2

Business Performance

24 Management's Discussion and Analysis

- **24** Strategy
- **24** Review of Results
- **26** Review of Operations
- **30** Core Expansion and Strategic Pillars
- **32** Financial Review
- **35** Treasury Policy

Management's Discussion and Analysis

STRATEGY

Hysan continues to curate and expand its investment portfolio, which is predominantly located in Causeway Bay, one of Hong Kong's prime commercial districts. We also seek to complement our core business by investing in several strategic growth "pillars", with the aim of delivering a more balanced and diversified portfolio.

REVIEW OF RESULTS

In HK$ million	**2024**	2023	Change
Turnover	**3,409**	3,210	+6.2%
– Retail	***1,684***	*1,533*	*+9.8%*
– Office	***1,507***	*1,472*	*+2.4%*
– Residential	***218***	*205*	*+6.3%*
Recurring Underlying Profit	**1,956**	1,832	+6.8%
Underlying Profit	**1,956**	1,832	+6.8%

Hysan's Hong Kong investment property portfolio comprises three sectors – office, retail and residential – covering a floor area of approximately 4.5 million square feet. As at 31 December 2024, office properties accounted for around 55% of the Group's investment portfolio by gross floor area, while retail properties made up around 30%. Our office and retail properties are located in Causeway Bay's Lee Gardens precinct. Approximately 15% of the Group's investment portfolio by gross floor area is residential, mainly comprising its Bamboo Grove apartments in Hong Kong's Mid-Levels.

Hysan's Mainland investment property Lee Gardens Shanghai, a Grade A commercial complex situated in one of the world's most vibrant cities, started to deliver a new stream of recurring earnings in 2024. Positioned as a refined lifestyle destination, the development features approximately 0.9 million square feet of commercial gross floor area and 375 parking spaces. As Lee Gardens Shanghai commences operation with its retail and office components, Hysan expects enhanced earnings with occupancy rates and leasing activities picking up.

Turnover and Recurring Underlying Profit improved year-on-year by 6.2% and 6.8% respectively. The ramp-up of Lee Gardens Shanghai contributed to the improvement on financial results, while the structural changes continued to put pressure on the office sector. During the year, on average approximately 3% of our retail area were closed for the major enhancement works of Lee Gardens rejuvenation project. The corresponding impact has been reflected in our retail turnover.

The Board of Directors has declared a second interim dividend of HK81 cents per share (2023: HK81 cents) which will be payable in cash.

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

	2024 **HK$ million**	2023 HK$ million
Reported profit (loss)	**35**	(872)
Change in fair value of properties	**1,229**	2,020
Investment properties	**1,506**	2,763
Less: Effect of other non-controlling interests	**(316)**	(732)
Share of associates (net of tax)	**39**	(11)
Change in fair value of other financial investments	**19**	267
Impairment loss of a joint venture	**258**	–
Imputed interest income on interest-free loan to a joint venture	**–**	(24)
Other gains and losses	**(3)**	(1)
Profit attributable to perpetual capital securities holders	**418**	442
Recurring Underlying Profit / Underlying Profit	**1,956**	1,832

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).

		Business Performance		
Key Performance Indicators	Definition	Sector	**2024**	2023
Turnover Growth	Rental revenue in current year vs that in last year	Retail	**+9.8%**	-6.7%
		Office	**+2.4%**	-6.7%
		Residential	**+6.3%**	-14.2%
Occupancy Rate	Percentage of total lettable area leased / total lettable area of each portfolio at year-end	***Hong Kong***		
		Retail	**92%**	97%
		Office	**90%**	89%
		Residential	**73%**	60%
		Mainland		
		Retail	**41%**	–
		Office	**66%**	24%
Property Expenses Ratio	Property expenses divided by turnover		**18.9%**	19.3%

REVIEW OF OPERATIONS

Retail

Turnover of the Group's retail portfolio saw an increase of 9.8% to HK$1,684 million (2023: HK$1,533 million).

In HK$ million	**2024**	2023	Change
Retail	**1,684**	1,533	+9.8%
– Hong Kong	***1,678***	*1,533*	*+9.5%*
– Mainland	***6***	–	*n/m*

n/m: not meaningful

Hong Kong Portfolio

Turnover increased by 9.5% to HK$1,678 million (2023: HK$1,533 million). This included turnover rent of HK$127 million (2023: HK$154 million).

