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Management's Discussion and Analysis

STRATEGY

Hysan remains focused on curating and growing its asset portfolio, primarily situated in the Lee Gardens precinct of Causeway Bay, one of Hong Kong's prime commercial districts. Complementing our core operations, we invest in strategic growth "pillars" to foster a more balanced and diversified portfolio.

REVIEW OF RESULTS

In HK\$ million	2025	2024	Change
Turnover	3,464	3,409	+1.6%
– Retail	1,727	1,684	+2.6%
– Office	1,508	1,507	+0.1%
– Residential	229	218	+5.0%
Recurring Underlying Profit	1,918	1,956	-1.9%
Underlying Profit	2,510	1,956	+28.3%

As at 31 December 2025, Hysan's Hong Kong investment property portfolio comprises three sectors – office, retail, and residential – covering approximately 4.4 million square feet of gross floor area in operation. Office and retail properties in the Lee Gardens precinct account for 55% and 30% of the Group's investment portfolio by gross floor area, respectively. The residential sector, mainly comprising its Bamboo Grove apartments in Hong Kong's Mid-Levels, accounts for the remaining 15%. Lee Garden Eight, scheduled for completion in 2026, will add approximately 1 million square feet of office and retail space to the Lee Gardens precinct.

Hysan's Mainland investment property, Lee Gardens Shanghai – a Grade A commercial complex situated in one of the world's most vibrant cities – has been delivering a new stream of recurring earnings since 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.

Turnover grew by 1.6% year-on-year, supported by solid performance across core business segments. In Hong Kong, our retail portfolio achieved strong growth in traffic and tenant sales, outperforming the overall Hong Kong market. New and expanded luxury flagships, together with a diverse selection of exciting, curated tenants, continue to enhance rental income. Overall retail rental reversion stayed positive and occupancy improved from 92% to 95%. During the year, on average approximately 4% 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. Office occupancy rose from 90% to 94%, helping to alleviate the impact of negative rental reversions. The strong ramp-up of Lee Gardens Shanghai and the continued occupancy improvement at Bamboo Grove since last year further contributed to overall revenue growth during the year.

Underlying Profit increased by 28.3% year-on-year, mainly due to the gain on the sale of residential units in two blocks at Bamboo Grove. Recurring Underlying Profit decreased by 1.9%, reflecting increased interest cost and loan drawdowns related to asset enhancement projects.

The board of directors of the Company ("Board") has declared a second interim dividend of HK81 cents per share (2024: HK81 cents) which will be payable in cash.

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

	2025 HK\$ million	2024 HK\$ million
Reported profit	315	35
Change in fair value of properties	780	1,229
Investment properties	1,405	1,506
Less: Effect of other non-controlling interests	(654)	(316)
Share of associates (net of tax)	29	39
Change in fair value of other financial investments	87	19
Impairment loss of joint ventures	805	258
Other gains and losses	(2)	(3)
Profit attributable to perpetual capital securities holders	525	418
Underlying Profit	2,510	1,956
Fair value gain on disposed investment properties	(592)	–
Recurring Underlying Profit	1,918	1,956

Key Performance Indicators

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

Key Performance Indicators	Definition	Sector	Business Performance	
			2025	2024
Turnover Growth	Rental revenue in current year vs that in last year	Retail	+2.6%	+9.8%
		Office	+0.1%	+2.4%
		Residential	+5.0%	+6.3%
Occupancy Rate	Percentage of total lettable area leased/total lettable area of each portfolio at year-end	Hong Kong		
		Retail	95%	92%
		Office	94%	90%
		Residential	87%	73%
		Mainland		
		Office	72%	66%
Gross profit margin	Gross profit divided by turnover		80.2%	81.1%

Management's Discussion and Analysis

REVIEW OF OPERATIONS

Retail

Turnover of the Group's retail portfolio saw an increase of 2.6% to HK\$1,727 million (2024: HK\$1,684 million).

In HK\$ million	2025	2024	Change
Retail	1,727	1,684	+2.6%
– Hong Kong	1,704	1,678	+1.5%
– Mainland	23	6	n/m

n/m: not meaningful

Hong Kong Portfolio

Turnover increased by 1.5% to HK\$1,704 million (2024: HK\$1,678 million), including turnover rent of HK\$118 million (2024: HK\$127 million).

