恒隆地產
HANG LUNG PROPERTIES

HANG LUNG
PROPERTIES LIMITED

STOCK CODE: 00101

2021

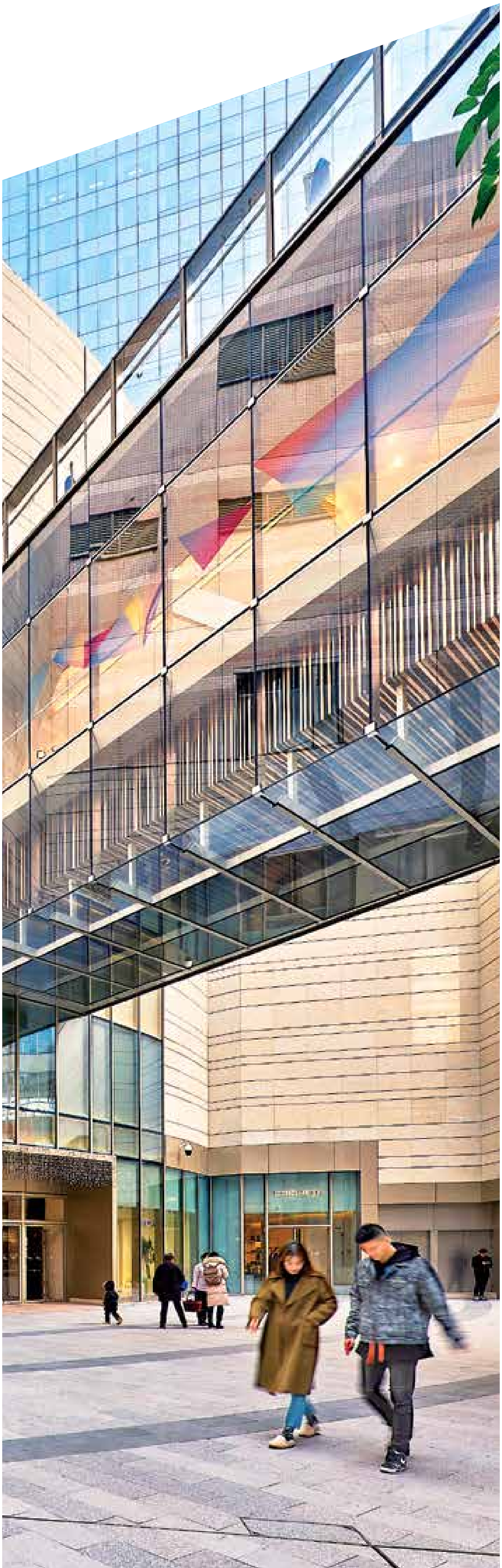
Annual Report

We do it well

The 2021 annual reports for Hang Lung Group Limited and Hang Lung Properties Limited serve as illustrative representations of our vision and purpose, seamlessly combining our positioning of every property in our portfolio as the Pulse of the City and our brand motto of **We Do It Well**.

Through the lens of our vision to create compelling spaces that enrich lives, this year's cover pages represent the rich diversity and distinctive design elements of our portfolios in Hong Kong and mainland China. The elegant, linear aesthetic symbolizes the energetic "pulses" that connect our customers in the communities in which we operate through our unwavering focus on customer-centricity.

As the heart of our brand, our **We Do It Well** motto is expressed on our cover pages by three sets of parallel pulses – also a reflection of the two letters "ll" from the word "Well" – emphasizing our efforts in striving for excellence and our two-pronged approach with business operations in Hong Kong and mainland China. This visual tribute to our **We Do It Well** spirit continues throughout the reports as we explore our commitments to Excellence, Extraordinary Experience, Sustainability and Integrity.



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Corporate Profile

Hang Lung Properties Limited (stock code: 00101) is the property arm of Hang Lung Group Limited (stock code: 00010) and strives to create compelling spaces that enrich people's lives.

We are a well-established, top-tier property developer with customer-centricity at the heart of our operations. Our diversified portfolio comprises numerous properties in Hong Kong and in nine Mainland cities of Shanghai, Shenyang, Jinan, Wuxi, Tianjin, Dalian, Kunming, Wuhan, and Hangzhou. Through its luxury positioning under the "66" brand, our Mainland portfolio has established a leading position as the "Pulse of the City".

Our pursuit of sustainable growth by connecting customers and communities has made us a driving force in enhanced sustainability initiatives in the real estate sector. Further to our outlined 2030 Sustainability Goals and Targets, in 2021, we set out 25 new targets to be achieved by the end of 2025 ("25 x 25 Sustainability Targets"), pursuing quantifiable measures that will address significant sustainability challenges. These targets also provide a clear agenda for our long-term ambition to become one of the most sustainable real estate companies in the world.

At Hang Lung Properties, **We Do It Well**.

Our Vision

We create compelling spaces that enrich lives

Our Mission

We pursue sustainable growth by connecting our customers and communities

Our Values

We live up to our brand motto of **We Do It Well** by focusing on:

Integrity
Sustainability
Excellence
Openness

Financial Highlights

Results

in HK$ Million (unless otherwise stated)

	2021			2020		
	Property Leasing	Property Sales	Total	Property Leasing	Property Sales	Total
Revenue	10,321	–	10,321	8,911	62	8,973
– Mainland China	6,939	–	6,939	5,277	–	5,277
– Hong Kong	3,382	–	3,382	3,634	62	3,696
Operating profit/(loss)	7,462	(91)	7,371	6,437	44	6,481
– Mainland China	4,693	(38)	4,655	3,468	(8)	3,460
– Hong Kong	2,769	(53)	2,716	2,969	52	3,021
Underlying net profit/(loss) attributable to shareholders	4,430	(65)	4,365	4,164	37	4,201
Net decrease in fair value of properties attributable to shareholders	(497)	–	(497)	(6,772)	–	(6,772)
Net profit/(loss) attributable to shareholders	3,933	(65)	3,868	(2,608)	37	(2,571)

	At December 31, 2021	At December 31, 2020
Shareholders' equity	141,719	138,295
Net assets attributable to shareholders per share (HK$)	$31.5	$30.7

Earnings and Dividends (HK$)

	2021	2020
Earnings/(loss) per share		
– Based on underlying net profit attributable to shareholders	$0.97	$0.93
– Based on net profit/(loss) attributable to shareholders	$0.86	($0.57)
Dividends per share	$0.78	$0.76
– Interim	$0.18	$0.17
– Final	$0.60	$0.59

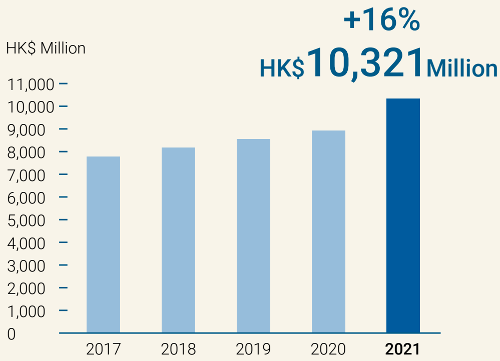
Financial Ratios

	2021	2020
Payout ratio (based on net profit attributable to shareholders)		
– Total	91%	N/A
– Property leasing	89%	N/A
– Property leasing (after deducting amount of interest capitalized)	108%	N/A
Payout ratio (based on underlying net profit attributable to shareholders)		
– Total	80%	81%
– Property leasing	79%	82%
– Property leasing (after deducting amount of interest capitalized)	94%	114%

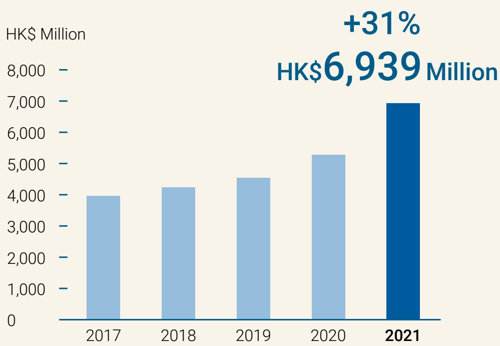
	At December 31, 2021	At December 31, 2020
Net debt to equity ratio	24.4%	21.3%
Debt to equity ratio	30.0%	25.6%

Property Leasing Revenue

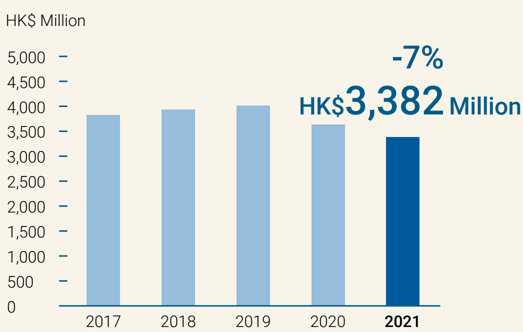
Overall



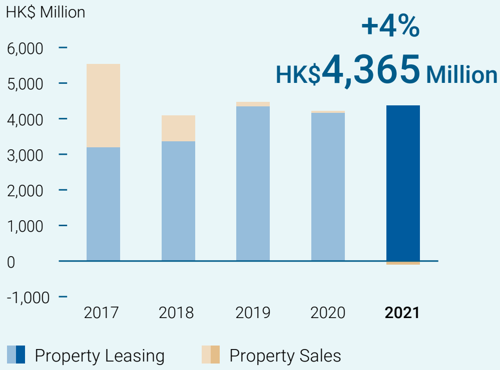
Mainland China



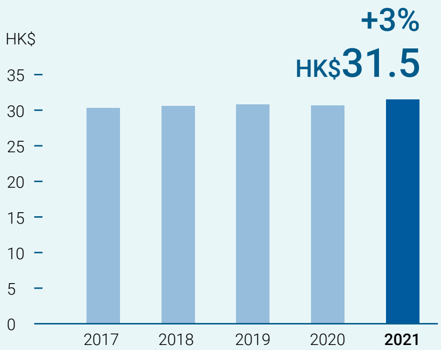
Hong Kong



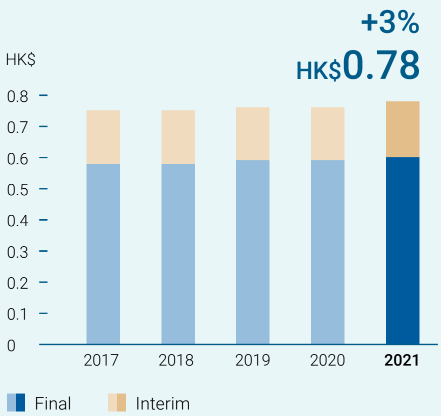
Underlying Net Profit



Net Assets Attributable to Shareholders per Share



Dividends per Share



2021 Highlights

Curating Extraordinary Experiences

Heartland 66, Wuhan

Heartland 66, Hang Lung's first large-scale commercial development in Central China, opened for business in March

Westlake 66, Hangzhou

We partnered with Mandarin Oriental Hotel Group to open the first Mandarin Oriental in Hangzhou at our luxury Westlake 66 development. The hotel is slated to open in 2025

Creating Intelligently Designed Spaces for Living

Heartland Residences, Wuhan

Heartland Residences in Wuhan, the inaugural project of Hang Lung Residences, was topped out in November. The development – offering 500 units and a three-story clubhouse of 5,000 square meters – seamlessly connects with the Heartland 66 shopping mall and office towers. Pre-sale of the first batch of units is set to commence in the first half of 2022

Hang Lung Residences

Building on our reputation for developing luxury commercial complexes on the Mainland, we launched Hang Lung Residences – a premium serviced residences brand in mainland China – with projects planned in Wuhan, Wuxi, Kunming, and Shenyang

The Aperture

Our new residential project, The Aperture, located in Hong Kong's Kowloon East, was unveiled in December and received a positive response with 123 units pre-sold

hello Hang Lung Malls Rewards Program

Adhering to our customer-centricity service philosophy, the "hello Hang Lung Malls Rewards Program" and the Hang Lung Malls App launched in Hong Kong in March, integrating offers and promotions from over 600 merchants across our shopping malls into one digitalized membership system

Working toward Sustainability Leadership

25 x 25 Sustainability Targets

We established 25 sustainability targets to be achieved by the end of 2025 ("25 x 25 Sustainability Targets", or "25 x 25"), which address the four priorities outlined in our Sustainability Framework and provide a clear agenda for our sustainability leadership commitment

First Property 100% Powered by Renewable Energy

Spring City 66 in Kunming has become 100% powered by renewable energy and is our first development, and the first commercial complex in Yunnan Province, to achieve net zero carbon emissions in terms of annual electricity consumption for both landlord and tenant operations

Commitment to Setting Science-based Targets

We are among the first real estate companies in Asia to have committed to setting both near-term and long-term targets to reach net-zero value chain greenhouse gas emissions by no later than 2050

Growing with Our Communities

Vaccination Support Initiatives in Hong Kong

We introduced initiatives worth HK$27 million in support of the Hong Kong Special Administrative Region Government's COVID-19 vaccination drive

Hang Lung X HKYWCA "Love·No·Limit" Dementia Friendly Program

We joined hands with the Hong Kong Young Women's Christian Association to initiate the Love·No·Limit Dementia Friendly Program, a three-year program that endeavors to enhance public awareness and build a more caring and inclusive community

Hang Lung Nationwide Volunteer Day

Under the theme of sustainability, the 2021 Hang Lung Nationwide Volunteer Day gathered around 800 corporate volunteers from Hong Kong and nine cities in mainland China to promote low-carbon living while giving love and care to over 5,000 people in need

Awarding Mathematics and Science Talent

Under our new partnership with the Hong Kong University of Science and Technology, the Hang Lung Mathematics Awards attracted more than 60 participating teams. Of the total donation, HK$1 million was used as prize money to promote research in mathematics, science and technology

Recognizing Our Employees

We continued to recognize outstanding employees through internal rewards schemes, including our CEO Award, which aims to promote teamwork and cross-team collaboration, and the Emerald Award, which promotes our customer-centricity service philosophy and the "Go the Extra Mile" spirit among frontline staff