Retail occupancy decreased to 92% as at 31 December 2024 (2023: 97%). Despite a slight decrease in occupancy, rental reversion rate on renewals, rent review and new lettings was predominantly positive during 2024. This was attributed to the asset enhancement works and ongoing positive results from the Lee Gardens Rejuvenation strategy, which had attracted and secured tenants with stronger sales potential and higher rental affordability. As Hong Kong's retail landscape continues to evolve, the Group has actively optimised tenant mix to adapt to shifting market dynamics, and these strategic adjustments have led to temporary vacancy periods.

Hong Kong's retail sector remained under pressure during the year. In large part, this was due to changing consumption patterns among visitors and residents, whose preferences are shifting to experiential shopping over traditional shopping. Other factors affecting this sector included economic uncertainties, the effect of a strong Hong Kong dollar on tourists' purchasing power, outbound travel and northbound consumption by Hong Kong residents, and persistently high interest rates. Chinese consumers have also adjusted their spending priorities in reaction to changing economic conditions.

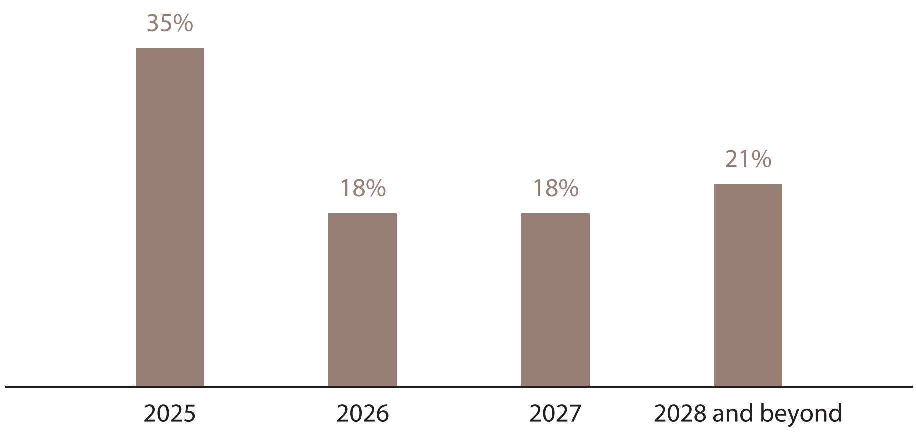
During the year, we strengthened our communication and marketing collaborations with anchor tenants to create better customer experience and sales performance. Lee Garden One and Lee Garden Five also welcomed the reopening of several major luxury anchor tenants. The reopening of these expanded and new maisons reinforced Lee Gardens' position as the premier destination for top luxury brands in Hong Kong.

The latter part of 2024 saw the arrival of strategic additions to the tenant mix at Lee Garden One, including curated lifestyle brands alongside fine dining restaurants. Notable arrivals included Hong Kong's first Michelin green star-certified restaurant and renowned overseas F&B outlets making their debut in Hong Kong. These additions complement Lee Garden One's luxury flagship stores to deliver a holistic high-end retail and culinary experience. Further enrichment of luxury offerings at the property is also underway, reinforcing Lee Gardens' prestige as the city's home of luxury.

Hysan Place underwent a new phase of transformation, with renovations extending from the Atrium on the 1/F to the 3/F, where over 30 international and local brands were welcomed. The first phase of the transformation, spanning two rejuvenated basement floors at Hysan Place, received a Bronze Award in the Best Shopping Experience category at the MIPIM Asia Awards 2024. The accolade recognises the concept's departure from conventional arcade shopping to a refreshed urban living and shopping experience. Hysan Place actively curated its tenant mix and optimised store layouts to create a diverse mix of offerings that elevate the urban retail and dining experience, making a strong statement of the unique positioning of #URBANHOOD.

Our integrated pedestrian walkway system, slated for completion in 2026, is expected to enhance connectivity, accessibility and walkability throughout the Lee Gardens precinct, making it an even more attractive destination for retail tenants. Also under construction, Lee Garden Eight made steady progress towards its completion by the second half of 2026, which will add more than 100,000 square feet of complementary retail space to the portfolio.