As at 31 December 2025, retail occupancy increased to 95% (2024: 92%). Rental reversion rate on renewals, rent reviews and new lettings was predominantly positive during 2025.

During the year, Hong Kong's retail market remained under pressure from the ongoing trend in cross-border shopping and cautious tourist spending. Nevertheless, the market showed signs of stabilisation, supported by a gradual improvement in market momentum. Tourist arrivals grew, especially in the third quarter of the year, due to the HKSAR Government's promotion of mega-events and world-class concerts aimed at attracting international visitors and increasing tourist spending. We expect that the recovery in tourism numbers and improved consumer sentiment will sustain further growth in the retail market in 2026.

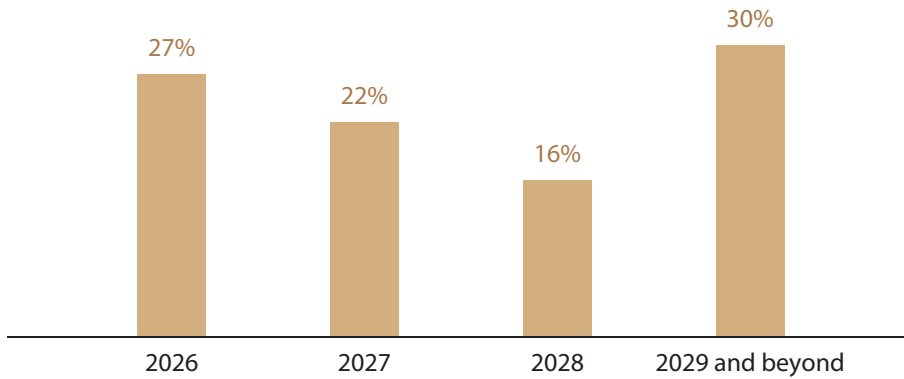
During this encouraging period of market stabilisation, we elevated our retail portfolio with expanded flagship maisons of the luxury brands to offer more distinctive customer experiences. We worked closely with our anchor tenants to create a refreshed, more dynamic retail atmosphere, strengthening Lee Gardens' position as a premier retail destination and enhancing the overall appeal of the precinct. Towards that end, new fine dining restaurants were launched to broaden the culinary options available to visitors.

Another significant addition during the year was the introduction of over 50 new brands to the Lee Gardens precinct that complement our existing portfolio. By diversifying our retail mix, we cater for a wider range of consumer preferences and lifestyles within Lee Gardens. Hysan Place welcomed the new brands with a series of pop-up stores and engaging events, all of which contributed to the vibrant, ever-evolving retail environment of the precinct. This combination of new brands, pop-up stores and curated events reinforced Lee Gardens' reputation as a destination that offers novel and compelling shopping experiences.

Significant progress was also made on Lee Gardens rejuvenation, which is being carried out in phases, as well as construction of Lee Garden Eight and the integrated pedestrian walkway system. These initiatives will elevate the overall shopping experience at Lee Gardens and make the neighbourhood more accessible with heightened engagement and participation by retailers.

Through thoughtfully curated retail options and innovations, Hysan has created a distinctive retail environment that meets the evolving expectations of consumers while providing a dynamic platform on which both established and emerging brands can thrive.

Retail Lease Expiry Profile by Area Occupied (As at 31 December 2025)



Mainland Portfolio

In Chinese Mainland, we have positioned Lee Gardens Shanghai as a business and social hub for the surrounding office precinct. It achieved a retail leasing occupancy of 72% as at 31 December 2025 (2024: 41%).

The retail segment generated rental income of HK\$23 million (2024: HK\$6 million). Despite macro-market challenges from new supply in the area and structural shifts in consumer behaviour, leasing activity at Lee Gardens Shanghai is expected to grow steadily. This will enable us to further diversify our tenant mix, strengthen our resilience and drive sales performance.

Marketing Initiatives and Loyalty Programmes

During the year, we aligned our marketing initiatives in Hong Kong with the gradual return of inbound tourism and steady local consumption. To capture renewed consumer demand, we launched a series of thematic high-impact campaigns that reinforced our portfolio's image as "A Place for All". Blending cultural and lifestyle elements that transcend traditional promotions, these immersive experiences helped promote community engagement and increase commercial performance.