Awards and Recognitions

Major Sustainability Benchmarks and Indices

Upgraded to
4-star performance rating

82nd » 88th percentile

Upgraded to "A" rating

A low ESG risk rating
since July 2020

Inaugural inclusion in
FTSE4Good Index Series

Upgraded to "AA" rating

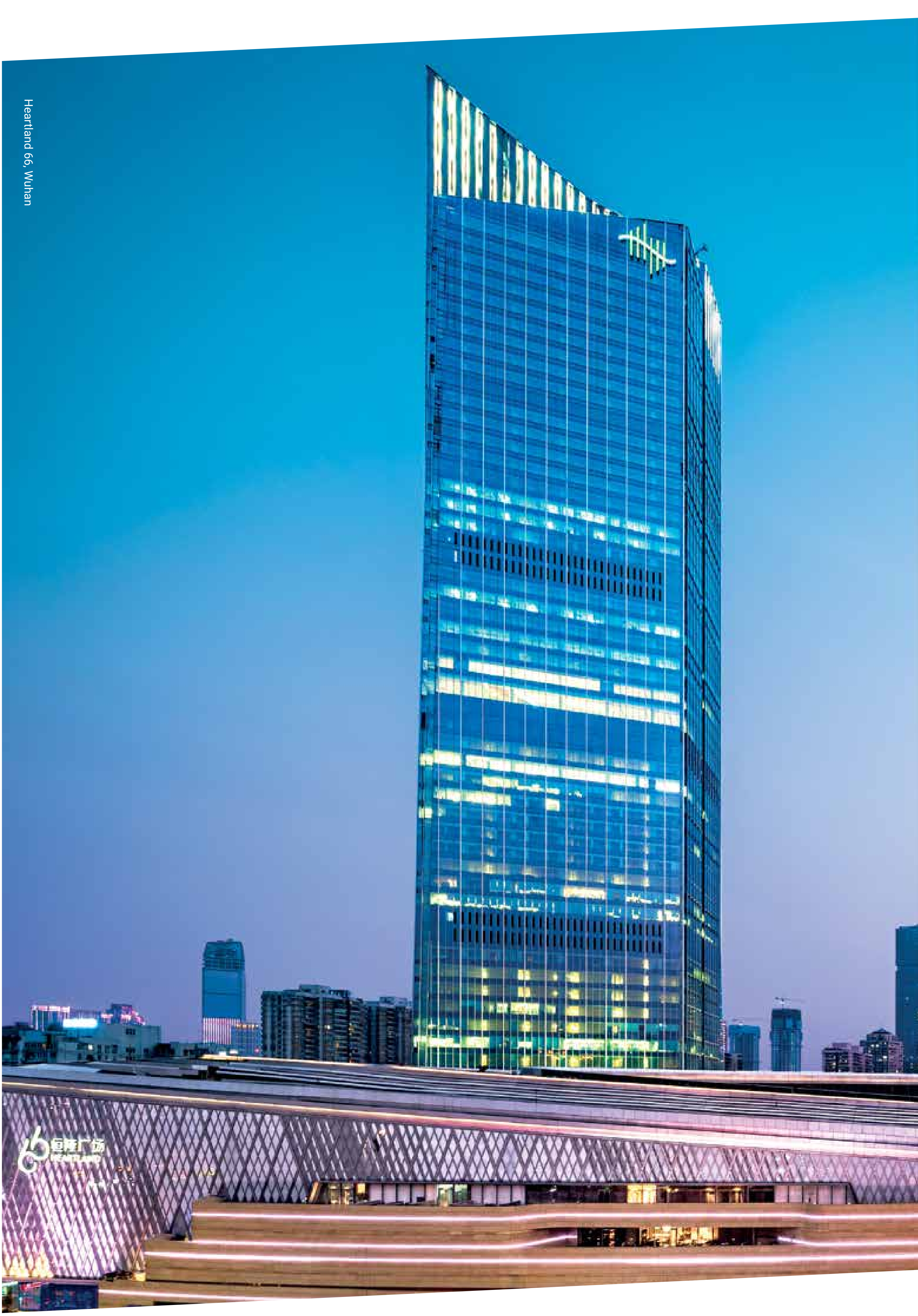
14 Prestigious Awards for Hang Lung Group and Hang Lung Properties' Annual Reports

Best Commercial Renovation/ Redevelopment Project – Asia Pacific Property Awards 2021–2022 (for Grand Gateway 66, Shanghai)

Hong Kong Corporate Governance & ESG Excellence Awards 2021 – Awards of Excellence in Corporate Governance (Hang Seng Index Constituent Companies Category)

HR Asia Award (China Edition) –
Best Companies to Work for in Asia 2021

China Best Managed Companies 2021



Heartland 66, Wuhan

excellence

We are committed to delivering the finest services and experiences that surpass the expectations of our customers, tenants and communities

Chair's Letter to Shareholders

Ronnie C. Chan
Chair

Results and Dividend

For the year ended December 31, 2021, revenue increased by 15% to HK$10,321 million against the backdrop of the coronavirus (COVID-19) pandemic and in the absence of revenue from property sales.

Net profit attributable to shareholders amounted to HK$3,868 million, compared to a net loss of HK$2,571 million a year ago. Earnings per share stood at HK$0.86.

When excluding all the effects of property revaluation, underlying net profit attributable to shareholders rose by 4% to HK$4,365 million. Underlying earnings per share increased in tandem to HK$0.97.

The Board recommends a final dividend of HK60 cents per share payable on May 19, 2022 to shareholders of record on May 4, 2022. If approved by shareholders, total dividends per share for the year ended December 31, 2021 will be HK78 cents.

Business Review

While the world, including Hong Kong, is confronting multiple serious challenges, of which the pandemic is but one, we have turned in a rather satisfactory set of results. Although we did not have any revenue from property sales, rental income alone brought us over the HK$10 billion mark. We have never collected so much rent in our history. The Mainland market now accounts for 67% of our total leasing revenue and will continue to rise.

Provided that the recent fifth wave of COVID-19 does not drag on for too long, the hemorrhage in the Hong Kong rental business due to the pandemic should be behind us. Although for the full year, revenue was still down 7% from 2020, the second half to second half comparison of retail rent was already flat. I expect 2022 to improve slightly more.

As can be expected, the star performance came from our Mainland properties. Both our retail space and our high-rise offices have done very well. To assess the results for our malls, we should not only look at 2021 versus 2020 numbers since the first half of 2020 was an anomaly. From end January to approximately mid-April of 2020, shops were almost all closed due to the onslaught of the first outbreak of COVID-19. As such, it makes sense to also compare the second halves of the last two years, as well as the last six months of the year under review to the first six months of the same year. I should also call attention to the fact that business in the second half of 2020 was particularly strong, after luxury goods consumers were deprived of the pleasures of shopping earlier that year. It persisted until the summer of 2021, when periodic outbreaks returned. A few months later, eastern Chinese cities such as Shanghai and Wuxi were hit by storms which interrupted business. Consequently, the last six months under review could have seen even stronger business.

For the full year, rental revenue in RMB from our 10 malls grew by 25% when excluding the 7% appreciation of RMB. Not counting the newly opened Heartland 66 in Wuhan, that number would be 21%. As has been widely reported in the media, general personal consumption in China was not strong. What was often missed was that the luxury goods market was very robust. These facts are reflected in our performance. Rents at our six luxury facilities (not counting Heartland 66 in Wuhan which was only inaugurated in March of last year) rose between 12% and 47%. The average was 25%. Our three sub-luxury properties grew 2%.

The two best performers were Center 66 in Wuxi and Spring City 66 in Kunming. Their growth rates reached 40% and 47%, respectively. Our two flagship malls in Shanghai continued to trade well — rents advanced by 25% at Plaza 66, and by 18% at Grand Gateway 66. Because the Asset Enhancement Initiative (AEI) at the latter was only completed in the last quarter of 2020, and some top brands only moved in early 2021, the momentum there is actually stronger than that of Plaza 66.

Comparing the last six months with the corresponding period a year ago, which reported very strong sales, all luxury malls increased in rent. This ranged from 5% at Plaza 66 in Shanghai to 41% at Olympia 66 in Dalian. The average for all such facilities was 11%. The same group of properties collected 7% more rent in the second half of 2021 than in the first half. Growth ranged between the 4% of Plaza 66 in Shanghai and Center 66 in Wuxi, and the 45% of Olympia 66 in Dalian.

Rental margin and occupancy improved everywhere, and were particularly strong in Spring City 66 in Kunming and Olympia 66 in Dalian. Later, I will comment on the transformation of this latter, stand-alone mall.

A good indication of the future is tenant sales and their trend. Year-on-year, all our luxury malls grew strongly. Shops did between 33% and 89% more business than in 2020. Not counting the newly opened (March 2021) Heartland 66 in Wuhan, the average increase was 50%. Comparing the second half of 2021 to the corresponding period in 2020, all but one property saw sales rise by double digits. The most spectacular performer was, as expected, Olympia 66 in Dalian. It did 95% more business. Measuring the last six months of 2021 against the first six, all facilities advanced except one. Center 66 in Wuxi registered a slight fall due to several virus outbreaks and bad weather, but sales picked up towards year-end. By far, the best performer was again Olympia 66 which jumped 56%.

Olympia 66 in Dalian is our third mall which for different reasons started life in the sub-luxury space, but has successfully been upgraded to the luxury category. The rewards are huge. In time sequence, they are Center 66 in Wuxi, Grand Gateway 66 in Shanghai, and now Olympia 66 in Dalian. As I have more than once written over the past decade, our strategy on the Mainland is to be the number one (or a close but ambitious number two) top-end mall in economically vibrant metropolises.

Circumstances allowing, and if we get it right, ideally a property should be born as the best luxury mall in the city. Examples are Plaza 66 in Shanghai, followed by Spring City 66 in Kunming, and, as of last year, Heartland 66 in Wuhan. When Plaza 66 opened, there were no shopping centers in Shanghai, or indeed across the entire country, that were truly "luxury". As such, some people have said that we created that market. But to be more exact, we were merely the first one to exploit a market whose time had arrived.

The stories of Spring City 66 in Kunming and Heartland 66 in Wuhan are slightly different. Before the two were inaugurated, respectively, in August 2019 and March 2021, there were already malls with numerous top fashion brands. But because of a combination of factors, including location, size, design, quality of construction, and, I suppose, management, we were able to wrest the crown from the existing number one player and became the undisputed preeminent luxury mall in the city. We successfully attracted — not bullied, like some of our competitors — a critical mass of top global fashion brands to be our tenants. Because their profit margins are far higher than retailers of goods sold in sub-luxury or mass consumption malls, they can pay much higher rents, both base rents and sales rents. Like Plaza 66 in Shanghai, now Spring City 66 in Kunming and Heartland 66 in Wuhan have both achieved that status.

Center 66, Wuxi

However, Center 66 in Wuxi, Grand Gateway 66 in Shanghai, and Olympia 66 in Dalian were not as fortunate at birth. In the case of Center 66 in Wuxi, it opened in 2013 during a severe bear market for luxury goods that lasted from mid-2011 to 2017. High-end fashion companies froze all expansion plans. We had to take whatever brands that were willing to come, mostly sub-luxury or even more affordable names. All the top fashion houses were already located in two other sub-standard properties whose operators did their best, not always fairly, to keep those tenants. But as we worked out our initial limitations, the superiority of our malls began to shine through. Top global brands took note, although their headquarters still did not permit their shops to make a move.

Nevertheless, no later than 2016, my team already knew that it was only a matter of time before we would win. Sure enough, once the bear market began to fade in 2017, we were courted by many of the most famous names. They began to move in over a period of two to three years. By 2019-2020, the battle was won. We became the undisputed winner. Tenant sales and rental revenue both soared over the past three years and will likely continue for a while. There is no denying that the pandemic benefited all luxury malls in China due to the repatriation of previously overseas sales. But who by far benefited the most? The market leader!

The second property to have made the same transition may be surprising to the casual market observer. It is Grand Gateway 66 in Shanghai. It is a 22-year-old facility, and actually our very first mall on the Mainland. At the time we opened for business in 1999, there were no truly five-star shopping centers. Our one-year-younger Plaza 66 in the same city became the very first. The Shanghai market in those days was much smaller, and Grand Gateway 66 was planned as a four-star facility. It was hugely successful for what it was, but the rents it commanded could not compare with a five-star property. Yet in the 10 to 15 years after Grand Gateway 66 came into existence, Shanghai, and indeed the entire country, had greatly advanced economically. Nowadays, Shanghai is so prosperous that it can sustain six to eight stores for each of the top brands. Following the example of Plaza 66, other developers (mostly from Hong Kong) have built successful high-end facilities, so why not Grand Gateway 66?

Taking advantage of the AEI in 2017-2020, we turned it into another luxury mall approaching that of Plaza 66 in Shanghai down the street. Many top fashion brands agreed with us and began to move in. The AEI was completed towards the end of 2020, and soon the number of top brands doubled. Rents rose quickly and are expected to continue this trajectory for some time to come.

Olympia 66, Dalian

Olympia 66 in Dalian is our third successful upgrade from sub-luxury to luxury. Originally opened in 2015 in the midst of the abovementioned bear market, difficulties were compounded by its sheer size. At 222,000 square meters, it is by far the biggest mall in our portfolio. Moreover, it is a stand-alone shopping center without the synergy of office towers or expensive residential units. The location is new to high-end retail, for all the fashion brands were previously located in two other districts of the city. The combination of the above challenges compelled us to reserve about 13% of the space in 2015. It is called phase two and is now finally available for business.

The reason we had the confidence to undertake the project was not just the reasonable land price. Surveying the potential competitors in the city, we found none that were well-designed and well-built. We thought we had a fair chance of attracting top brands. So, like Center 66 in Wuxi, once the bear market was over in 2017, we made our move. But unlike Center 66, the competitor was financially strong, and our location was challenging. We knew that with our superior hardware, we had a fighting chance. And given our size, any success could be huge, for we had room for all the top brands. After much hard work, we made it, and the numbers presented above are the beginning of our reward.

Seldom does one see a speed of transformation like that at Olympia 66 in Dalian. Just a year ago, we housed hardly any luxury names. Now we have as many as Center 66 in Wuxi. There, the improvement was gradual over a few years; here, it was done in a little over a year. While we enjoyed fast growth last year, the full effect will only be felt in the coming few years. Revenue improvements will also be derived from the leasing up of phase two.

Although Heartland 66 in Wuhan is only 10 months old, all signs point to a repeat of the recent success in Spring City 66 in Kunming and more. Six months ago, I presented some reasons for optimism; now I am even surer. Not only was the sales trend very strong, but it already boasts more of the top fashion houses as tenants than any of our other properties, except Plaza 66 in Shanghai. There will be more in the coming few months. I will not be surprised if, in the next two to three years, it will catch up with Center 66 in Wuxi in terms of tenant sales. When Westlake 66 in Hangzhou tops out in 2024 and opens soon thereafter, they will likely be our top two malls outside Shanghai.

Counting Heartland 66 in Wuhan, we now have seven luxury shopping centers. By our reckoning, there are close to 100 international luxury brands with a presence in China. Of that, not much more than say 25 can be considered truly premier names. They include the "Big Six", who are most influential.

If we take the bigger group of 100 or so, as far as our properties are concerned, five years ago they were primarily found in our two malls in Shanghai and in Forum 66 in Shenyang. Today, our seven malls each has 30 of them on average. Over half of the 100 are in Plaza 66 in Shanghai. In the past two years, plus the coming few months, we would have almost doubled the number of such stores in our portfolio.

For the smaller set of 25 or so of the very top brands, they were formerly found almost exclusively in the two facilities of Plaza 66 in Shanghai and Forum 66 in Shenyang. Now they are in all seven, with each mall home to a minimum of seven of them. By the time I write to you again in six months, Plaza 66 should have 23 (now 22), and Heartland 66 in Wuhan, 17 (now 13).

The number of "Big Six" stores in our seven luxury malls have gone from eight in 2018 to now 23. Four more have signed up and will move in this year, making a total of 27. This number has tripled in a little over three years. Indeed, we have become one of the few important partners in China for almost all of the most prestigious brands.

Our Mainland offices have also performed satisfactorily. For the year, our rents grew by 16%; excluding the newly opened tower in Heartland 66 in Wuhan, the rise was 11%. Every project recorded an increase. Rental margin and occupancy either held steady or advanced.

Some may ask: You wrote previously that in almost all tier-one and tier-two Mainland cities, oversupply is serious. It is not uncommon that for so-called Grade A offices — and frankly most of the so-designated are at best Grade B in other advanced economies — vacancies stand at around 30% to 50%. It was pure insanity that developers continued to build new towers over the past decade or two. Why, then, is Hang Lung able to maintain high occupancy while collecting reasonable rents?