Retail Lease Expiry Profile by Area Occupied
(As at 31 December 2024)



Mainland Portfolio
Enhancement work for the Lee Gardens Shanghai retail podium was completed in 2024. Leasing progress is encouraging, with occupancy of 41% as at 31 December 2024 and a further 20% was committed as of date of this announcement. Lee Gardens Shanghai started to generate rental income of HK$6 million during the year.

The Central Government has put forward stimulus measures to increase national expenditure and spur domestic consumption. Leasing activities of Lee Gardens Shanghai are expected to continue picking up and contribute growth to its retail performance.

Marketing Initiatives and Loyalty Programmes
The retail market environment remained challenging during the year, influenced by a basket of factors such as frequent outbound travel by locals and a decrease in tourist arrivals. To counter mall traffic fluctuations throughout 2024, we implemented key campaigns designed to engage the community, drive traffic, boost sales and position Lee Gardens as a vibrant destination for both locals and tourists.

Among the programme of campaigns we curated were Artistry in Bloom during the Lunar New Year – an enchanting installation by renowned American floral illustrator, Jess Phoenix. The Easter ARTventure campaign, targeting families with children, featured workshops and the first-ever giant “messy play” event at Lee Gardens. For summer, we harnessed the Olympic spirit for Skaters’ Night, providing a platform for skateboarders and the urban sports community. Rounding off the year, the Christmas campaign staged immersive AI encounters, festive installations, live performances and other exciting activities that appealed to both locals and tourists. Other events included a Coffee Festival and the Urban Jam Festival, which drew over half a million visitors to the Lee Gardens Area.

Partnerships were a key driver of retail in 2024. These included collaborations with strategic external parties, among which were the Cathay x Hysan Place – HK7s event zone and Halloween campaign with Ocean Park. Both were key contributors towards strengthening our destination appeal. Other partnerships during the year involved anchor tenants in a series of exclusive in-store event activations, joint awareness and publicity campaigns, and outdoor installations that included an outdoor Winter Garden by an artist from Hermès. With Hermès and Cartier, we also held grand store opening events that captured the imagination of the fashion community.

Club Avenue member sales in 2024 remained stable, despite the challenging retail environment. With the launch of our new app in the second quarter of 2024, we were able to enhance our customer segmentation and digital engagement. Satisfactory download and activation rates were driven by tailored campaigns. We also reinforced our Club Avenue customer relationship team to deliver personalised services and shopping experiences that appeal to high-spending luxury shoppers.

Looking ahead, we are confident that Lee Gardens, with its unique positioning and offerings, will maintain its reputation as a best-in-class shopping and lifestyle destination, enabling it to continue thriving as a vibrant, must-visit place for locals and tourists.

Office

Turnover of the Group's office portfolio saw an increase of 2.4% to HK$1,507 million (2023: HK$1,472 million).

In HK$ million	**2024**	2023	Change
Office	**1,507**	1,472	+2.4%
– Hong Kong	***1,440***	*1,462*	*-1.5%*
– Mainland	***67***	*10*	*n/m*

n/m: not meaningful

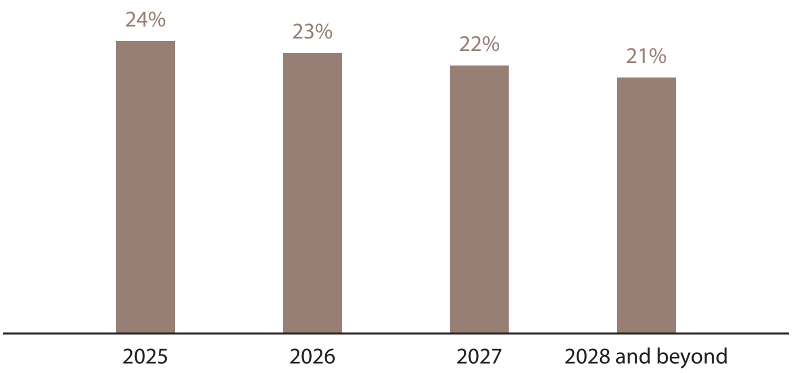
Hong Kong Portfolio

Turnover decreased by 1.5% to HK$1,440 million, compared to HK$1,462 million in 2023. This includes a turnover rent of HK$9 million (2023: HK$5 million).