Notable headline events included our culturally immersive Chinese New Year street festival and the "hy! Up Your Balance" wellness campaign combining modern fitness concepts with traditional lion dance classes and rooftop martial arts displays. Another noteworthy event was the "hy! Chill Fest", developed in partnership with ComplexCon, an annual global festival of pop culture, featuring an exhibition of limited edition sneakers and pop-up stores.

We further reinforced Hysan Place's position as a trendsetting urban culture hub with our "hy! & Seek" summer campaign, featuring the viral Mamuang cartoon character by Thai comic artist, Wisut Ponnimit. By showcasing the unique character of Hong Kong's culture alongside global trends, these engaging campaigns highlighted our commitment to integrating art and culture into the retail experience.

Other events included collaborations with a variety of tenants. These included the "Celebrate Every Bite" dining campaign promoting authentic global flavours, the "Threads of Beauty" campaign celebrating self-love with a diverse range of cosmetic brands, and the "Shining Moments" campaign aimed at stimulating spending on luxury brands, attracting over 600 high-value customers joining our VIP shopping night.

Management's Discussion and Analysis

We also collaborated with international celebrities as part of our marketing strategy. They included holding exclusive pop-up events with Korean artist Jisoo and with the sensational drama series, Squid Game. For our year-end Christmas campaign, we transformed Urban Park at Hysan Place into an art carnival, immersing visitors in the artistic universe of Japanese contemporary artist Takashi Murakami. For this event, exclusive merchandise available at Hysan Place and a festive light installation spanning Lee Garden One and Two were featured. Enthusiastically received by the community, these campaigns generate significant increase in visitor numbers and sales, strengthening the image of the Lee Gardens area as a trendsetting hub.

In 2025, we achieved a significant breakthrough in our engagement strategy with valued customers by forming strategic partnerships with banks and wealth management firms. The aim of this collaboration was to attract potential high spenders by targeting premier banking clients and pre-qualifying them for our Club Avenue tiers. As a result of this member acquisition programme, we converted over 1,500 individuals into the Club Avenue programme, directly expanding our high-potential member base and showcasing the effectiveness of our targeted outreach model.

Adhering to our commitment to innovation, we will continue to expand the immersive marketing experiences we create by combining popular new trends and Gen Z-inspired themes with traditional cultural elements. We believe that through authentic storytelling and engagement, we will continue to connect with diverse audiences across generations.

Office

Turnover of the Group's office portfolio saw an increase of 0.1% to HK\$1,508 million (2024: HK\$1,507 million).

In HK\$ million	2025	2024	Change
Office	1,508	1,507	+0.1%
– Hong Kong	1,407	1,440	-2.3%
– Mainland	101	67	n/m

n/m: not meaningful

Hong Kong Portfolio

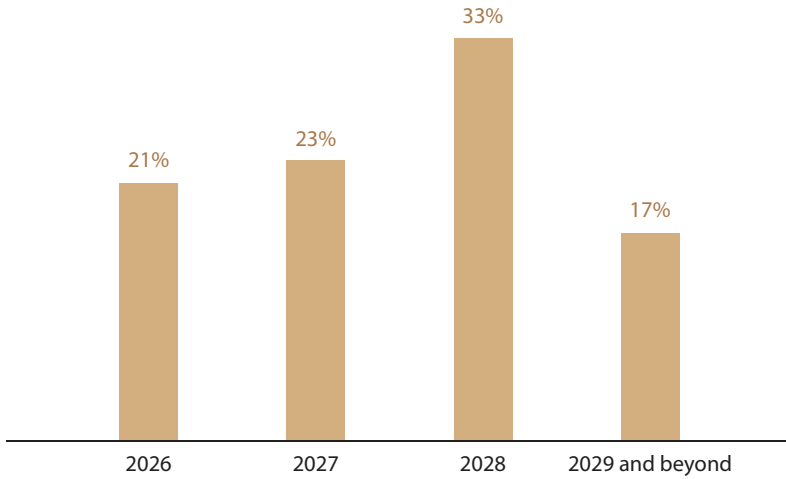
Turnover decreased by 2.3% to HK\$1,407 million, compared with HK\$1,440 million in 2024. This includes a turnover rent of HK\$9 million (2024: HK\$9 million).