For the answer, we have to go back to our thinking in the mid-2000's when we decided to build offices outside Shanghai. To be sure, our high-rise towers are always ancillary to the mall downstairs. The two product types mutually enhance each other's reputation and help bring in quality tenants. Frankly, often the government as the land seller stipulates their coexistence in a complex. All that is true, but in the minds of Management, there is another calculation. There are good reasons why we can thrive in the presence of stiff competition.

China is a fast-growing economy. The national aspiration to lift millions out of poverty as quickly as possible makes urbanization a necessity. In fact, its scale and speed are unprecedented in human history. Cities old and new will become more vertical than ever, and population density can only increase. Service providers of many kinds will be greatly concentrated in high-rise office buildings — financial services like banks, insurance and asset management, professional services such as accounting, legal, engineering, architectural, and by extension, corporate headquarters or regional head offices. They are all critical components of GDP, but they need to be, or like to be, near each other. Consequently, many of them will be crammed into skyscrapers.

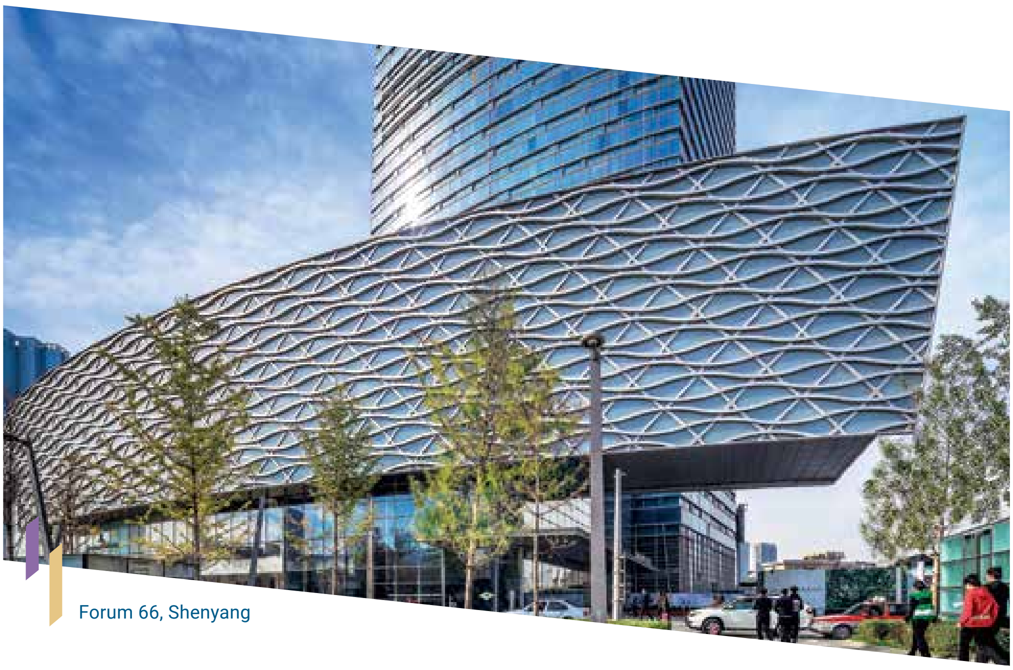
While no businessman will unnecessarily overpay, such operations can afford more rent. After all, office outlay is not a big part of their cost of doing business. However, location, building quality, and property management are important to them for reputational and practical purposes. The fact that thousands of people will be in close proximity of each other means that geographic convenience is critical. Complementary facilities, such as eateries and shopping, should be nearby.

In come our office towers. In the face of severe oversupply, only the very best will get filled up. Almost as important is the fact that the best tenants with financial stability and prestige will congregate there. It is always easier to draw poor tenants, but only good tenants will attract other good tenants. Just examine our office tenant roll. In every building of ours, in whichever city, it reads like the who's who of top international and Chinese businesses.

To be sure, rent level is affected by oversupply, and office tenants are by nature not as sticky as retail tenants. Nevertheless, as an asset class, rental yield is acceptable even purely from a financial perspective. But as mentioned earlier, offices bring other less tangible yet still important benefits, like quality footfall and prestige. They also make the shopping center below more defendable, and vice versa. Both types of tenants like the presence of the other asset class. The simplest example is perhaps the restaurants in the mall. They like the white-collar workers above, and office tenants enjoy the convenience.

In mainland China, our strategy is capable of succeeding even amidst rampant oversupply. The assumption of most office developers is: I build and tenants will come. Nothing is further from the truth. Those people do not respect the market, and so the market does not respect them. More often than not, they would end up with a huge vacancy. Moreover, their locations are usually not suitable for Grade A offices, and the quality of their design and construction is usually poor. To compound their woes, most of them are sold with strata title. This ensures poor property management forever. From what we can tell, other than Shanghai, all the cities in which we own offices share the same problem. Such is the competitive landscape in which we play; it is quite favorable to us.

In three of our seven luxury complexes — Forum 66 in Shenyang, Spring City 66 in Kunming, and Center 66 in Wuxi — we have hotels. Certain dynamics for offices described above apply. As a stand-alone asset class, hospitality is less desirable than offices. Only when it makes eminent sense, i.e., when we are compelled by economic realities, will we build them. Since around



Forum 66, Shenyang

1966, the predecessor entity to our parent company, Hang Lung Group (HLG), had owned hotels in Hong Kong. However, in the decade of 1994 to 2003, we converted all three of them to other usage, mostly offices, and have received much better financial returns. Fortunately, so far, our only hotel that has opened on the Mainland, the Conrad Shenyang at Forum 66, has been performing reasonably well. We have managed this through identifying and targeting a specific market segment, and then both constructing and operating the hotel to that segment with discipline. The same will apply to our future hotels.

All signs show that our Hong Kong rental business has turned the corner. For our retail rental, the first half of 2021 was 14% lower than the same period in 2020. This past six months, rents collected were about the same as the second half of the preceding year. Comparing the second half to the first half of the year under review, it improved by 2%. Although the full-year figure was still 7% below that of 2020, this set of results strongly indicates that the market is on the mend, unless the pandemic worsens significantly again. With the recent fifth wave of the pandemic, we cannot ignore that possibility. But, at least for the past year, citywide market trends and our tenant sales were both positive. The drag in Hong Kong on our overall performance may be over.

Hong Kong offices are still weak, although the trend is in the right direction. However, I do not foresee a quick or meaningful recovery any time soon.

All construction works on the Mainland and in Hong Kong are progressing as anticipated. Planning for the luxury residential project in Shouson Hill is proceeding. We may only build four or five freestanding houses. Market demand is so far very strong.

As of year-end, we sold 123 units of The Aperture, our residential project in Kowloon East. Unit prices achieved were quite respectable. Once all sold, I expect a pleasing level of profit. Due to accounting rules, however, much of it had already been recognized as fair value gains in prior years and such gains will not be recognized again upon sale completion.

One house at our Blue Pool Road project was sold last June at a good price. Completion will be in this quarter, at which time its profit can be booked.

The office tower on Electric Road will be kept for long-term rental. For historic reasons, the project is one-third owned by our parent company HLG and two-thirds by us. Completion is targeted for the second half of this year.

The gross revaluation gain was HK$460 million — value appreciation of HK$1,750 million on the Mainland and value diminution of HK$1,290 million in Hong Kong. At year-end, capitalization rates everywhere remain basically unchanged from 12 months ago. After taking into consideration the effects of tax and minority interests, the net revaluation loss came to HK$497 million.

Financially, the Company remained relatively lowly leveraged with a net gearing of less than 25%. 30% of our total debt, including available facilities, is categorized as sustainable finance. In the coming few years, I anticipate, on average, an annual capex of HK$3-4 billion which can be easily met with existing facilities and property sales proceeds. Any land purchase will be on top of that amount.

In May, we will publish our 10th *Sustainability Report*. Not desiring to repeat anything you would read therein, I will merely say that Spring City 66 in Kunming has achieved an important milestone where all of our electricity is now derived from renewable sources. We will do our best to keep improving everywhere.

Prospects

As is often my practice, I begin this section with analyses of our Company's strategy, the industry, as well as the broader economic and/or geopolitical landscape that may impact us. Let me begin with the first: our business. I will then address three troubling issues often raised by our investors: Beijing's recent common prosperity policy and related issues, the financial problems of many Mainland property developers, and Hong Kong's policies in dealing with the pandemic and their economic ramifications. I will wrap up with a brief outlook on our Company's future in the near to medium term.

Our 2021 results clearly demonstrate several points. First, we are in a sweet spot in an economy that is growing nicely — China, in spite of the sea of turbulence all around.

As I have publicly stated before, although China and the U.S. are locking horns in almost every arena, the two best places in which to invest are precisely these two big countries. Short of accidents, which can always happen, both economies will thrive. As an American venture capitalist said to one of our directors, in the past they only invested in technology; now they invest in almost every sector of the economy because of the increasing ubiquity of technology. This phenomenon will be prevalent in both countries but especially in the U.S. China will have many other impetuses for growth. Moving to higher value-added manufacturing would be one, and the rapid expansion of the still less-developed service sector would be another, just to name two major fields for improvement. There are many other areas where both economies can evolve and grow. Since we are a Hong Kong-based company, geography dictates that our primary market can only be mainland China.

To be sure, China has many domestic challenges, but this has always been so. For example, the latest blow-up of many property developers is one. Over the past two to three decades, Western pundits would from time to time proclaim doom and gloom at the slightest whiff of bad news on China, but the economy and society remain basically intact. Reasons for the wrong calls are primarily two. One is a lack of understanding of the Chinese system, which is related to Chinese culture. The other is politically driven. Some Western capitals do not want to see China thrive, so they only single out the negatives for disparagement. Of late, the exaggeration has been blown out of all proportion, and even many outright lies are being propagated. Not only do their citizens believe what is said; they themselves begin to blur facts with fiction. Such is an underside of human nature. As I have often said, the best way to misread China is to exclusively read the Western press. Indeed, one should avoid it.

Will China's economy one day fall? It's possible, but highly unlikely. Chances are good that it will continue to grow for many years and decades to come. We are fortunate to be playing in that market.

But China's growth will not be even. It never is. Over time, this industry or that will ebb and flow. For example, due to the pandemic and advances in technology, mass consumption is increasingly moving online. It is an irreversible trend, just like technology; once developed, it cannot be "undeveloped"! The opposite is true for the purchases of luxury items. Both market data and our own experience prove the point. Whereas tenant sales in our sub-luxury malls grew last year by 20%, that in their top-end siblings saw a jump of 55%.

This leads me directly to an analysis of our recent business operation on the Mainland. Once the pandemic was basically contained in April 2020, less than three months after it literally went viral in the last week of January, tenant sales began to rise briskly, especially in our high-end malls. It has remained so to this day. The last six months of 2021 slowed a little, but this was due to the appearance of the Omicron variant and extreme weather events in eastern China around Shanghai and Wuxi. Even so, although the second half of 2020 and the first half of 2021 had already set a very high base, our results for the last six months of 2021 in virtually all our luxury malls surpassed both of the two previous six-month periods.

This set of results tells a powerful story. As overseas travel has basically been suspended since the onslaught of the pandemic, one would expect that the 70% plus of total luxury sales formerly transacted overseas would repatriate. It indeed happened as I had previously reported. But the effect could only produce a one-time jump that lasted, at most, a year. Thereafter, a much higher base has been established and any further rise must be from organic growth. We are now 20 to 21 months after the pandemic was brought under control and the market had recovered, yet sales growth is still strong. I will not be too surprised if the phenomenon continues for some time, especially in our top-end malls in tier-two cities.

Here let me add a word. I do not believe that, after international travel resumes, there will be much leakage of sales gained by the repatriation of high-end spending, the process of which was greatly sped up by the pandemic. This worry is the flavor of the month for some analysts, but it is not well founded. To have a better assessment of what might happen, we need to ask the question: why did the Chinese previously travel overseas to shop? From what follows, it is not difficult for me to argue that, even without the pandemic, repatriation is sooner or later an inevitability.

Until a few years ago, prices of luxury goods in mainland China were considerably higher, by as much as 20% to 30% for the same item sold in Paris, London, or Tokyo. This is no longer the case. The brands voluntarily closed the gap, and the effort was led by none other than Chanel, one of the most prestigious luxury brands in the world. Their management is known for foresight and prudence.

A second reason for buying overseas was that the Chinese taxes on luxury goods were very high, which pushed up the sales price in mainland China. A few years ago, Beijing lowered these taxes in order to keep the sales at home. In fact, at international points of entry, China's Customs have begun to screen for and impose stiff import duties on luxury products purchased overseas.

Third, luxury goods stores in mainland China previously carried a narrower line of products compared to their sister stores in places like Milan or Hong Kong. Many items could only be bought overseas. The reverse is now true. Recognizing that China is by far the single biggest market for these top brands, they now carry as full a lineup of styles and sizes as any other country in the world. In fact, some of these brands even designed special product lines exclusively for the Chinese market that are unavailable elsewhere in the world.

Another reason the Chinese travelled overseas to buy was that the shopping experience there was better. Whether in Rome, Madrid, Seoul, or New York City, there was an army of well-trained Chinese-speaking sales associates ready to serve. However, one can be assured that today, the staff at Chinese luxury malls such as our own are every bit as knowledgeable and hospitable. The quality of the shopping experience in China today is second to none.

Credit must also be given to Customer Relationship Management (CRM) programs in Chinese malls, and not just those in stores, as they can be very effective. Our own program, HOUSE 66, has proven to be superb, and those of our competitors are also not bad. A Chinese Very Important Customer (VIC) in Paris may have to line up outside a shop for quite a while to gain access, and even upon entering, would not be recognized by the sales staff. In our malls, this would not happen. We work closely with the brands to ensure a first-class experience for their (and our) VICs. Together, we also offer unique experience-based programs that are only available to certain tiers of our HOUSE 66 members. The more one spends at our mall, the more services one receives, so why shop overseas?!

Given the above, VICs of our tenants become very sticky to our properties. They are not just customers of a particular brand but also of our malls. In view of all of the above, I envisage limited leakage once these sales have been repatriated.

Grand Gateway 66, Shanghai

After analyzing the industry, let me now drill down on our own operation. We entered the Mainland commercial real estate market in December 1992 and this is our 30th year. That period of time can be roughly divided into three stages. For the 12 years or so between 1993 and 2004, we operated exclusively in Shanghai and completed two highly successful projects — Plaza 66 and Grand Gateway 66. For the 14 years of 2005 to 2018, we bought land outside Shanghai and built six projects in five cities. They were all basically completed by the end of 2016 and were operating successfully, the minor exceptions being Center 66 in Wuxi and Forum 66 in Shenyang, both of which are now completing their last phases of development.

Stage Three began in 2019 after the six-year bear market ended (in 2017) and when we inaugurated the latest batch of projects, the first of which being Spring City 66 in Kunming. It opened in August 2019. This was followed by Heartland 66 in Wuhan, and the next will be Westlake 66 in Hangzhou. The two that are already open became the number one luxury mall in the city from the get-go. Rises in rental margin are much faster than their six older cousins in Stage Two, all but the first one of which opened during the long bear market.

Also beginning in 2019, globally significant luxury brands have moved almost en masse into many of our malls of all genres — Grand Gateway 66 in Shanghai of Stage One, Center 66 in Wuxi, Olympia 66 in Dalian, and even Parc 66 in Jinan, all of Stage Two, and of course the two malls of Stage Three. This renders seven out of our 10 existing properties as full luxury malls, with Parc 66 hopefully joining this echelon after its AEI completion in 2024.