Office leasing demand in Hong Kong remained subdued, with only modest activity throughout the year. Demand for Grade A offices also softened due to a slower-than-expected economic recovery; most transactions were relatively small-scale compared with before, at under 10,000 square feet, as businesses remained cautious in a volatile market. In response, landlords competed to attract prospective tenants by offering incentives such as rental concessions for both new lets and renewals.

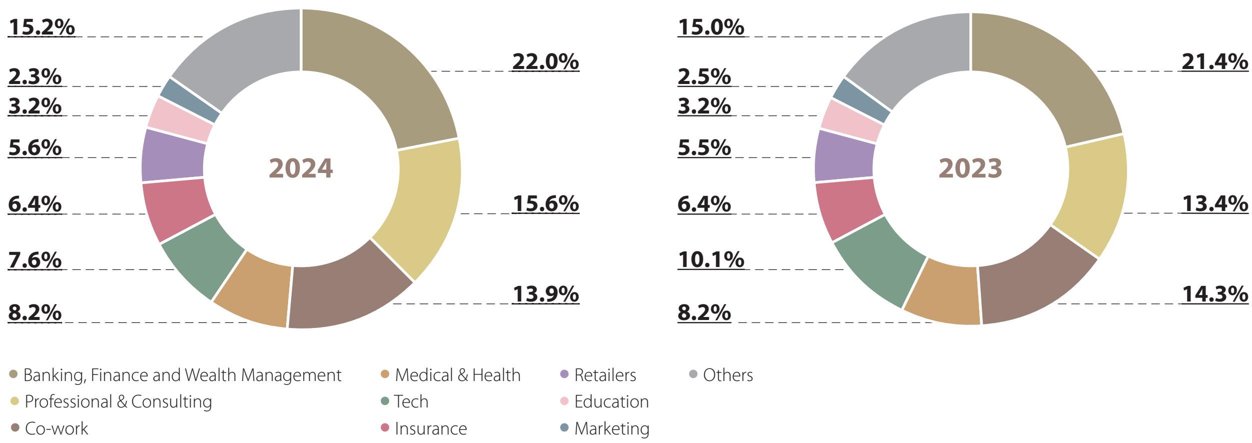
The average rental reversion rate on renewals, rent reviews and new lettings for Hysan's Lee Gardens office portfolio remained negative. Despite market headwinds, the portfolio maintained an occupancy rate of 90% as at 31 December 2024 (2023: 89%).

Office Lease Expiry Profile by Area Occupied
(As at 31 December 2024)



As at the end of 2024, the Banking, Finance and Wealth Management sector continued to occupy the largest share 22.0% (2023: 21.4%) of our tenant portfolio by floor area. The Professional and Consulting sectors and Co-work sector were second and third.

Office Tenant Profile by Area Occupied as at Year-end



The upcoming Lee Garden Eight will enter the market in 2026. Hysan's premium Grade A office portfolio will then be further strengthened in a rejuvenated Lee Gardens. Having secured top-tier sustainability pre-certifications and with more in progress, Lee Garden Eight is primed to capture the expanding demand from anchor tenants with rigorous ESG requirements.

With its Grade A facilities, exceptional retail amenities and professional management, the primely located Lee Gardens has created a compelling, fully-fledged ecosystem. These combined offerings will help to attract and retain quality multinational and local tenants, supporting Hysan's long-term growth strategy in the premium office sector.

Mainland Portfolio

Turnover of Mainland's office portfolio increased to HK$67 million (2023: HK$10 million), contributed by the improvement in occupancy to 66% (2023: 24%).

Residential

Hong Kong's luxury residential leasing market demonstrated resilience in 2024. Despite headwinds in the first half of the year, this resilience was primarily the result of increased demand from new expats coming to Hong Kong, and an expanding pool of executives, professionals and graduates entering Hong Kong through various talent schemes. The talent inflow, which was traditionally propelled by the financial services sector, has now diversified as these schemes successfully attracted talents from a broader spectrum of industries.