Hong Kong's office market remained challenging throughout the year, with leasing activity driven by the continued shift in preference towards prime locations and well-equipped office buildings. We responded with flexible rental packages, fit-out support and early renewals, and highlighted our enhanced offerings of fully furnished office space for immediate use and sustainable amenities.

The average rental reversion rate on renewals, rent reviews and new lettings for Hysan's Lee Gardens portfolio remained negative. Nevertheless, occupancy increased to 94% as at 31 December 2025 (2024: 90%), underscoring the resilience of Hysan's office portfolio amid market headwinds.

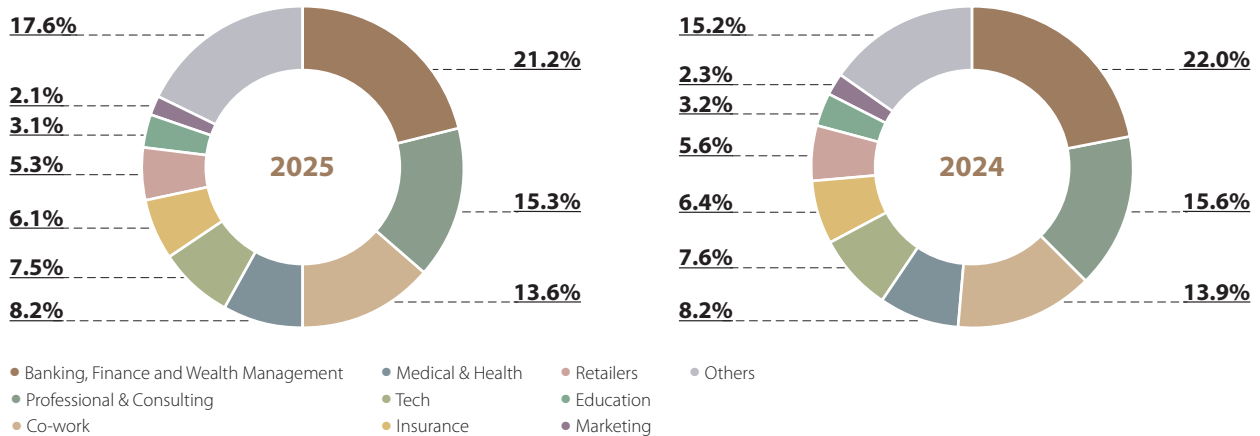
The Lee Garden Eight show suite received positive feedback during the ongoing pre-marketing phase. Featuring expansive floorplates, high efficiency, and advanced sustainability features, this new development is well positioned to attract the interest of institutional and professional tenants.

**Office Lease Expiry Profile by Area Occupied
(As at 31 December 2025)**



As at the end of 2025, the Banking, Finance and Wealth Management sector continued to occupy the largest share 21.2% (2024: 22.0%) of our tenant portfolio by floor area. The Professional and Consulting sectors and Co-work sector were second and third, respectively.

Office Tenant Profile by Area Occupied as at Year-end



Office demand is anticipated to grow as the financial sector recovers and initial public offerings remain active. Boasting Grade A facilities, exceptional retail amenities and professional management services, the Lee Gardens precinct with its prime location has created a compelling, fully-fledged ecosystem. These offerings, combined with our flexible leasing strategies and sector-focused outreach, will help attract and retain quality multinational and local tenants, while supporting Hysan’s long-term growth strategy in the premium office sector.

Mainland Portfolio

Lee Gardens Shanghai achieved a strong ramp-up, securing commitments by quality tenants for 81% of its total office space. Turnover of the Mainland’s office portfolio increased to HK\$101 million (2024: HK\$67 million), due primarily to the improvement in occupancy to 72% (2024: 66%). In Chinese Mainland’s competitive office leasing market, we have been pursuing new tenancies and continuously refining our tenant mix to enhance our portfolio’s appeal in the market.

Management's Discussion and Analysis

Residential

Hong Kong's luxury residential leasing market showed steady growth in 2025, driven by an influx of foreign talent that included expatriates relocated to Hong Kong and new arrivals through various talent admission schemes. The increasing number of executives, professionals and graduates entering Hong Kong are representatives of a wide range of sectors including but not limited to financial services.