Throughout the three decades during which we developed this business from scratch, we have learned a lot. Stage Two, in particular, was painful, mainly because of the bear market in luxury goods. It coincided with the opening of five of the six malls of that period. In some ways, we have learned the most during that time. To learn what not to do is often every bit as significant as to know what to do.

Before that bear market, we thought we might have two lines of products, called luxury and sub-luxury. Afterwards, we changed our mind. The only business worth doing is the luxury kind. The results of these past two years have borne out that fact. We always knew that higher-end properties will always do better, and so we invariably strived to upgrade our sub-luxury portfolio to luxury. We once thought that the four-star facilities might still be an acceptable sector to be in. Now we are convinced that, unless one does not have the ability to create five-star shopping centers — and fortunately very few have that capability — one should stick with top-end malls. Besides much richer rental margins, they are far more difficult to be replaced by e-commerce. They are much more defendable.

A newly published update by a reputable international consulting firm on its regular report on China's luxury goods market apparently agrees with our conclusion. We are indeed in a sweet spot of the Chinese economy. The number of capable and successful players in that space is rather limited, and most of them are, like us, from Hong Kong. Yet we seem to have trodden a slightly different path — few have operated successfully in so many cities. Some have restricted themselves to only tier-one cities, a strategy which I respect tremendously. (In the luxury goods market, only Beijing and Shanghai are tier-one. The size and depth of the two are unmatched on the Mainland. Guangzhou and Shenzhen are on par with other better tier-two metropolises.) A handful, including us, have also gone to top tier-two cities. There is no denying that, if done right, the return from Beijing and Shanghai should be better if you are the market leader, like Plaza 66 and Grand Gateway 66 in Shanghai. But if you are merely an also-run, then returns will be much lower.

Here I should add that there are a few top tier-two metropolises that are better than the rest — call it "tier-1.5". For the luxury market, besides Guangzhou and Shenzhen, there are three or four more, including Hangzhou and Wuhan. To qualify, a city must be economically very strong, and its population sizeable. Recently, Wuxi was reported to have the highest per capita income in the entire country, but its population is not big enough. To illustrate, a "Big Six" brand can have six or more stores each in Beijing and Shanghai, perhaps three shops in a tier-1.5 city, and only one or two in a good tier-two city.

Plaza 66, Shanghai

So, what is our strategy moving forward? There are two elements, both long held by us. The first is to build only properties that have a good chance to become the leading luxury mall in the city, preferably from day one. As I have written repeatedly in years past, the number one most successful mall in a city will have a sizeable difference in financial return versus the number two. This is not just to assuage our sense of pride, but there is a very pragmatic reason — we are here to maximize shareholder value. The second element is, if possible, to upgrade a sub-luxury property as fast as possible, if for whatever reason it could not open as a luxury facility.

Plaza 66 in Shanghai was probably the only top-end mall we have ever developed where there was no decent cluster of top fashion brands in any other property in town. So, before entering a market, we must carefully assess the competitive landscape. If there is no reasonable chance of dominating the market in a city, we should not proceed. We should refrain from buying land. Even when we think that the probability is high, we may still be forced to operate first as a sub-luxury facility before we can lure the premier brands over. The anticipated wait should not be overly long, for it would affect our financial return.

Of the six projects in Stage Two, when land was bought between 2005 and 2010, all malls were expected to achieve five-star status except Palace 66 in Shenyang. Given its location, it was destined to be four-star. It was our first attempt at that product type. Unfortunately, soon after Riverside 66 in Tianjin was completed, we realized that the city's economy was far weaker than what statistics indicated. We have been watching this once prosperous metropolis for 30 years and have yet to see one successful luxury mall. So, for the foreseeable future, our facility will have to remain sub-luxury. Given the excellent hardware, one day it can still be upgraded when the market and competitive landscape allow.

All the other four have potential. In the case of Forum 66 in Shenyang, we miscalculated. We allowed a competitor to complete constructing their shopping center some 18 months ahead of ours. Together with certain design issues, we had to play second fiddle since opening. Although not fatal, it was nevertheless a costly mistake.

Of the remaining three malls, two have been successfully upgraded while one is on the way. Center 66 in Wuxi and Olympia 66 in Dalian are both the undisputed number one luxury property in their respective cities. The former acquired that status in 2019 with concurrent financial reward. The strong rental growth since that time is expected to continue. Two years behind but behaving similarly is Olympia 66 in Dalian. This past year was when top fashion brands moved in in droves. This explains the amazing jump in rental revenue. The process is not yet finished; it will continue this year and likely the next as well. Parc 66 in Jinan began its AEI last year, which should signal the gradual migration to luxury mall status. Already we are beginning to see the addition of higher value brands these past two years.

Such transformation is critical to the long-term success of our Company. It not only affirms our land purchase decisions as well as our assessment of the competitive landscape, but also proves Management's capability to fight and win. Frankly, the successes in both Center 66 in Wuxi and Olympia 66 in Dalian would have arrived a few years earlier if not for the six-year severe bear market that only ended in 2017. I estimate that it has probably delayed our ascendancy by at least two to three years. In fact, if not for the prolonged market downturn, Center 66, which opened in 2013, could have dominated the market from day one. The delay was financially costly.

This leads me to my next point. In most cases, and under normal market circumstances, we should be able to assume the top spot from the get-go. Our confidence has been boosted in recent years with two successive bonanzas — Spring City 66 in Kunming, which opened in August 2019, and Heartland 66 in Wuhan, now 10 months old.

Heartland 66, Wuhan

Before we came along, there were already one or two major players in the two cities of Kunming and Wuhan. They are all equally well or even better located than we are. But because of our superior design and construction, as well as the reputation of our management among global top brands, we were able to attract them to our malls before we opened our doors. A weaker competitor will lose their best tenants to us; a stronger one may, often by non-economic means, retain certain big names, even though those brands would also open stores at our place. Whereas those malls may force the brands to keep shops in their premises for now, they cannot dictate where shoppers will buy. Major fashion houses know this all too well — they know where their customers like to shop.

This scenario is particularly true in Heartland 66 in Wuhan. Eventually, sales are flowing our way. In fact, I expect this property will be among our most successful outside Shanghai. Center 66 in Wuxi will give it a run for its money, but there is no comparison in terms of both the size of the mall as well as the scale of the city's economy. As a metropolis, Wuhan is just so much bigger, and so is Heartland 66 compared to Center 66 — almost 180,000 square meters versus less than 120,000 square meters.

If there is one project that can challenge Heartland 66 in Wuhan as our most profitable mall outside Shanghai, it may be Westlake 66 in Hangzhou. Obviously, it is too early to tell since the latter will not open for three years. As explained earlier, Hangzhou is one of the tier-1.5 cities where each of the top brands can sustain at least three stores. Westlake 66 is located near the center of the historic number one high-end shopping district. The competitive landscape is rather favorable to us, and so the chances of a repeat of Spring City 66 in Kunming and Heartland 66 in Wuhan are quite high. The design is, I believe, very enticing and the entire complex is supported by many offices above our mall. We have also signed a world-class hotel, Mandarin Oriental, who will join us in Hangzhou.

The only drawback may be that the mall's size, which is less than 110,000 square meters, could have been bigger. We are under planning constraints. Nevertheless, it is still almost twice the size of Plaza 66 in Shanghai. Apparently, the latter's size does not prevent it from being by far the most efficient — as defined by sales per square meter — luxury mall in all of China.

Now let me turn to two major societal and economic issues on the Mainland. The first is common prosperity and associated policies such as limiting Internet platform companies and certain educational institutions. The second is the "Evergrande Phenomenon" relating to financial difficulties of property developers. Thereafter, I will discuss the way Hong Kong is dealing with the pandemic and what the city's economic future may be. These have troubled many investors and policy pundits alike.

Everyone who overreacts to Beijing's common prosperity pronouncement has forgotten that China is a socialist state, albeit practicing market economics in the past four decades. Many in the West still cannot accept that there are other forms of capitalism that can also create wealth for society. Consequently, they subconsciously or unconsciously reject China's mode of market economy with socialistic characteristics. It is my way or no way. No wonder such narrow-minded individuals have a hard time understanding China. The source of their prejudice is usually more emotional than intellectual.

Remember what Mr. Deng Xiaoping said at the very beginning of the Reform and Opening Up Policy — let some get rich first. The key words are of course "get rich" but let no one forget the word "first" as well. Every society must first create wealth and then distribute it somewhat fairly.

To me and my family, the best way to "distribute" is to voluntarily give all, or substantially all, of the wealth away. As a principle, which we have held for many decades, we do not believe in inherited wealth; we prefer to recycle the capital back to society. But this should not be done involuntarily, so the government's role becomes significant. Taxation and other means of redistribution are necessary, and every country must decide for itself what the right level is.

Enlightened wealthy people should accept, if not welcome, such measures, as long as they are not excessive to a point where the incentive to create further wealth is seriously curtailed. After all, the balance of wealth redistribution is an important factor in maintaining a relatively peaceful social environment. If not, history amply demonstrated that there will be severe backlashes, which is not good for anyone. By definition, the one who has the most will, in such a situation, also have the most to lose.

Let us also not underestimate the intelligence of the Beijing leaders. They did not greatly lift the standard of living of 1.4 billion people by being foolish. When China did not adopt market policies from 1949 to 1978, the country was poor, very poor. Once she changed, she became rich. Will Beijing reverse policies again? Only the foolish would think so. From what I as an outsider can observe, Beijing knows well what they are doing. The methods they employ are far from perfect, but there is a clear logic to their decisions. And when they discover that they are wrong, they usually quickly adjust, and adjust they can. Can they falter? Of course, but so far so good after 43 years of reform.

So why common prosperity? In fact, the question should be: why not? On the questions of why now and what it means, I have the following opinions. First, timing. After four decades of fast economic growth, considerable wealth has been amassed. However, its distribution in society is highly uneven. As long as most people in society still see their livelihoods improving and their future may well be better off than the past, people are relatively content. Economic opportunities are still available to those who try. Consequently, society is still somewhat calm. However, it is also true that some of the nouveau riche, including some super wealthy, have not been behaving wisely. For example, flaunting wealth is usually not a good idea. As a result, there is always the possibility that tensions may one day rise between economic strata. The government's job is better to prevent tension than to fix it after it causes serious trouble.

To be sure, China does not have a monopoly on these problems. Huge wealth gaps are also found everywhere, including in almost all advanced Western economies. For the past 20 years or so, financial wizards from investment bankers to private equity investors have accrued an inordinate amount of wealth. Around the same period, tech moguls have racked up perhaps even more personal fortune. In my opinion, the latter group at least added tremendous value to society (with concomitant problems) compared to the former. Whatever the case, the phenomenon of Trumpism is a clear warning to the American society of impending bigger problems.

All that goes to show that humankind in the West and East probably has never witnessed another time when personal wealth could have piled up as much as in the past two decades. If not handled carefully, this cannot end well. Whereas the U.S. seems incapable of addressing this issue, Beijing is at least trying to do something about it.

In China, because the government is very cautious about financial security, the private sector’s participation in the financial services sector is limited. However, some of the technology firms, mostly in software, have grown to unimaginable sizes, and certain of them have increasingly encroached on financial services. Not being regulated as financial services entities, some have become extraordinarily powerful.

Elsewhere in the world, the largest banks, which are considered a systemic risk to the global economy if they fail, have been put under severe prudential rules, especially since the Global Financial Crisis of 2008. In China, some non-bank financial institutions, a prime case being Ant Financial, are hardly regulated at all, but in size, they are far bigger than any of those highly regulated banks around the world. Precisely because they are at best lightly supervised, their growth rates can be wild. If some of them become publicly listed with shareholders from around the world, the ramifications will be even more complicated. What if one of them fails? How contagious will this be to other similar institutions? Imagine the systemic risks that will be posed to the Chinese economy, and indeed the global economy given how connected the world has become. The risk to the world of one such bankruptcy is incalculable! But even if such a calamity does not happen, one can foresee the further concentration of wealth.

In the 20th century, it was said that oil was black gold. Remember the two oil shocks of 1973 and 1979. In general, it redistributed wealth from the energy poor countries to those that are naturally endowed. Today, in the 21st century, data is digital gold. Companies and individuals with access to data will be king. With China being one of the most advanced digitalized economies in the world, and with Internet companies being predominately privately owned, the wealth gap can only widen further.

There are two added complications. First, the regulation of data anywhere in the world is a new phenomenon. With new technology such as AI, the amount of data will proliferate. Who then will own this digital gold and to what end? It can be seriously misused and create grave social or even political disasters. Every government is watching it with a hawk’s eyes. The second complication is that, given terrible China-U.S. relations, data security has become a top national security issue.

From this discussion, it is clear that Beijing’s clamping down on certain Internet platform companies is not to rob the rich to give to the poor. It is not a matter of the government now being against rich people. It has many bigger and more critical considerations of national financial stability, data security, and even political stability.

If common prosperity is not to pull the wealthy down, then what is it? First, it is to enlarge the pie so that more people can benefit. Second, much work remains to bring the lower economic echelon up. Yes, China has successfully lifted some one hundred million of her people out of abject poverty, but that poverty line is still rather low compared to international standards, such as those set by the World Bank. Besides preventing those recently lifted out of poverty from falling back, Beijing now has to meet a higher bar in the coming years and decades. Yes, Beijing is encouraging the haves to take care of the have-nots. But as both theory and practice tell us, philanthropy alone can never solve the poverty issue. It is helpful but inadequate.

The only solution is to enlarge the pie, while using administrative measures including taxation to redistribute. If anyone understands the consequences of removing individual incentives, it is Beijing. For the first 30 years of its existence, the PRC tried, and the result was common poverty and not common prosperity. Beijing leaders today all grew up in the 1950's and 1960's. They know this lesson best.

I believe there may be at least one other critical reason why the Chinese government is cracking down on some Internet platform companies and educational entities. Educationalists, psychologists, and social workers in the U.S. know all too well that their society is increasingly suffering from another epidemic, that of mental illness, especially among young people. 70% of the undergraduates of a top Ivy League school need some form of psychological counseling. In my alma mater, which is a large reputable American university of which I was once a trustee, the mental health of students was solemnly discussed at the board. These are definitely not isolated cases. The problem is ubiquitous.

I do not believe that the U.S. has a monopoly on this, although unfettered personal freedom, not properly balanced by responsibility, must have exacerbated the problem. Europe is not exempt, and Asian countries including China have their share. At issue is what is being done about it. Given their social norms and political systems, what Western governments can do to prevent the problem is rather limited. They can at best do more to treat the symptoms. But it is frankly already too late. The Chinese system, on the other hand, may have a better chance, if not to prevent it, at least to minimize it.

Herein is a negative aspect of technology. We know all the good that technology has brought to humankind, but it is almost a taboo to discuss its negative sides. Let me illustrate this with an anecdote.

Recently I bumped into a longtime friend. He and his 30-year-old daughter both love computer games and have more recently taken up virtual reality (VR) games. He told me that whereas now they have to put on a pair of goggles to get into the VR world, the next generation technology may just be a pair of contact lenses with a chip in them. Whatever the case, his daughter often has nightmares because of the long hours spent in the VR realm, and we know how violent such programs can be.

My friend's experience and his daughter's troubled me greatly. I ask the question: what if our ten-year-olds spend hours each day in the VR world? What would happen to them? After a while, would they be able to differentiate between the real world and the virtual world? Whether such children are being actively manipulated — easily done with technology — or are passively responding to what they see and experience, what would be their mental state and mental health? What would happen to their independent thinking, analytical ability, moral discernment, and social skills? I do worry greatly for the next generation everywhere, but especially in the West.