Hysan's residential leasing portfolio turnover saw an increase of 6.3% to HK$218 million (2023: HK$205 million). Occupancy was at 73% as at 31 December 2024 (2023: 60%). The average rental reversion in the sector was negative for renewals, rent reviews and new lettings.

CORE EXPANSION & STRATEGIC PILLARS

Commercial Property Development – Lee Garden Eight

Lee Garden Eight, a strategic joint venture with Chinachem Group at Caroline Hill Road, has obtained government approval to build 2,000 square metres of additional gross floor area for the Performing Arts and Cultural Facilities ("PACF") at nil premium during the year. Following this, the joint venture entered into a Memorandum of Understanding with the Extension and Continuing Education for Life of The Hong Kong Academy for Performing Arts ("HKAPA EXCEL") to operate the PACF. The strategic collaboration aims to integrate arts into the community and commercial spaces, promote the development of arts and culture in Hong Kong, and enhance the appeal and cultural vitality of Lee Gardens.

Construction of Lee Garden Eight was well on track during the year towards its target completion in 2026. Lee Garden Eight will mark an important milestone in Hysan's long-term growth plans and will reinforce Lee Gardens precinct as a distinctive destination in Hong Kong.

Lee Garden Eight is included under "investment properties" in our consolidated statement of financial position.

Residential Property Development – VILLA LUCCA in Tai Po and To Kwa Wan Residential Project

VILLA LUCCA, our joint-venture luxury residential development in Tai Po, comprises 262 garden houses and apartments. As at 31 December 2024, a total of 115 units of the project have been contracted.

Following the removal of property cooling measures in early 2024, market sentiment showed a modest improvement during the remainder of the year. Nonetheless, sales were affected as a result of the sluggish economic conditions that prevailed. For the luxury residential sector, purchasers are more cautious reflected by low transaction volume.

VILLA LUCCA, a premium sea view residential development, continued to achieve sales to local buyers while also seeing an increased proportion of buyers from Mainland and overseas. A handful of residential units were converted into sales through rent-to-own contracts, reflecting market demand on this high-quality development, despite broader market headwinds.

For the mass residential market, Hysan owns 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 district. This quality site will be redeveloped into three 24-storey buildings covering a total area of over 700,000 square feet. Hysan will oversee the design and operation of the retail portion of the project. During the year, all foundation works were completed, and construction of the superstructure is now in full swing. An occupation permit is targeted for around the end of 2026 to early 2027.

The VILLA LUCCA Project and To Kwa Wan Residential Project are included under "investments in joint ventures" in our consolidated statement of financial position.

Shanghai Investment Property – Grand Gateway 66

This investment property, in which Hysan owns a 26% stake, demonstrated resilient performance. The investment is included under "investments in associates" under our consolidated statement of financial position.

Greater Bay Area Flex – Joint Venture with IWG plc

All IWG flexible workspace brands in Hong Kong and the Greater Bay Area are exclusively operated under a Hysan-IWG joint venture.

The proven function of flex office in office ecosystem holds a promising future for our investment in flexible working spaces, as reflected in the growing occupancy rate and business performance of the joint venture. Through our partnership with the world's leading flexible workspace platform, IWG, we are optimistic about the prospects of the Greater Bay Area Flex.

The joint venture now operates 38 centres across the Greater Bay Area, with 5 new centres added to the network in 2024. Organic growth in centres and catchment will follow the demands of different cities of the Greater Bay Area.

The investment is included under "investments in joint ventures" in our consolidated statement of financial position.

Medical and Health – New Frontier Group

New Frontier Group is a leading private healthcare services provider based in Mainland. It operates a system of acute hospitals, an online hospital, rehabilitation and geriatric hospitals, oncology centres, ambulatory centres, outpatient clinics, a home health network, training centres and health insurance services across the country.

The business maintained its growth momentum in 2024, with the opening of two new private hospitals in Beijing and Shanghai, respectively, along with the acquisition of a comprehensive private oncology medical group in Hong Kong to strengthen its portfolio in the Greater Bay Area.