Hysan's residential leasing portfolio turnover saw a 5.0% increase to HK\$229 million (2024: HK\$218 million). Occupancy was 87% as at 31 December 2025 (2024: 73%). The average rental reversion in the sector was positive for renewals, rent reviews and new lettings.

The Group's capital recycling programme currently encompasses the phased disposal of two blocks of Bamboo Grove, which comprises 124 apartments. This was well received due to improved sentiment in the market. As at 31 December 2025, a total of 92 units had been contracted.

CORE EXPANSION & STRATEGIC PILLARS

Commercial Property Development – Lee Garden Eight

Superstructure works for Lee Garden Eight, a strategic joint venture with Chinachem Group at Caroline Hill Road, made satisfactory progress during the year with a topping-out ceremony held in November 2025. The project remains on schedule for completion in 2026 – an important milestone in our long-term growth plans. Once completed, it will bolster the Lee Gardens precinct's reputation as one of Hong Kong's most unique and attractive destinations.

In recognition of our commitment to excellence and sustainable design for a next-generation workplace and retail centrepiece, Lee Garden Eight won "Best Mixed-Use Development (Hong Kong)" and "Best Sustainable Commercial Development (Hong Kong)" in the prestigious Asia Pacific Property Awards 2025-2026, which is part of the International Property Awards. It also won a Silver Award in the Best New Development category at the MIPIM Asia Awards 2025.

The project also earned numerous design awards from various professional institutions, including the Grand Award for "Projects Under Construction and/or Design – Commercial" in the New Buildings category of the Green Building Award 2025, a Merit Award for "Excellence in Master Landscape Planning/Study" in the Hong Kong Institute of Landscape Architects Award 2024, and a Merit Award for "Excellence in Projects (Sustainability)" in the Hong Kong Institute of Surveyors QS Awards 2024.

With the Lee Garden Eight project, Hysan was named one of Hong Kong's Top 10 Developers at the Hubexo Asia Awards 2025. All of these recognitions are testament to our vision of creating an urban oasis and a vibrant community in which to live, work and thrive.

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 2025, a total of 164 units of the project had been contracted.

Market sentiment in Hong Kong's luxury residential sector improved in 2025, driven by relaxed mortgage loan-to-value ratios and declining interest rates. Favourable government policies, such as lowering the Capital Investment Entrant Scheme threshold for residential properties, created significant interest among Chinese Mainland buyers.

In 2025, cumulative sales and leases remained on track at VILLA LUCCA, reflecting sustained demand for both typical apartments and high-value villa houses. Pricing strategies and incentives supported sales momentum.

The luxury residential market is expected to remain active but selective in 2026. Ongoing economic and geopolitical uncertainties may continue to influence buyer sentiment, resulting in a market characterised by value-driven decisions and a focus on premium product differentiation. We will continue to respond to buyer sentiment and price sensitivity with flexible packages and targeted discounts, particularly for larger lump-sum transactions.

In the mass residential market, Hysan owns a 25% stake in a joint venture to develop the Urban Renewal Authority (URA)'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. The project is a comprehensive mixed-use development, integrating commercial, residential and public components. Hysan will oversee the design and operation of the retail portion of this project.

The development, spearheaded by the URA in collaboration with prominent developers, is one of eight projects in the innovative "District-based Redevelopment New Community" plan for To Kwa Wan. The collective vision is to foster synergy among the projects by creating an accessible and vibrant new community within the older fabric of the area. It also seeks to co-create the Victoria Cove Area, as outlined in the "To Kwa Wan Harbourfront Study" launched by the URA.

By participating in this initiative, the To Kwa Wan Residential Project will establish a new benchmark for future urban renewal strategies and contribute to extending our expertise to other areas in Hong Kong.

During the year, the project's superstructure construction progressed on schedule, with the topping-out milestone for the residential towers targeted for the first quarter of 2026. The anticipated timeframe for obtaining the occupation permit is around the fourth quarter of 2026 to the first quarter of 2027. Presale consent approval for the residential units was secured from the government in the fourth quarter of 2025, and preparations for the presale are now underway.