I suspect that such an epidemic could not have escaped the attention of China's top leaders. Could it be that the limiting of students' daily time on computer games and the like is a way to protect the country's youth from mental distortion? I believe so.

The curbing of certain educational institutions is also meant to prevent exacerbation of a similar problem. Chinese schools are known for the pressure they exert on students such as for rote learning. It cannot but have an effect on the overall development of the youths of the country. The latest policy will hopefully improve their general well-being, including their psychological health. Moreover, the new policy attempts to equalize opportunities of the poor versus the rich. Whether it is effective is another issue. The purpose nevertheless seems clear.

A second major issue often discussed among investors is what I call the "Evergrande Phenomenon". Namely, financial defaults or near defaults by a good number of Mainland property developers. Will it affect our business and, if yes, how?

To be sure, I have publicly stated for over a decade that the game being played by Mainland developers is unsustainable. They are about size and speed over profitability and quality. Sooner or later, the musical chairs would end, many companies would go under, and shareholders and bondholders would be hurt. One could absolutely see it coming. It is not difficult to pick out who were the wildest many years ago. They would have likely made the biggest mess. Conversely, we have also known for a long time who are the more solid players. They think and act more logically, and are much more lowly-geared.

Years ago, a friend told me about four companies that would disappear. I fully agreed with him. Today one is gone; two have been restructured, and the last one is Evergrande. My friend was correct not because he was smart (although he was), but because he kept his head cool.

Some pundits in the West called Evergrande the "Lehman Moment" for China. At no time did I believe this. In fact, the comparison baffles me. It is true that the amount of debt at Evergrande is grand, but a decent accountant can quantify exactly what the total obligations are, after dissecting the off-balance sheet items. It is a finite number, whereas for investment banks, like Lehman Brothers, the financial derivatives can be bottomless. The number of clients, including first, second, and third orders, is also much more broadly distributed.

Unlike financial institutions, real estate companies including Evergrande have on their books hard assets — land, bricks, and mortar. Their value may be less than the associated debt instruments, so at bankruptcy, many people will lose a lot of money. But at least the first lienholder will likely receive something, especially if the process of liquidation is orderly. Since almost all the Chinese financial institutions are under the strict direction of the government, orderliness seems assured. And since the same government also controls many huge enterprises, financial or non-financial, with or without real estate expertise, the real assets of a bankrupt developer can be divided by such companies. In principle, very few jobs have to be lost, and the original management is altogether dispensable.

History shows that, with an orderly disposal of hard assets, and after a haircut to the original owners and lenders, there is a chance that whatever remains may still be a going concern. Oddly, one good thing about the Chinese system in this case is that the government is at once the referee and a player. What is unheard of, or impossible in the West, may be possible in China.

All that notwithstanding, the process will be painful. I only wonder why the government allowed the situation to deteriorate to such an extent before intervening. Could corruption have played a role? Of course, but it cannot explain the whole story. One reason may be that the government was relying on housing developments to keep the overall economy going. It is hard to imagine that so many smart bankers would close their eyes and keep lending to these now or soon-to-be defunct developers. The only reason is that someone upstairs said go ahead. At that higher level, considerations must not be only on a particular company. There must be other economic, societal, even political calculations. All one can say is that this, too, is part of a market economy with socialistic characteristics.

Will this mess affect our business? Not really. But if it does, it may actually be quite positive. We are not affected because we are in a very different industry. Nevertheless, there is the outside chance that, with fewer property developers buying land, local governments may become short of cash. They may need to sell certain commercial land fast. If it coincides with a plot that we like, we may be able to pick it up on the cheap. In the past 15 years or so, we had more than once done the same. As I explained, not many jobs would be rendered redundant. As such, the impact on consumption should not be big. Moreover, those people are not our target clients anyway.

Now let me turn to Hong Kong and address the issue of the way the pandemic is being handled, and its possible effects on our economy and our business. For regular readers of this letter, you know that I am of the opinion that the riots of 2019 have fundamentally changed our economy, and the subsequent National Security Law (NSL), while absolutely necessary, has nevertheless altered the nature of our society in a fundamental way. When I speak of such a transformation, I do not make a value judgment on whether it is beneficial or detrimental to Hong Kong. As far as the new reality is concerned, it is what it is. After all, change is perhaps inevitable.

With the pandemic, Hong Kong is truly caught between a rock and a hard place. The government's handling of it certainly leaves a lot to be desired, but external realities also present us with some unique challenges. The public health issue is not easy for any country or city to handle, for governments must balance containing the viral spread and protecting the economy. Officials have to make very hard choices between how many deaths the society can accept and how much longer the economy can continue before collapsing. Embedded herein are hard realities such as how prepared the medical establishment is (e.g. the number of hospital beds and medical staff), the availability of vaccines, their effectiveness, and the readiness of the population to receive them, as well as a whole host of other societal and economic issues, almost all of which are sensitive. The worst is to allow fear to spread among the community.

Recognizing these complexities, I have withheld from publicly commenting on the topic in the past two years. Only those with ulterior motives (such as political) or who are ignorant would lightly speak up, for almost all of them are, like me, a novice on the subject. The reason I am writing now is that Management needs to make our assessment known to stakeholders, for many have rightly shown serious concerns.

For decades, Hong Kong, as a small island, has successively relied on the U.S., Europe, Japan, and now mainland China for our livelihoods. Unlike the relationship with foreign countries, which was primarily economic, ours with the Motherland is today much more comprehensive. Our society is inextricably tied to the Mainland. Before the pandemic, the border checkpoints with Shenzhen are among the busiest in the world! On average, over 600,000 passengers cross the border on a daily basis. This is more than twice the busiest border crossing in North America, between San Diego, U.S. and Tijuana, Mexico. Many of our citizens live on this side but work on the other, or vice versa. Children cross it to go to school in the morning and back in the afternoon. People, for business or leisure, walk or drive across almost nonstop. Long lines of trucks with cargoes waiting to cross is a daily phenomenon. If access is blocked or impeded such as due to the pandemic, our economy and our society both suffer greatly. For example, much of our foodstuffs come from the other side of the border. The livelihoods of many of our citizens of almost all economic strata will be hurt.

Yet on the other hand, Hong Kong is an international metropolis. We also rely heavily on the rest of the world for our economic well-being. Ours is an outward-facing economy, not just towards the Mainland. We probably have more headquarters or regional headquarters of multinational corporations than most if not all major Asian cities. Having experienced riots for seven months in 2019, our economy was already damaged. Our economic but especially political relationships with our Motherland have fundamentally changed. We cannot afford to now lose the confidence of the international business community as well.

As we all know, there are basically two ways to deal with a pandemic — zero infection and herd immunity. If the “bug” is really deadly, then the former must be employed if at all possible; if it is mild, then the latter is preferred because it is less damaging to the economy especially in today’s interconnected world.

COVID-19 was first reported in Wuhan, China two years ago. At the time, no one knew how lethal it would be. Beijing took resolute actions to contain it. Methods employed were drastic but effective. Since then, they have been perfecting what they call dynamic zero infection. Compare China to the U.S. On a per capita basis, America has had over 2,000 times more cases and 600 times the number of deaths. (By far, the majority of China’s cases took place in the first three months of the outbreak back in early 2020, when there was no vaccine and no experience in handling the spread. As such, the death rate was much higher then.)

Since Hong Kong has cast her lot with the Mainland to go for zero infection, the reasons for which I will later present, we have to understand where the Mainland may go with the pandemic before we can predict what may happen here.

As we all know, the rest of the world has chosen the way of herd immunity. Only when the pandemic is particularly severe will some governments impose city-wide or district-wide lockdowns. Frankly, it will take a much more deadly virus (or bacterium) to force those communities to follow China’s example. People in Western societies are so insistent on their individual freedoms unfettered by responsibilities to the community that it is hard for their governments to compel citizens to be vaccinated or to follow strict social distancing rules. They literally value their freedom more than their own lives. The only problem is that they also value their individual freedom more than other people’s lives. On the other hand, it is not easy to find a country, let alone the world’s biggest with 1.4 billion people, that is so organized to successfully execute a zero infection plan. Frankly, it takes a highly competent authoritarian country like China to achieve that.

Just as the West cannot do what China has done, it is also so far not advisable for Beijing to adopt the approaches taken by the rest of the world. Will the Chinese accept a much higher death rate like in the West? Can the medical establishment cope if various mutations of the virus remain deadly? Might there be social, even political, consequences? These are questions with no easy answers. But once the country chose the road of zero infection, it is not easy to switch.

But in the longer run, can China economically stand apart from the rest of the world that will one day achieve herd immunity? Can strict quarantine requirements be enforced forever for anyone entering the country, be they foreigners visiting or her own citizens returning from overseas? What will that do to the world which is already deglobalizing because the U.S. has decided to make China an enemy? After all, already being the number one or number two biggest in the world in terms of trade, China cannot afford to close off herself from the rest of the world. China needs the world just as the world needs China. As such, sooner or later, China has to open up and relax her zero infection policies.

When might that be? There are several prerequisites. The first is that China must develop a more effective vaccine. Whereas the best of the West can protect to the extent of some 95% in vaccine efficacy, China’s vaccines are well below that number. If this cannot be achieved, her citizens may not be adequately protected to the point that opening up in haste will bring highly undesirable consequences. Local newspapers reported that China was doing exactly that — developing a more potent vaccine.

It will also depend on how the virus mutates. If successive new strains become more deadly, then China will not and should not open up. But if it evolves in the opposite direction, then there is a chance. The Omicron variant while highly contagious is considered less severe. Could this mark the gradual relaxation of the current policy? Whatever the case, hopefully the world, including China, will soon develop better prophylactic medicine as well as improved treatments.

Once both prerequisites are met, Beijing can declare victory and open up. Many Chinese lives have been preserved as noted above, and her economy has remained relatively healthy throughout the past two years. Domestic circulation which is the dominant of the two circulations (the other being international), as enunciated by President Xi Jinping not long ago, has done what it is supposed to do.

Being the world's biggest manufacturing hub, China's exports have boomed of late. All other smaller production bases such as in South and Southeast Asia were effectively shut down because those countries could not contain the pandemic. The reliance of the world on China, America's deliberate efforts to slow down her exports through a trade war notwithstanding, has got even higher. In fact, if anything, the world should thank China for taking the zero infection route such that the global supply chain was not otherwise more disrupted. If not, shortages of many products and parts thereof would have brought chaos, a good number of many industries would have been grounded to a halt, and the global economic system would have been further damaged. Imagine where inflation would have been in that case!

What about Hong Kong? China is a continental economy such that even if connection to the rest of the world is somewhat affected, domestic activities can still keep things going for some time. But Hong Kong is an entrepôt and an international financial center. Our economy is much smaller and simpler, and hence more vulnerable. Connectivity to the Mainland and to the rest of the world are both critical.

Like our Western friends, Hong Kong citizens are deeply opinionated and sometimes express themselves indiscriminately. If they do not like to get the vaccine, they simply refuse, it being free of charge and efficiently administered notwithstanding. Together with a challenged administration, the attempt to practice dynamic zero infection in Hong Kong has failed, and freer passage with the Mainland could not be achieved. And since this approach requires strict quarantine rules, personal travel with the rest of the world has also been severely limited.

Multinational corporations with regional headquarters here are clamoring to relocate. After seven months of violent riots in 2019 and the subsequent NSL, many companies were already questioning Hong Kong's future as an international business center. Now, with the mismanagement of the latest wave of the pandemic, while many countries are gradually reopening their borders, we are certainly not making it easier for those firms to remain in our city.

The upshot is this: we ended up not being able to freely open to either the Mainland or the rest of the world. We are stuck, and the long-term economic consequences are huge.

The only one who can now revive Hong Kong's economy, in the short to medium term, is Beijing. But in whatever form they help, we will be different from what we were before. Perhaps it is inevitable. It may not be bad since the most critical element to this city's economy is the Mainland. To keep it healthy and strong, we will have to develop new business sectors with the rest of China and with the rest of the world.

Of immediate concern is the next Chief Executive of the SAR government come July 1. Six months ago, I was hoping that by now, we will have a clearer picture. That has proven not to be the case.

In the face of all of the above, what should Hang Lung's strategy be? How shall we move forward?

First, we are fortunate to have greatly expanded our Mainland portfolio in the past decade or two. Outside Shanghai, we began to buy land in 2005 and opened our first mall in 2010. Momentum for further growth especially since 2019 has been very strong. At the same time, we have not initiated any major project in Hong Kong since 2001. We only take potshots for specialized situations. In light of the challenges in Hong Kong and the opportunities up north, we are well-positioned indeed.

Consider these facts: our brand is highly reputable on the Mainland. We are known to build, own, and manage some of the best commercial projects there. Our luxury retail properties are particularly robust; our office towers are always the best in each city. To illustrate, the smallest mall of ours, Plaza 66 in Shanghai, makes about 2.4 times in tenant sales of all our retail shops in Hong Kong put together. It is quite possible that, in about two years, our second highest grossing shopping center Grand Gateway 66, also in Shanghai, will do as much business as all of our Hong Kong stores as well. The combined sales of our next two malls, Center 66 in Wuxi and Spring City 66 in Kunming, have already exceeded our Hong Kong total by quite a margin. And it would not be surprising if, within the next two years, both of those Mainland properties will be surpassed by our new kid on the block, Heartland 66 in Wuhan, which as of now is only less than one year old.

In the office sector, 2021 was the first year that our total rent collected on the Mainland surpassed that in Hong Kong. There is little doubt that the margin will only enlarge further in the coming years. Today, office supply in Hong Kong is rising, while demand cannot catch up. In fact, there is a possibility that demand may shrink as multinational companies depart our city as explained above. What is unknown at this stage is whether Mainland corporates will come to our city in meaningful numbers.

Hong Kong is very small compared to the rest of China. Historically, our city has exceptionally high unit price and rent for real estate. Relative to much of the world, and given our size and location, it will remain so even if price and rent moderate somewhat. What is not anticipated is continuous increase, except perhaps in residential prices. Overall, Hong Kong is a city on the wane. Unless Beijing were to do something drastic, our economy would unlikely advance much.

Mainland China, on the other hand, is the exact opposite. Territory and population are both humongous. Its economy is the world's second largest and is still growing like a developing country. A 5% to 6% per annum GDP growth for the next several years is possible. Urbanization is still ongoing, even though it has already been moving ahead briskly for some three decades. There remains plenty of room for advancement in terms of the quality of its economy. The two reasons are a relatively low base, and the fast development and deployment of technology. For example, the service sector is still small as a percentage of GDP compared to advanced Western countries. Actually, there are few economies in the world that have the combination of low base and advanced technology, which are conducive to very fast growth. This may well be the case for China in the next decade or so.

Some are concerned by the present severe competition between China and the U.S., which touches upon all critical aspects of her economy. Uncle Sam is doing all he can to slow down China's growth, especially in technology. This is obviously an area of concern, for when the most powerful country the world has ever seen treats you as an enemy, life can get very tough.

But after careful consideration, I believe that China has already reached a point of overall development where she can withstand the comprehensive onslaught, short of all-out war, of course. In fact, America's pressure will spur China onward faster than otherwise. For example, cutting China off from certain technologies will only push her to develop them herself. In the longer run, this will make the country less dependent on the West and more competitive. This is not what Washington, D.C. would like to see, but picking on China would most likely have this outcome.