Hysan's minority stake investment in New Frontier Group provides strategic exposure for the Group in the Mainland's fast-growing healthcare sector, where demand for premium healthcare services is on the rise.

The investment is included as part of the "other financial investments" in our consolidated statement of financial position.

FINANCIAL REVIEW

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

Operating Costs

The Group's operating costs are generally classified as property expenses (direct costs and front-line staff wages and benefits) and administrative expenses (indirect costs largely representing payroll related costs of management and head office staff). The Group's operating costs to turnover ratio decreased compared to last year, at 28% (2023: 29%).

	2024 HK$ million	2023 HK$ million	Change
Operating costs	**954**	928	+2.8%
– Hong Kong	***886***	*888*	*-0.2%*
– Mainland	***68***	*40*	*n/m*

n/m: not meaningful

Finance Costs

Finance costs decreased to HK$450 million, as compared with HK$478 million in 2023, contributed by exchange gains from borrowings resulting from RMB depreciation. The effective interest rate for the year was 4.3%, as compared with 4.2% in 2023.

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 2024, the Group's investment properties portfolio was valued at HK$96,547 million, an increase of 0.6% from the HK$96,005 million recorded at the prior year-end.

The valuation was carried out by Knight Frank Petty Limited, an independent professional valuer, on the basis of market value. A fair value loss on investment properties (after considering capital expenditure spent on the Group's investment properties) of HK$1,506 million (2023: HK$2,763 million) was recognised in the Group's consolidated statement of profit or loss for the year. The loss mainly reflects heightened market risk in the office sector weakened by continued structural changes.

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

	2024 HK$ million	2023 HK$ million	Change
Retail	**33,094**	32,480	+1.9%
Office	**34,109**	35,688	-4.4%
Residential	**8,664**	8,647	+0.2%
Property under development	**20,680**	19,190	+7.8%
	96,547	96,005	+0.6%

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 decreased to HK$204 million (2023: HK$270 million). The Group's share of the revaluation loss (net of deferred tax) amounting to HK$39 million (2023: revaluation gain of HK$11 million). The properties at Grand Gateway 66 were revalued at fair value by an independent professional valuer for both years ended 31 December 2023 and 2024.

The Group's investment in joint ventures comprises interests in a Tai Po residential project, To Kwa Wan residential project and the IWG Flex business.

Other Financial 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. As at 31 December 2024, other financial investments totalled HK$1,657 million (2023: HK$1,557 million). The increase was primarily attributable to the revaluation of fair value of the investments.

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.

The interest income decreased to HK$134 million (2023: HK$198 million), due to a decrease in the bank deposits placed.

Cash Flow

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

	2024 HK$ million	2023 HK$ million
Cash generated from operations	**2,543**	2,431
Net investment and advance to joint ventures and other financial investments	**(454)**	(531)
Net borrowings (repayments)	**1,210**	(1,334)
Repurchase and distribution of perpetual capital securities	**(1,156)**	(442)
Bank deposits	**948**	4,166
Interest and taxation	**(1,006)**	(1,014)
Dividends paid	**(1,213)**	(1,585)
Considerations for share repurchase	**–**	(1)
Capital expenditure	**(1,890)**	(1,669)
Net cash (outflow) inflow	**(1,018)**	21

The Group's cash generated from operations was HK$2,543 million (2023: HK$2,431 million), HK$112 million higher than that in 2023, reflecting higher Recurring Underlying Profit from our core leasing business.

Net investment and advance to joint ventures and other financial investments, amounted to HK$454 million (2023: HK$531 million) related to advance to the residential site development in Tai Po.

Net borrowings amounted to HK$1,210 million in 2024, reflecting drawdown and repayment of bank loans, repayment of fixed rate notes, and drawdown of loan from non-controlling interest. In 2023, total net repayments were HK$1,334 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 guaranteed 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 (the "Stock Exchange"). In 2024, the distribution paid to perpetual capital securities holders amounted to HK$428 million (2023: HK$442 million).

In 2024, the Group repurchased perpetual capital securities with principal amount of HK$777 million with cash consideration at HK$728 million.

Cash from bank deposits was HK$948 million (2023: HK$4,166 million), which was mainly attributable to reduction in deposits with longer tenor.