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 during the year. The investment is included in "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.

Demand for flexible working space continued throughout the year, as reflected by the joint venture's strong and stable occupancy rate and business performance. Leveraging our partnership with IWG, the world's leading flexible workspace platform, we are optimistic about the growth prospects of the Greater Bay Area Flex business.

As of the end of 2025, the joint venture operated a total of 47 centres across the Greater Bay Area. With this expanding footprint, the joint venture is well-positioned to capture the increasing demand for flexible workspace solutions in various cities across the Greater Bay Area.

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

Management's Discussion and Analysis

Medical and Health – New Frontier Group

New Frontier Group is a leading private healthcare services provider based in Chinese Mainland. It operates a comprehensive healthcare ecosystem, ranging from premium hospitals and clinics to rehabilitation and home healthcare services across the country.

Benefitting from national policies, New Frontier Group's growth momentum continued in 2025. Its territory-wide hospital and clinical network is now present in 19 cities across the Mainland, while its home healthcare services have extended to 45 cities. New Frontier Group is also actively developing new growth drivers towards emerging opportunities, including integrated oncology centres, health insurance, international medical services, clinical trials and contract research organisations.

Hysan's minority stake investment in New Frontier Group provides strategic exposure to 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.

CAPITAL RECYCLING

The Group initiated a HK\$8 billion capital recycling programme through the strategic divestment of non-core assets over a 5-year period. The programme aligns with our disciplined capital allocation strategy, strengthens our financial position, and positions us to create greater sustainable value. The targeted assets primarily comprise two blocks within the Bamboo Grove, together with built-to-sell units from the VILLA LUCCA and the To Kwa Wan Residential Project. Riding on the improving market sentiment in the luxury residential sector, the Group has made good progress towards the target. As at 31 December 2025, the Group had collected HK\$2.1 billion, or 26% of its HK\$8 billion capital recycling target. As of 31 December 2025, an additional HK\$1.6 billion sales proceed has been contracted and due for completion in 2026. The Group will prioritise deleveraging and redeploying capital toward strategic priorities.

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 gross profit margin was 80.2% (2024: 81.1%).

	2025 HK\$ million	2024 HK\$ million	Change
Operating costs	995	954	+4.3%
– Hong Kong	927	886	+4.6%
– Mainland	68	68	–

Finance Costs

Finance costs increased to HK\$549 million, as compared with HK\$450 million in 2024, contributed by the higher interest cost and loan drawdowns related to asset enhancement projects. The effective interest rate for the year was 3.7%, as compared with 4.3% in 2024.

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 2025, the Group's investment properties portfolio was valued at HK\$96,157 million, a decrease of 0.4% from the HK\$96,547 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\$1,405 million (2024: HK\$1,506 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.

	2025 HK\$ million	2024 HK\$ million	Change
Retail	32,667	33,094	-1.3%
Office	33,077	34,109	-3.0%
Residential	8,133	8,664	-6.1%
Property under development	22,280	20,680	+7.7%
	96,157	96,547	-0.4%

During the year, 54 units of Bamboo Grove were handed over to buyers. The carrying value of these 54 units was HK\$1,224 million as at 30 June 2025; the consideration, net of disposal costs, was HK\$1,816 million, resulting in a fair value gain on disposed investment properties of HK\$592 million.

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\$202 million (2024: HK\$204 million). The Group's share of the revaluation loss (net of deferred tax) amounting to HK\$29 million (2024: revaluation loss of HK\$39 million). The properties at Grand Gateway 66 were revalued at fair value by an independent professional valuer for both years ended 31 December 2024 and 2025.

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. The share of losses in joint ventures was HK\$783 million (2024: HK\$287 million). The loss mainly reflects impairment loss on residential properties held for development for sale.

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 2025, the Group's other financial investments totalled HK\$1,652 million (2024: HK\$1,657 million). The decrease was primarily attributable to the revaluation of fair value of the investments.

Cash and Bank Deposits

As at 31 December 2025, the Group's time deposits, cash, and cash equivalents totalled HK\$3,831 million (2024: HK\$2,211 million). The increase mainly represents cash from the Group's capital recycling initiatives.