In the past few years, I have analyzed at length in this letter the ongoing China-U.S. relations. As such, I will not repeat much except to say that this is a contest that neither side can win. If it becomes a long, drawn-out brawl, then the party that is better prepared psychologically will have a huge advantage. In the face of a contest where there cannot be a winner, the American political system will face a huge centrifugal force, while the opposite may be the case across the Pacific. Consider the Korean War, the Vietnam War, and the Afghanistan withdrawal last year. Washington, D.C. will back off. Nobody wins.

Before that time, the Taiwan Strait would remain a hot spot where accidents can be dangerous. Doing business in Hong Kong and on the Mainland, this is a risk that we must be keenly aware.

Irrespective of what happens outside the Mainland, further development of the domestic economy will be paramount. With exports no longer a dependable driver of the economy — use it as much as possible while the going is good, like under the pandemic — and limits to increases in infrastructure development, Beijing will have to ensure a vibrant but healthy domestic consumption market. This can only be good for our business.

Besides keeping a reasonable pace of economic expansion, much attention would be paid to improving the quality of the economy. Pundits in the West and East will immediately think of further reform, but I prefer to put it another way. The reason is that, in the minds of all too many people, reform — economic or political — is to become more like the West. Not necessarily.

What is needed is the rationalization of previous irrational systems and practices. This includes better coordination among different parts of the economy and different departments within the government. This will remove or mend dislocations and so improve efficiency. One aspect of the superiority of the American economy is its rationality. China will have to learn it, although no one should think that there is only one way to do things. For the past 40-some years since China opened up, leaders have always been pragmatic. They will learn from others if it works well at home, or will find their own ways that would work best for their particular situations. One way or another, China will rationalize her domestic systems, economic or otherwise, to make them more efficient. This is critical in times of intense international competition.

Here, let me say a word about why so many Western pundits have, more often than not, gotten China wrong. They think that their way is the only way and are not open to learning new things. They are simply too proud and self-righteous. The average Westerner has something that further works against his or her ability to see China as it is. News media led by the elites have been spinning every story related to China against China. Inaccurate at best, people reading such stories day in, day out will inevitably be brainwashed by them. Before long, a chorus is formed. What happened in Hong Kong in 2019, as reported in the West, is a reminder of this. The distortion was ghastly.

As the quality of China's economy improves, one should see a rapid rise in salaries, especially in major cities. More and more people, old and especially the young, will be able to own better quality products. Luxury spending will be one area that will benefit. As long as we run our own house well, we should be a prime beneficiary. This includes developing new projects wisely, managing our properties well, and remaining lowly geared. We should be able to do all that.

To capitalize on coming opportunities, we will as before continue to look for land for new commercial projects. In the past almost 30 years on the Mainland, on average we added one new project every two to three years, although purchases tended to come in lumps given market conditions. Such is the cyclical nature of the business. This pace is quite agreeable for our financial planning and personnel management. Chances of our repeating it in the coming few years are reasonably good.

We are not abandoning Hong Kong; it is still our home. But like in the past 20 years, we will only buy land when the timing and price are both very attractive. None of us can say that such opportunities will not appear, although I do not see any on the horizon yet. If we buy land, it will likely be residential, especially for top-end market. Our city's low tax rates, and many other aspects of society, are still very attractive to the wealthy from the north.

Before concluding the letter, let me say a word about our management team. Like any organization, staff turnover is inevitable. Among our senior ranks, seldom do we see voluntary departures. It is mostly due to retirement. About 12 years ago, we were not as fortunate and saw a rapid change of personnel. Our then CEO Mr. Philip Chen did a commendable job in rebuilding management to suit our needs at the time. Under his leadership, we opened six huge commercial complexes in seven years between 2010 and 2016. Consequently, the staff count increased greatly throughout the 2010's. Few from our senior management team have been with us for more than 12 years. In that period, we have also built bench strength.

A key member of the team was Mr. Norman Chan who retired last year after eight years of service. I dare say that he was the best head of our investment properties in the past 50 years that I have been an observer or participant. Thanks to him, a few of those trained by him are now sharing his job. It is a very good team with some depth. After retirement, Norman has been invited by Management to serve as an advisor.

After 13 years with the Company, our CFO Mr. H.C. Ho will retire at the end of next month. He has been a steady pair of hands for all these years. I wish him a well-deserved retirement that is happy and healthy.

I am pleased to introduce our incoming CFO Mr. Kenneth Chiu. A Hong Kong local of modest upbringing made good by sheer intelligence and hard work, his previous career has prepared him well for the present position. His age belies his breadth of experience. Since university and acquiring professional qualifications, Kenneth has worked for a European investment bank, a top rung sovereign fund in charge of real estate investments, including those in mainland China, and, more recently, as CFO of a successful regional property fund, whose duties included doing investments. I welcome him to our senior management team.

Ronnie C. Chan
Chair
Hong Kong, January 27, 2022

Vice Chair's Notes

Adriel Chan
Vice Chair

Warmest wishes for the New Year, and thank you for your continued support of Hang Lung.

I write again from various cities in mainland China, which are humming along very smoothly, all things considered. As people travel to and from their home towns for the long Chinese New Year holiday, based on the Chinese government's previous approach, the inevitable sporadic COVID flare-ups should be quickly identified and contained, which means that malls, restaurants, cafes, and bars should basically return to their normal, buzzing selves soon after. The atmosphere is upbeat, and I am confident that we are seeing the start of a solid 2022, provided COVID throws us no curveballs.

Since international travel to China continues to be difficult, I will share a few observations made on my travels across China so far this year, which may not be evident from abroad. I hope you will find them as useful and actionable as I have.

Speed, Intensity, and Effectiveness of COVID Clampdowns, and their Effects on the Market

There is still no getting away from COVID. Though there has been talk of the Omicron variant being the beginning of the end of the pandemic, it is premature for us to expect this imminently. The Chinese Government has acknowledged the need to react and adapt their strategy to changing conditions, which is positive, and we look forward to any measures which will further improve the operating environment. However, this pandemic has been unpredictable in character, and so we can only wait and see. We are, of course, taking all the precautions that we can.

Meanwhile, the current approach appears, still, to work, though the high transmissibility of Omicron has made it even more challenging. Mainland China uses very targeted, very strict contact-tracing, testing, and lockdowns. This helps ensure that the vast majority of people are minimally affected, and thus businesses can generally stay open. Naturally, this is good for our retail business, and so, to some extent, we have it to thank for our satisfactory results. Those who look at our results more closely will note that the second half of 2021 did not grow as quickly as the first; this is in part due to several of these targeted lockdowns in the cities in which we operate, as well as two extreme weather events which affected our Shanghai and Wuxi malls for several days each.

On the whole, however, despite the broader disruption it has brought, COVID has been an unexpected boon for our core business, and I expect the growth to continue at a very healthy but moderated pace. Observers rightly point out that the pandemic has already "onshored" virtually 100% of Chinese luxury sales. Prior to COVID, however, only about 30% of Chinese luxury purchases were made domestically, with 70% made in Hong Kong, London, Paris, and other international marketplaces. However, I believe that this "onshoring" was only one of three main drivers for Hang Lung's performance.

The full thrust from the two other drivers should be seen this year. First is the incremental luxury consumption of the Chinese customer. Through the course of the pandemic, the total value of Chinese luxury spending (i.e. domestic + international) has shrunk by about 30%, from over 90 billion Euros in 2019 down to around 60 billion Euros in 2021*. With the return to pre-pandemic travel looking just as unlikely now as it did this time last year, I expect overall Chinese luxury sales to slowly catch up to their previous levels. The vast majority of this will continue be done domestically, and much of it in our malls.

* Source: *A Year of Contrasts for China's Growing Personal Luxury Market.* 2021, Bain & Company, P.8.

The second driver is the increasing share of the Chinese luxury pie that Hang Lung is capturing. The long winter that we experienced from 2011-2017 was not wasted. Under the wise guidance of our previous CEO, Mr. Philip Chen, management laid the foundations (six new malls) and developed the tools (systems and management) to capture the luxury market when spring would return. Thus, when spring finally came in 2018, we sprung our trap. In the four years since, we signed over 100 top luxury brand contracts, and five more of our malls have taken leadership in their respective luxury markets, with work ongoing on a sixth.

For the above reasons, I remain confident that we will continue on a very healthy trajectory for some time to come.

Knock-on Effects from "Common Prosperity" and Regulation of Educational Institutions

Observing the government and markets since the initial turbulence that surrounded the "common prosperity" announcement, I have come to believe that the intended outcome is to create *more* buyers of luxury brands, not fewer. Thus, this should be beneficial to us, rather than detrimental. It appears that both brands and management consultants agree with this view. Supporting this, January figures are still strong, and our tenants continue to break their own sales records.

The shift in focus of children's activities from rote academics to more arts and sports is also beneficial to our facilities. Specialty sports centers and arts and crafts trades are increasingly entering our malls, which drive foot traffic and increase customer dwell time. They are well-suited to awkward or otherwise difficult-to-lease spaces, and have the added benefit of engaging children, which frees their parents and grandparents to browse the malls. This shift in government policy means parents will spend more time with their children, since children now spend less time in study groups. As a matter of course, we are working to capture more of this time in our facilities. Diversified academic studies should lead to broader interests among future consumers, which will drive more demand for niche trades in our malls (e.g. outdoor activity brands). In the same vein, I expect a further diversification of styles and fashion preferences, which is also beneficial to our operations.

Since our Chair has elaborated on the "Evergrande Phenomenon" in his letter to shareholders, I will not discuss it here.

The Rise of Domestic Chinese Brands, and the Plateau of Some International Brands

Browsing our malls in mainland China, you will generally find at least one floor of apparel brands that you have never seen nor heard of in North America or Europe. (In many cases, you will also have a hard time pronouncing their names.) The branding, displays, merchandising, and service are at least on par with what you would find at a high-end European department store or designer label. More importantly, the products are of very high quality, and the styles are even closer to the trends. These are the local brands and designers that are climbing up the price ladder and putting pressure on their international peers. The surge of national pride resulting from the Winter Olympics (as well as other unnecessary geopolitical causes) has added fresh fuel to this flame, which had otherwise been burning quite slowly over the past decade or two.

This pattern is probably most obvious in the sports category, where domestic brands are now steadily taking share from their European and American counterparts. I can personally vouch for the quality of the design and construction of domestic sportwear, which are now on-par with (if not better than) the biggest international names. What I find most impressive is that I could not have said this before the pandemic; that is to say, they are improving with incredible speed. As they do better business, we will also be a beneficiary.

These observations give me reassurance that not only have we chosen an excellent strategy, but that we have also done as much as we can to capture the huge opportunities that they open-up. I hope you will agree.

I will wrap up with a quick comment on Hang Lung's sustainability journey.

In the past year, we have made remarkable progress. While sustainability is, importantly, one of our core corporate values, it is also one of my own. I am especially proud of what *all* of my colleagues, leveraging our small Sustainability Team, have achieved in such a short time. The intentionally small Sustainability Team means that the understanding, planning, and implementation of our strategy must be pushed deep into Management, which gives us better understanding and buy-in, and thus higher quality execution.

These achievements are concisely captured in our **25 x 25 Sustainability Targets** ("25 x 25"). Hang Lung's 25 x 25 give us clear short- and medium-term milestones through 2025, helping to bridge the gap to our 2030 goals, which are among the most ambitious in the real estate industry. I hope that you will appreciate our effort when you see the details in our 10th stand-alone *Sustainability Report*, which will be released in a few months.

Finally, I must take the time again to thank all of my colleagues for the resilience, flexibility, and dedication that they have shown over another challenging year. Thank you.

Adriel Chan
Vice Chair
Shanghai, January 27, 2022

The "Gateway to Inspiration" party at Grand Gateway 66, Shanghai

extraordinary experience

With customer-centricity at the heart of our operations, we strive to create compelling spaces that enrich lives through our diversified portfolio of world-class commercial developments


CELINE

Review of Operations

Our robust property portfolio

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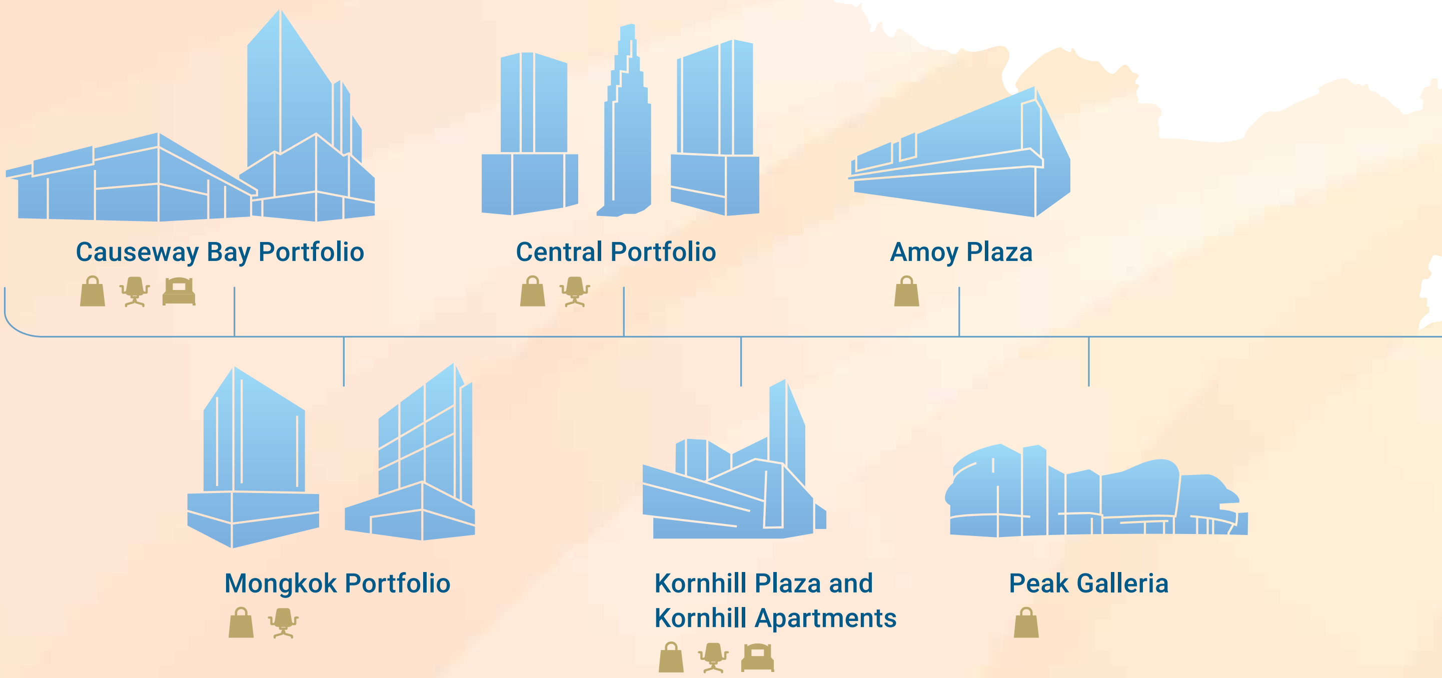


Palace 66, Shenyang
Forum 66, Shenyang
#
Shenyang
Riverside 66, Tianjin
Tianjin
Dalian
Olympia 66, Dalian
Parc 66, Jinan
Jinan
Center 66, Wuxi
# #
Grand Gateway 66, Shanghai
* *
Wuxi
Shanghai
Heartland 66,
Wuhan
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Wuhan
Hangzhou
Plaza 66, Shanghai
Spring City 66,
Kunming
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Westlake 66,
Hangzhou
# # #
Kunming
Hong Kong
Retail
Office
Residential & Serviced Apartments
Apartments for Sale
Hotel
* Held by HLG
# Under Development

Portfolio Key Facts and Figures

Mainland China Properties

Brief on Properties

Plaza 66, Shanghai

Positioned as the "Home to Luxury", the five-story **Plaza 66** mall accommodates more than 100 prestigious international luxury brands and dining outlets, including Louis Vuitton, Chanel, Dior, Cartier, CELINE, Gucci, and more. Several brands completed their flagship store expansions at the mall, including Hermès and Saint Laurent.