In 2024, no ordinary share was repurchased. In 2023, the Group purchased a total of 48,400 ordinary shares for a total of consideration of approximately HK$1 million on the Stock Exchange for a one-off share award plan adopted by the Company on 15 October 2023 in commemoration of the momentous occasion of the 100th anniversary of the establishment of the Group in Hong Kong.

The Group paid dividends of HK$1,109 million (2023: HK$1,479 million), via a 2023 second interim dividend of HK81 cents per share (2023: HK117 cents) and a 2024 first interim dividend of HK27 cents per share (2023: HK27 cents).

Capital Expenditure and Management

Total cash outlay of capital expenditure increased to HK$1,890 million during the year (2023: HK$1,669 million). The capital expenditure during the year was mainly related to Caroline Hill Road project and enhancement works in Lee Gardens area. The Group is committed to enhancing the asset value of its investment property portfolio through selective enhancement and redevelopment.

TREASURY POLICY

Capital Structure Management

To ensure healthy liquidity, a strong financial position, and an optimised capital structure that supports its financing needs and sustainable growth, the Group strives to diversify funding sources and maintain an appropriate debt maturity profile aligned with the overall use of funds. The Group also aims to secure reasonable borrowing margins relative to market conditions and implement effective hedging and forex management strategies.

Funding Sources

The Group's total Gross Debt[1] level as at 31 December 2024 increased to HK$26,717 million (2023: HK$25,717 million), primarily driven by capital expenditure on strategic projects.

During the year, the Group signed HK$8,000 million, 4-year syndicated loan with a consortium of 20 prestigious international and local banks, securing ample funding to meet its refinancing and operational needs over the medium term. As at 31 December 2024, the Group has undrawn committed facilities increasing to HK$16,689 million (2023: HK$11,408 million).

As at 31 December 2024, bank loans accounted for approximately 42% of the Group's total Gross Debt with the remaining 58% from capital market financing (2023: 39%: 61%).

The following table shows the Group's source of debts financing as at 31 December 2024 (in HK$ million):

	Available	Drawn	Undrawn
Secured term loans[2]	12,951	8,812	4,139
Unsecured term loans	5,350	2,150	3,200
Committed revolving loans	9,500	150	9,350
Capital market issuances	15,481	15,481	–
Total committed facilities	**43,282**	**26,593**	**16,689**
Uncommitted loans	2,692	124	2,568
Total source of debts financing	**45,974**	**26,717**	**19,257**