Interest income decreased to HK\$112 million (2024: HK\$134 million), mainly due to lower deposit rates and the receipt of the majority of the capital recycling proceeds in December 2025, which resulted in limited interest income from those funds for the year.

Management's Discussion and Analysis

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.

	2025 HK\$ million	2024 HK\$ million
Cash generated from operations	2,531	2,543
Net repayment from (advance to) joint ventures and other financial investments	100	(454)
Sales proceed and deposit from Bamboo Grove unit sales	2,030	–
Net borrowings	1,953	1,210
Issuance, repurchase and distribution of perpetual capital securities	(555)	(1,156)
Matured bank deposits and debt securities	1,179	948
Interest and taxation	(1,129)	(1,006)
Considerations for share repurchase	(2)	–
Dividends paid	(1,210)	(1,213)
Capital expenditure	(2,633)	(1,890)
Net cash inflow (outflow)	2,264	(1,018)

Net repayment from joint ventures and other financial investments amounted to HK\$100 million (2024: net advance of HK\$454 million). This mainly represents the Group's joint venture residential development project, VILLA LUCCA, which repaid its project financing in full during the year. Subsequent sales proceeds were repaid to shareholders.

Net borrowings increased by HK\$1,953 million (2024: HK\$1,210 million), comprising bank loans, fixed rate notes, and loan from non-controlling interest.

The Group issued US\$750 million (equivalent to approximately HK\$5,800 million) 7.20% subordinated guaranteed perpetual capital securities. The Group also repurchased perpetual capital securities with cash consideration totalled HK\$5,865 million (2024: HK\$728 million). During the year, the distribution paid to perpetual capital securities holders amounted to HK\$490 million (2024: HK\$428 million).

In 2025, the Group purchased a total of 156,000 ordinary shares for a total of consideration of approximately HK\$2 million on the Stock Exchange for the purpose of the 2024 Share Award Scheme.

The Group paid dividends of HK\$1,109 million (2024: HK\$1,109 million), via a 2024 second interim dividend of HK81 cents per share (2024: HK81 cents) and a 2025 first interim dividend of HK27 cents per share (2024: HK27 cents).

Capital Expenditure and Management

Total cash outlay of capital expenditure increased to HK\$2,633 million during the year (2024: HK\$1,890 million). The capital expenditure during the year was mainly related to Lee Garden Eight development project and asset enhancement works in Lee Gardens area. The Group is committed to enhancing the asset value of its investment property portfolio through continuous enhancement and redevelopment.

TREASURY POLICY

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 Debt¹ level as at 31 December 2025 increased to HK\$28,737 million (2024: HK\$26,717 million), primarily driven by capital expenditure on strategic projects.

As at 31 December 2025, bank loans accounted for approximately 51% of the Group's total Gross Debt with the remaining 49% from capital market financing (2024: 42%:58%).

The following table shows the Group's source of debts financing as at 31 December 2025 (in HK\$ million):

	Available	Drawn	Undrawn
Secured term loans ²	12,951	10,218	2,733
Unsecured term loans	4,200	4,200	–
Committed revolving loans	7,923	154	7,769
Capital market issuances	14,165	14,165	–
Total committed facilities	39,239	28,737	10,502
Uncommitted loans	2,180	–	2,180
Total source of debts financing	41,419	28,737	12,682

