlying profit are set out on page 27 of the Review of Operations.