The two Grade A office towers at Plaza 66 combine a prime location with top-notch design and premium facilities, attracting prominent multinational and leading domestic tenants in the fields of financial and professional services, fashion, and accessories.

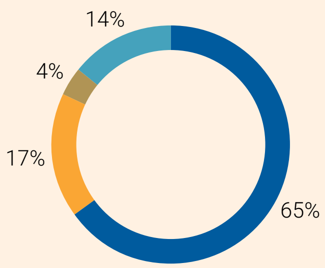
Grand Gateway 66, Shanghai

Located atop one of the largest metro stations in the city, Xujiahui Station, **Grand Gateway 66** boasts a spectrum of global luxury brands, including Bottega Veneta, Cartier, CELINE, Gucci, Tiffany & Co., Van Cleef & Arpels, and more, along with an extensive portfolio of specialty retailers encompassing fashion, cosmetics, jewelry and watches, sports and fitness, digital home appliances, and children's products. The mall also contains the first-in-China stores Diesel Hub, Charlotte Tilbury, and Royal Copenhagen, successfully establishing its position as the "Gateway to Inspiration".

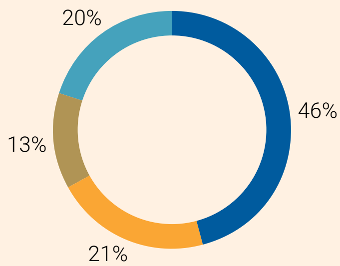
The Grade A office tower houses tenants of primary target industries in the fields of high-end manufacturing, professional services as well as fast-moving consumer goods. The high-end serviced apartments offer more than 600 suites with a luxurious array of private clubhouse facilities that continue to attract families, executives, and entrepreneurs.

- Fashion & Accessories
- Food & Beverage
- Leisure & Entertainment (including Lifestyle)
- Others

Retail Segment Distribution (by Leased Floor Area) — Plaza 66



Retail Segment Distribution (by Leased Floor Area) — Grand Gateway 66



Key Statistics

		Plaza 66, Shanghai	Grand Gateway 66, Shanghai
Gross floor area (sq.m.)	Retail	53,700	122,262
	Office	159,555	67,223*
	Residential & Serviced Apartments	N/A	83,942*
	Hotel	N/A	N/A
Number of car parking spaces		804	752
Occupancy rate (at year-end)	Retail	100%	100%
	Office	97%	98%*
	Residential & Serviced Apartments	N/A	91%*
Number of shopping mall tenants (at year-end)		132	390

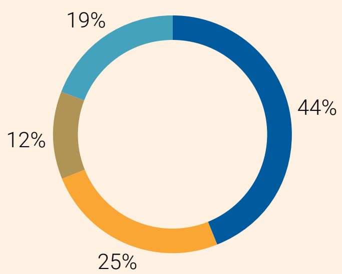
Retail · Office · Residential & Serviced Apartments · Hotel

*Held by HLG

Palace 66, Shenyang

Optimally positioned in Shenyang's financial hub, **Palace 66** showcases more than 220 popular brands spanning fashion, leisure and entertainment, beauty and cosmetics, food and beverage, and more, making it a preferred destination for young and trendy consumers. Tenants include Lululemon, Sephora, King Baby, Jewelria by Chow Tai Fook, Men Wah Bing Teng, and many others.

Retail Segment Distribution (by Leased Floor Area)



109,307
N/A
N/A
N/A
844
90%
N/A
N/A
222

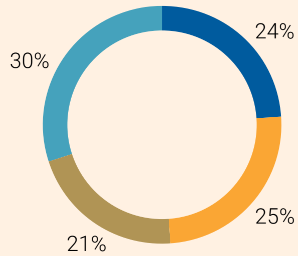
Forum 66, Shenyang

Located in Shenyang's core commercial area, **Forum 66** is a luxury-led specialty mall housing globally acclaimed labels such as Chanel, Cartier, Burberry, and numerous first-in-Shenyang stores like Balenciaga. The mall also offers a boutique supermarket, an upscale cinema, international cuisine options, and lifestyle services.

The prestigious Grade A office tower is considered as the preferred choice in the market, drawing key multinational corporations and high-quality domestic tenants. The five-star Conrad Shenyang is the first hotel in the Company's Mainland portfolio and occupies the top 19 floors of the office tower with 315 rooms.

Plans are now in place to build a retail mall, Forum Residences, and office towers to complement the existing components of this thriving commercial complex.

Retail Segment Distribution (by Leased Floor Area)



101,960
131,723
N/A
60,222
2,001
90%
92%
N/A
140

Mainland China Properties

Brief on Properties

Parc 66, Jinan

Situated in Jinan's commercial center, **Parc 66** is one of the city's largest and most prestigious malls. It is an established contemporary lifestyle hub offering 350 stores, including international brands, chic fashion labels, first-in-town flagship stores, children's education and entertainment services, international gourmet eateries, an upscale cinema, and a boutique supermarket. The three-year Asset Enhancement Initiative that is underway will further enhance the mall's positioning and luxury content.

Center 66, Wuxi

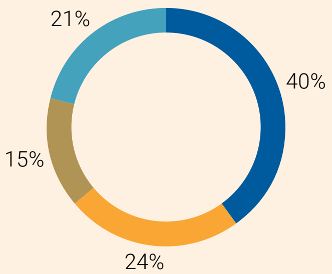
Located in the most prosperous commercial district in downtown Wuxi, **Center 66** is the "center" of luxury, featuring over 200 quality retail stores with a line-up of international luxury labels, such as BVLGARI, CELINE, Saint Laurent, Louis Vuitton, Piaget, Cartier, Gucci and more.

The two office towers are home to a strong mix of tenants in finance and professional services, including a large number of multinational corporations and leading domestic firms drawn to the towers' impeccable design and premium facilities, as well as our first branded and self-operated multifunctional workspace, HANGOUT.

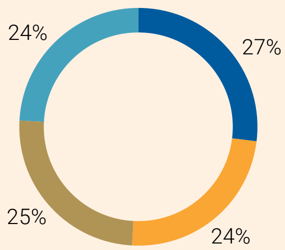
Center Residences and a boutique hotel are currently under development.

- Fashion & Accessories
- Food & Beverage
- Leisure & Entertainment (including Lifestyle)
- Others

Retail Segment Distribution (by Leased Floor Area) — Parc 66, Jinan



Retail Segment Distribution (by Leased Floor Area) — Center 66, Wuxi



Key Statistics

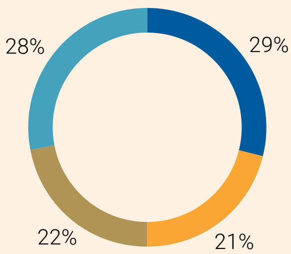
		Parc 66, Jinan	Center 66, Wuxi
Gross floor area (sq.m.)	Retail	171,074	122,227
	Office	N/A	137,543
	Residential & Serviced Apartments	N/A	N/A
	Hotel	N/A	N/A
Number of car parking spaces		785	1,292
Occupancy rate (at year-end)	Retail	93%	98%
	Office	N/A	88%
	Residential & Serviced Apartments	N/A	N/A
Number of shopping mall tenants (at year-end)		350	215

Retail · Office · Residential & Serviced Apartments · Hotel

Riverside 66, Tianjin

Strategically located in the heart of Tianjin's Haihe Central Business District, **Riverside 66** is a trendsetting lifestyle destination with close to 240 international and local brands that offer a full-fledged contemporary consumer experience encompassing shopping, dining, leisure, and entertainment. Riverside 66 has uplifted its positioning from a family lifestyle mall to an affordable luxury shopping destination by improving its tenant mix and attracting new brands and first-in-town stores like Aquascutum and UDX.

Retail Segment Distribution (by Leased Floor Area)

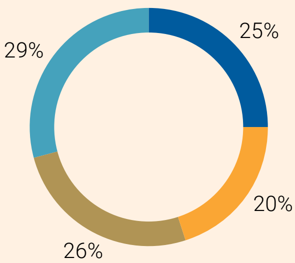


152,831
N/A
N/A
N/A
800
86%
N/A
N/A
239

Olympia 66, Dalian

Strategically situated in the commercial hub of Dalian, **Olympia 66** is a regional luxury-led mall. It features a rich line-up of top-tier stores and outlets across fashion and accessories, jewelry and watches, beauty and personal care, as well as a stunning array of international culinary delights, advanced leisure and entertainment facilities, a dynamic family zone, and an innovative range of sports sites. The mall also contains an ice-skating rink and the city's first Palace Cineplex cinema.

Retail Segment Distribution (by Leased Floor Area)



221,900
N/A
N/A
N/A
1,214
87%
N/A
N/A
327

Mainland China Properties

Brief on Properties

Spring City 66, Kunming

Designed to "Bring the Best to Kunming; Showcase the Best of Kunming to the World", **Spring City 66** is our first development project in Southwest China. It houses a portfolio of prestigious international and local brands; such as Louis Vuitton, Dior, Gucci, CELINE, BVLGARI, and Rolex, with around 30% of its tenants making their debuts in Kunming and Yunnan Province.

Offering an accessible location and a spectrum of high-quality facilities and services, the Grade A office tower is the preferred choice among leading multinational corporations and domestic firms like Ernst & Young, SIEMENS, Haitong Securities, and others.

Joining the complex is a hotel and residential tower that contains the five-star Grand Hyatt Kunming hotel and Grand Hyatt Residences Kunming, which are expected to open in 2023 and 2024 respectively.

Heartland 66, Wuhan

Situated in Wuhan's commercial and business heart with high accessibility, **Heartland 66** is our first large-scale commercial development in Central China.

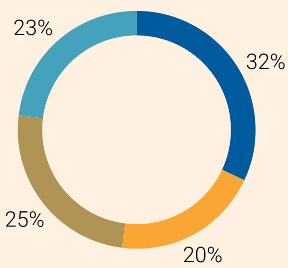
Opened in March 2021, the shopping mall offers world-class retail, leisure, and entertainment elements including numerous first-in-town flagship or specialty stores such as CELINE, Fendi, LOEWE, Balenciaga, Chaumet, Fred, IWC, Piaget and others.

The 61-story office tower is our seventh office tower on the Mainland and has attracted Fortune 500 companies and leading local companies across the insurance, banking, and securities industries, as tenants.

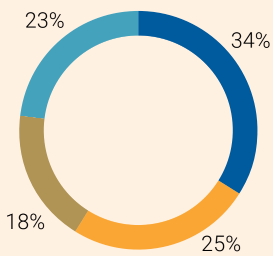
Construction of the Heartland Residences is underway and scheduled for completion in stages from the second half of 2023, with pre-sale beginning in the first half of 2022.

- Fashion & Accessories
- Food & Beverage
- Leisure & Entertainment (including Lifestyle)
- Others

Retail Segment Distribution (by Leased Floor Area) — Spring City 66, Kunming



Retail Segment Distribution (by Leased Floor Area) — Heartland 66, Wuhan



Key Statistics

		Spring City 66, Kunming	Heartland 66, Wuhan
Gross floor area (sq.m.)	Retail	165,375	177,140
	Office	167,737	151,472
	Residential & Serviced Apartments	N/A	N/A
	Hotel	N/A	N/A
Number of car parking spaces		1,629	2,265
Occupancy rate (at year-end)	Retail	97%	84%
	Office	71%	57%
	Residential & Serviced Apartments	N/A	N/A
Number of shopping mall tenants (at year-end)		298	284

Retail Office Residential & Serviced Apartments Hotel

Hong Kong Properties

Brief on Properties

Causeway Bay Portfolio

An elite shopping destination spanning three core areas – Paterson, Food Street, and Kingston – **Fashion Walk** features numerous internationally renowned fashion, beauty, and lifestyle brands such as Max Mara, Vivienne Westwood, Ted Baker, CHANEL BEAUTÉ, SkinCeuticals, and LOG-ON, along with rich dining offerings that enhance the visitor experience.

Containing a variety of businesses across lifestyle, beauty, and medical, **Hang Lung Centre** – a key element of Fashion Walk – is a commercial complex strategically situated in the heart of Causeway Bay.

Central Portfolio

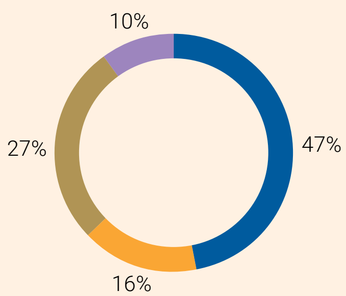
Our Central portfolio consists of four office buildings with retail components.

A prestigious Grade A building positioned in the heart of the financial district in Central, the **Standard Chartered Bank Building** is an ideal office location with superb architectural design that blends the artistic with the practical. It is the headquarters of Hang Lung Group and Hang Lung Properties, as well as Standard Chartered Bank (Hong Kong).

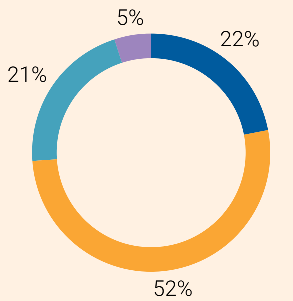
1 Duddell Street, Printing House, and Baskerville House contain influential tenants from the financial and professional services sectors and are also known for their fine-dining establishments such as Duddell's, Wolfgang's SteakHouse, SUSHI SASE and ESTRO. Together with Mott 32 and ODDS in the Standard Chartered Bank Building, these four buildings form a thriving fine-dining hub in Central.

- Fashion & Accessories
- Food & Beverage
- Leisure & Entertainment (including Lifestyle)
- Bank
- Department Store
- Others

Retail Segment Distribution (by Leased Floor Area) – Causeway Bay Portfolio



Retail Segment Distribution (by Leased Floor Area) – Central Portfolio



Key Statistics

		Causeway Bay Portfolio	Central Portfolio
Gross floor area (sq.m.)	Retail	39,849	10,336
	Office	22,131	39,705
	Residential & Serviced Apartments	7,935	N/A
Number of car parking spaces		126	16
Occupancy rate (at year-end)	Retail	100%	97%
	Office	78%	82%
	Residential & Serviced Apartments	77%	N/A
Number of shopping mall tenants (at year-end)		96	12

Retail Office Residential & Serviced Apartments

Hong Kong Properties

Brief on Properties

Peak Galleria

Ideally located atop Hong Kong's most famous attraction, Victoria Peak, **Peak Galleria** is a major tourist landmark that houses close to 50 popular brands, many of which have made their Hong Kong debuts here. Among the numerous prestigious tenants are the world's first Monopoly-themed pavilion, Monopoly Dreams Hong Kong; 37 Steakhouse & Bar and Camellia from Japan; Pandora, the renowned Danish jewelry brand; and Nayuki fruit tea and bakery café. Notable stores recently introduced to the mall include the new-to-Hong Kong experiential location GO@PEAK GALLERIA, and The Barkyard, which offers a swimming pool and grooming facilities for pets. Peak Galleria is also renowned for being one of the most popular pet-friendly shopping malls in town.