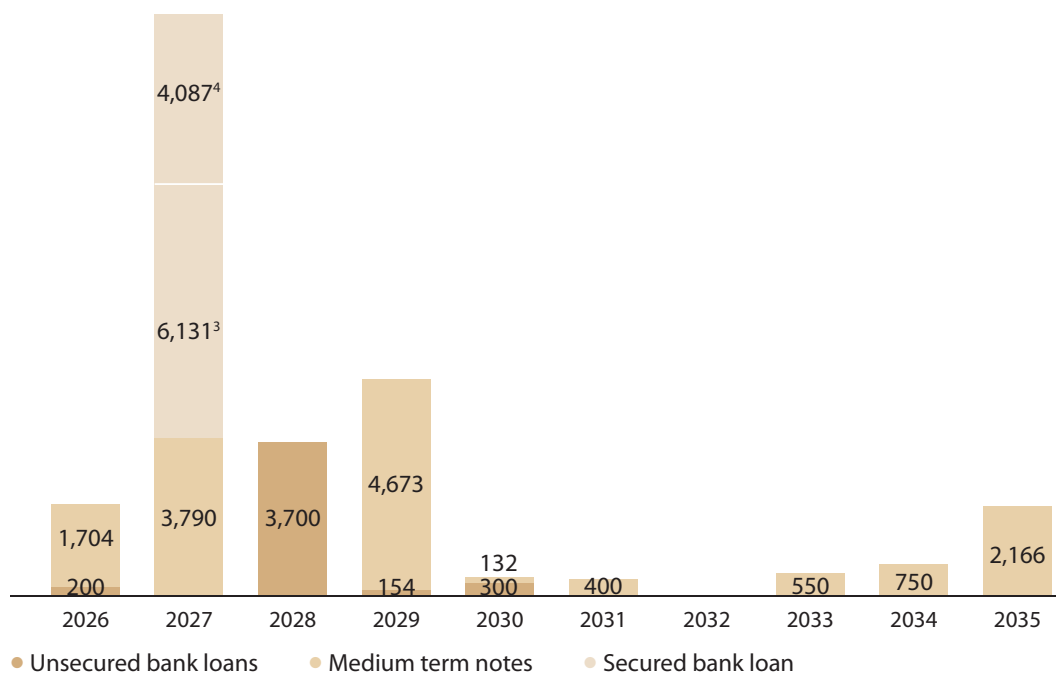
Maturity Profile

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 2025, the average maturity of debt portfolio was 2.8 years (2024: 3.4 years).

- 1 Gross Debt represents the contractual principal payment obligations as at 31 December 2025. 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 2025, the book value of the outstanding debt of the Group was HK\$28,524 million (2024: HK\$26,514 million).
- 2 Secured term loans represent the contractual principal payment obligations of the project financing of Lee Garden Eight project.

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The following shows the debts maturity profile of the Group at 2025 year-end (in HK\$ million):



Gearing ratio and net interest coverage

The Group's gearing ratio, as measured by Net Debt to Equity ratio⁵, was 32.4% at year-end 2025 (2024: 31.4%). The Group's Net Interest Coverage⁶ decreased to 6.3 times for 2025 (2024: 8.8 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 2025, the Group's credit ratings were Baa2 from Moody's and BBB from Fitch with stable outlook.

Liquidity Management

As of 31 December 2025, the Group had cash and bank deposits totalling HK\$3,831 million (2024: HK\$2,211 million) and investment-grade debt securities of HK\$579 million (2024: HK\$896 million).

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

With plenty of cash on hand as well as undrawn banking facilities, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

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 2025 was 54% (2024: 61%). The effective interest rate decreased to 3.7% at year-end 2025 from 4.3% at year-end 2024, primarily reflecting lower HIBOR.

³ 60% secured term loans of Lee Garden Eight project (guaranteed by Hysan).

⁴ 40% secured term loans of Lee Garden Eight 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.

Majority of guaranteed perpetual capital securities were hedged via cross-currency swaps to convert into HKD to minimise the foreign exchange uncertainty and lower their effective rate of distribution.

Capital Management

The Group regularly reviews its capital structure and liquidity requirement, and considers refinancing, tendering, redemption, or repurchase of its issued securities as its ongoing capital management strategy, aiming to optimise funding costs, strengthen the balance sheet and maintain a prudent capital structure.

During the year, the Group tendered and fully redeemed at its option the 4.1% Subordinated Guaranteed Perpetual Capital Securities, callable in 2025, in the aggregate principal amount of US\$750 million with a cash consideration of HK\$5,833 million. To refinance this instrument, the Group issued new subordinated guaranteed perpetual capital securities of US\$750 million (equivalent to approximately HK\$5,800 million).

During the year, the Group repurchased part of the 4.85% Senior Perpetual Capital Securities in the aggregate principal amount of US\$5 million (equivalent to approximately HK\$37 million) with a cash consideration of HK\$32 million, representing approximately 1% of the principal amount of such securities initially issued. These repurchased securities were subsequently cancelled. Following the cancellation, US\$440 million in principal amount of such securities remained in issue.

Use of Derivatives

As at 31 December 2025, 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\$18,159 million, accounting for approximately 44% of the Group's total debts and facilities.