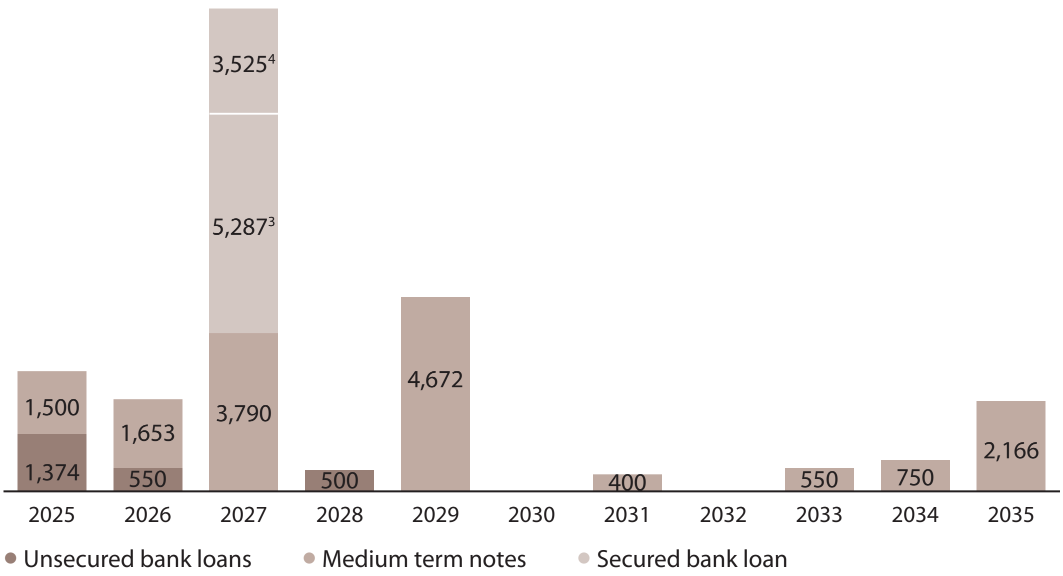
Maturity Profile

The Group maintains a well-staggered debts maturity profile in the coming 10 years to match with the nature of our assets and operations. As at 31 December 2024, the average maturity of debt portfolio was 3.4 years (2023: 4.5 years). Debt totalling HK$2,874 million maturing in 2025 is planned to be refinanced with the Group's undrawn committed facilities.

1 The Gross Debt represents the contractual principal payment obligations as at 31 December 2024. However, in accordance with the Group's accounting policies, the debt is measured at amortised costs, using the effective interest method. As disclosed in the Group's consolidated statement of financial position as at 31 December 2024, the book value of the outstanding debt of the Group was HK$26,514 million (2023: HK$25,564 million).

2 Secured term loans represent the contractual principal payment obligations of the project financing of Caroline Hill Road project.

The following shows the debts maturity profile of the Group at 2024 year-end (in HK$ million):



Gearing ratio and net interest coverage

The Group's gearing ratio, as measured by Net Debt to Equity ratio[5], was 31.4% at year-end 2024 (2023: 27.2%). The Group's Net Interest Coverage[6] decreased to 8.8 times for 2024 (2023: 9.6 times).

Credit Rating

The Group maintains active dialogue with credit rating agencies and aims to maintain its investment-grade credit ratings. As of 31 December 2024, the Group's credit ratings were Baa2 from Moody's and BBB from Fitch, reflecting its strong financial position, liquidity, and prudent capital management strategy.

Liquidity Management

As of 31 December 2024, the Group had cash and bank deposits totalling HK$2,211 million (2023: HK$3,854 million) and investment-grade debt securities of HK$896 million (2023: HK$994 million).

The Group also maintained undrawn committed facilities provided by banks as an additional liquidity buffer.

Interest Rate Management

Interest expenses represent one of the key cost drivers for the Group's business. The Group closely monitors its interest rate exposure and adopts an appropriate hedging strategy based on market conditions. The fixed-rate debt ratio (after accounting for interest rate swaps) as of 31 December 2024 was 61% (2023: 62%). The effective interest rate slightly increased to 4.3% at year-end 2024, compared to 4.2% at year-end 2023.

3 60% secured term loans of Caroline Hill Road project (guaranteed by Hysan).
4 40% secured term loans of Caroline Hill Road project (guaranteed by Chinachem Group).
5 Net Debt to Equity is defined as borrowings less time deposits, cash and cash equivalents divided by total equity.
6 Net Interest Coverage is defined as gross profit less administrative expenses before depreciation divided by net interest expenses after interest capitalisation.

Foreign Exchange Management

The Group aims to maintain prudent currency exposure and does not speculate on currency movements for asset and liability management. It monitors and dynamically manages its foreign currency exposure, including USD and RMB, as appropriate, by applying systematic measures to mitigate foreign currency risk.

Use of Derivatives

As at 31 December 2024, outstanding derivatives were related to the hedging of interest rate risk and foreign currency risk. Strict internal guidelines have been established to ensure that derivatives are used solely to manage volatilities or to adjust the Group's treasury assets and liabilities to an appropriate risk profile.

Counterparty Credit Risk

All deposits are placed with banks with strong credit ratings, and counterparty risk is monitored regularly.

Before entering into any hedging transaction, the Group ensures that its counterparties possess solid investment-grade ratings to mitigate credit risk. As part of our risk management framework, a limit on maximum risk-adjusted credit exposure is assigned to each counterparty, reflecting the counterparty's credit quality.

Sustainable Finance Initiatives

Sustainability is an integral part of our financing strategies. By securing sustainable financing, such as green bonds, green loans, and sustainability-linked loans, we are supporting the transition to a sustainable economy and reinforcing our commitment to sustainable development. As of year-end, sustainable finance transactions totalled HK$18,382 million, accounting for approximately 40% of the Group's total debts and facilities.