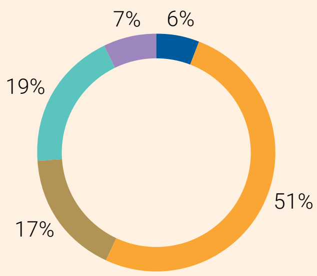
Kornhill Plaza and Kornhill Apartments

Conveniently positioned in the east of Hong Kong Island atop the MTR Tai Koo Station, **Kornhill Plaza** is a community mall offering the largest Japanese department store in Hong Kong, AEON STYLE, and a new supermarket concept that integrates traditional fresh market and modern supermarket elements, FRESH. The mall also houses diverse and updated food and beverage locations, a cinema with MX4D technology, and an all-in-one education hub.

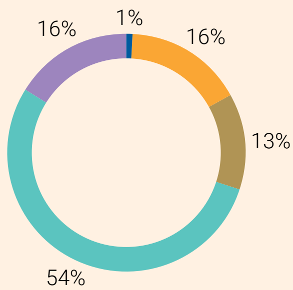
Attached to Kornhill Plaza is an office tower accommodating a variety of education providers and prominent businesses, and Kornhill Apartments, which features 450 units and is one of the largest apartment blocks in the area.

- Fashion & Accessories
- Food & Beverage
- Leisure & Entertainment (including Lifestyle)
- Bank
- Department Store
- Others

Retail Segment Distribution (by Leased Floor Area) (Peak Galleria)



Retail Segment Distribution (by Leased Floor Area) (Kornhill Plaza)



Key Statistics

		Peak Galleria	Kornhill Plaza and Kornhill Apartments
Gross floor area (sq.m.)	Retail	12,446	53,080
	Office	N/A	10,577
	Residential & Serviced Apartments	N/A	35,275
Number of car parking spaces		493	1,069
Occupancy rate (at year-end)	Retail	97%	100%
	Office	N/A	96%
	Residential & Serviced Apartments	N/A	63%
Number of shopping mall tenants (at year-end)		49	118

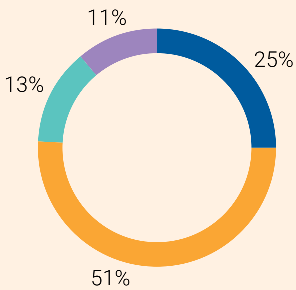
Retail Office Residential & Serviced Apartments

Mongkok Portfolio

Optimally located at the junction of Dundas Street and Nathan Road with high footfall, **Gala Place** houses a diverse array of merchants as well as a car park that offers about 500 car parking spaces. Accommodating Foot Locker Power Store and the mega lifestyle concept store AEON STYLE, along with a 15,000-square-foot dining floor at the basement level, Gala Place has strengthened its position as a one-stop shopping and dining destination.

Grand Plaza, situated beside the MTR Mong Kok Station on Nathan Road, is home to a stellar line-up of global watches and jewelry brands, concept stores, and fashion, lifestyle, and sports labels. The dedicated dining floor features gourmet dining venues where international cuisines are served in stylish surroundings. The office towers house leading operators in the medical and beauty sectors with semi-retail trades.

Retail Segment Distribution (by Leased Floor Area)

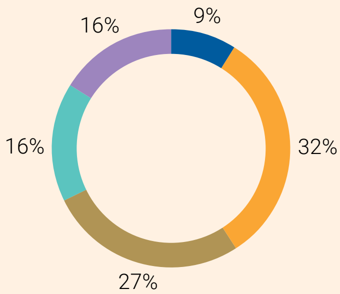


28,359
61,456
N/A
518
85%
95%
N/A
31

Amoy Plaza

Opportunely located close to the MTR Kowloon Bay Station, **Amoy Plaza** is a one-stop community hub in Kowloon East, comprising extensive casual dining options and business trades like grocery stores, education providers, and entertainment brands. Also containing a number of first-in-Hong Kong concept stores and restaurants, the mall offers a spectrum of lifestyle experiences for residents and office workers in the neighbourhood.

Retail Segment Distribution (by Leased Floor Area)



49,006
N/A
N/A
620
96%
N/A
N/A
248

Mainland China Property Leasing

Record-high rental revenue was achieved as a result of strong retail market sentiment and robust performance across our portfolio of luxury malls, along with continued investment into the customer relationship management (CRM) program HOUSE 66.

With COVID-19 well controlled within mainland China, the retail leasing sector experienced strong growth during 2021 as retail sales recovered following a sharp market contraction in 2020. The recovery was most pronounced in the luxury end of the market despite occasional update of COVID-19 cases that affected retail sentiment. The mid-market also experienced growth and spending recoveries as the Mainland recovered from the dip caused by the pandemic.

Over the past decade, China, particularly the Chinese consumers has taken the lead within the global luxury retail market. The strategic importance of the country has attracted the world's top ten most valuable luxury brands such as Louis Vuitton, Chanel, Hermès and Gucci all operating their stores here. Decades of fast-paced economic development have fueled a significant increase in incomes in China, contributing to the growth of young, affluent and rising middle class which supports the strong growth momentum in the luxury retail market in recent years. The quest for design, creativity and heritage among Chinese young consumers in their 20s and early to mid-30s through the purchase of high-end luxury goods is more evidenced, as compared to their counterparts in other markets. Other factors, such as the continued repatriation of luxury consumption due to international travel restrictions, and a more comprehensive line-up of products as global brands entered or sped up opening stores in the mainland China, also contributed to the luxury retail growth in the market.

The office leasing sector remained competitive throughout the year, with continuous new supply of office spaces in general that heightened competition for tenants. Market demand in first-tier cities is solid while the demand in second-tier cities is on the road to recovery. Professional services, technology, media and telecommunications (TMT), pharmaceuticals, and multinational corporations were among the more resilient during this period.

Business Overview

Our Mainland shopping malls continued to capture the robust growth in the luxury retail market. This is largely due to our ongoing investment in the HOUSE 66 CRM program; our demand-led tenant mix and collaborations with top-tiered luxury brands in offering comprehensive product range and world-class experiences to our customers. A record high in rental revenue and tenant sales was achieved during the reporting year, driven by the double-digit revenue growth across our luxury malls in Shanghai, Shenyang, Wuxi, Dalian, and Kunming where our top five luxury brand partners in terms of rental revenue contribution including LVMH, Kering, Richemont, Hermès and Chanel have established a presence.

Olympia 66 in Dalian achieved significant growth in both rental revenue and tenant sales due to its successful transformation to a luxury-led regional mall during the reporting year and rich line-up of top luxury brands commencing business in the second half of the year. Grand Gateway 66 in Shanghai enjoyed the impact of its first full year following the completion of the three-year Asset Enhancement Initiative (AEI) that offers an enriched brand mix and unique customer experiences, further solidifying its position as the "Gateway to Inspiration" within the market. Adding to our impressive portfolio of luxury malls is Heartland 66 in Wuhan, which got off to a flying start since opening in March 2021.

Moderate growth was recorded at our sub-luxury malls, including Palace 66 in Shenyang, Parc 66 in Jinan, and Riverside 66 in Tianjin.

Looking ahead, we remain positive about the performance of our mall portfolio and expect that consumers will remain spending majority of their luxury goods purchases on the Mainland even after the international borders reopen, as the world-class experiences offered by the luxury brands along with the support of our HOUSE 66 CRM program have successfully solidified customer loyalty and stickiness with our luxury malls.

Our office portfolio remained stable and continued to demonstrate resilience amid varied market situations. Positive growth in revenue was recorded during the reporting year, with many existing tenants opting to either renew their leases or expand. The success of our portfolio can be attributed to the landmark locations, mixed-use development, quality property management services and our tireless drive on sustainability that keep us top of mind among international companies, premium local corporations, and state-owned enterprises. Our three new office towers that opened in Wuxi, Kunming and Wuhan in 2019 and 2020, will continue to support growth in the office segment.

Year-on-Year Change in Rental Revenue on the Mainland (in RMB terms)

Luxury Malls
↑30%

Sub-luxury Malls
↑2%

Offices
↑16%

Gross Floor Area of Our Mainland China Properties (excluding car park area)

Completed Investment Properties
2.21 million square meters*

Properties under Development
1.03 million square meters#

* For a detailed breakdown of gross floor area of our completed investment properties, please refer to table "C. Major Investment Properties" on page 81

For a detailed breakdown of gross floor area of our properties under development, please refer to table "A. Major Properties under Development" on page 78

Plaza 66's annual "Home to Luxury" Party boosted tenant sales and customer loyalty with exclusive luxury fashion offers, celebrity performances, and interactive touchpoints

Plaza 66, Shanghai

Shopping Mall

Plaza 66 achieved another year of outstanding performance with solid growth in rental revenue and tenant sales as travel restrictions caused by the COVID-19 pandemic encouraged the return of luxury spending to Shanghai.

Home to over 100 global luxury and dining brands, the high-quality tenant mix was further enhanced by the newly opened Burberry flagship store, while existing flagship stores Hermès, Saint Laurent, CELINE, Goyard, Balmain, and Fendi completed their expansions. In the last quarter, Gucci began its expansion across four levels.

With a focus on the mainland China market, the HOUSE 66 CRM program was well-received by tenants and customers, while the member-exclusive events such as the annual "Home to Luxury" party and the mall's 20th anniversary campaign boosted tenant sales, strengthened customer loyalty, and further confirmed the position of Plaza 66 as the "Home to Luxury".

The steady growth of Plaza 66's tenant sales is expected to continue into 2022 due to reduced international travel, along with the expansion plans and marketing campaigns of luxury brands within the mall. Steps are being taken to further refine the tenant mix across floors L3, L4, and B1 while introducing new exclusive brands to solidify Plaza 66's position as a premium shopping destination.

Office Towers

The excellent service quality and prime location of two Grade A office towers continue to attract top-tier multinational corporations and domestic firms in fashion and accessories, financial, and professional services, resulting in a well-balanced blend of high-quality tenants.

The ongoing high demand and low supply on Nanjing West Road, coupled with the 14th Five-Year macro-economic policy, resulted in a steadily rising occupancy trend with an occupancy rate of 97% by the end of 2021. As a result, the occupancy and rental rates in Plaza 66 Office Towers are expected to remain stable moving into 2022 despite the competition for tenants and aggressive push by landlords to fill office spaces in the more peripheral districts.

During 2022, there will be a focus on tenants' wellness with an upgrade of building facilities, daily operations and service standards within the towers to provide an enhanced working environment and an improved synergy with Plaza 66 mall, including exclusive benefits and privileges offered to office tower tenants.

Grand Gateway 66, Shanghai

Shopping Mall

The mall experienced remarkable growth in rental revenue and tenant sales during 2021 due to the well-managed COVID-19 pandemic, the repatriation of high-end spending due to travel restrictions, and the completion of the three-year AEI. The "Gateway to Inspiration" annual party cemented the mall's position as a regional landmark lifestyle center offering rich luxury content and became the talk of the town with the first X-show performance by Cirque du Soleil.

The launch of HOUSE 66 saw significant growth in both member base and spending, while marketing initiatives in collaboration with tenants helped build customer loyalty. Luxury anchor Louis Vuitton expanded into a duplex flagship store carrying both the men's and women's complete collections and was joined by first-in-China stores Diesel Hub, Charlotte Tilbury, and Royal Copenhagen.

The positioning upgrade for the North Building began in the fourth quarter of 2021, and luxury tenants will include watches and jewelry brands Rolex, IWC, Hublot, Panerai, and Messika, followed by high-end designer labels in 2022 to further enhance the fashion offerings for customers. Stores planning expansions and upgrades include luxury brand Burberry, prominent local designers Dazzle and MO&Co., and the lifestyle sports brands Descente, adidas Original, and The North Face.

The world-renowned Cirque du Soleil brought an eye-opening circus performance to the Grand Gateway 66's "Gateway to Inspiration" Party in October

Moving into 2022, there is a positive outlook as domestic consumption is expected to grow, coupled with the enhanced positioning of the mall and the continued upgrades in brand mix within the luxury and non-luxury sectors. Additional dining options, luxury kids' and lifestyle brands, and collaborations with luxury tenants through the HOUSE 66 CRM program will grow a quality membership base and customer loyalty.

Palace 66, Shenyang

Palace 66 achieved respectable revenue growth and tenant sales in 2021 amidst a sluggish retail environment affected by the resurgence of COVID-19 in Northern China and tightened social distancing measures. The poor retail sentiment was especially apparent in the second half of 2021.

Despite the challenges, tenants such as Starbucks, Converse and Häagen-Dazs upgraded their store during the year. The mall also welcomed new tenants – Sephora, Lululemon, King Baby, Lanxingzi, and Tony Studio, further enhancing the tenant mix popular with young families.

The data collected during the year from HOUSE 66 gave us an analytical understanding of shoppers' tastes and preferences, allowing for targeted marketing campaigns. "Boom! Summer Pop!", a trendy and social media engaging marketing event produced increase tenants' sales and higher footfall as compared to the same period in 2020. Multiple collaborations were conducted with tenants assisting them in their brand building efforts to improve customer loyalty and traffic. These also benefited the mall with higher exposure across multiple online and offline social mediums.

Moving into 2022, the mall will focus on enhancing food and beverage offerings by introducing more varied and in-trend dining options, while working on attracting more premier fashion and accessories brands into the mix.

Interactive events like the colorful pop-up flower market stimulated an increase in footfall at Palace 66

Installations of the trendy icon FARMER BOB brought an energetic vibe to Forum 66

Forum 66, Shenyang

Shopping Mall

During 2021, Forum 66 achieved the highest tenant sales since inception with an increase in rental revenue and the year-end occupancy rate despite several COVID-19 resurgences. The growth is attributed to continued international travel restrictions, which led to increased local spending on luxury goods, and the positioning of Forum 66 with luxury marques.

New tenants included Tasaki, Fred, Moncler, Tod's, Burberry, and Balenciaga, most of which were first-time stores in Shenyang and Northern China. There was also an increase in designer labels tenants and a greater mix of well-known fashion brands on level two.

Sensational experiences offered by Forum 66 included the ninth anniversary celebration and Conrad Shenyang's second anniversary party, aptly named "Above the Cloud". A first within mainland China, this large-scale celebration brought together the shopping mall and hotel, creating a new model of business cooperation that maximized their synergy. Combined with the successful HOUSE 66 CRM program, these efforts deepened customer engagement and loyalty during 2021.

With continued refinement of the mall's trade mix and further enrichment of its luxury content, the 2022 outlook is optimistic with steady growth.

Office Tower

The Forum 66 Office Tower is recognized as a well-established, high-quality landmark office complex within the Grade A office market in Northeast China. During 2021, the office tower retained key tenants and acquired new high-quality tenants to achieve record-high rental revenue and a year-end occupancy rate of 92%, despite the fierce competition and an uncertain economic climate.

There was a mix of international and domestic tenants throughout the year, reinforcing the office tower's leading position with the market. Moving into 2022, there will be a focus on enhancing services in order to attract more multinational corporations and high-quality domestic companies amid the heavy market competition.

A collaborative event with Disney at Parc 66 created online and real-world interactive experiences

Hotel

Despite the market not reaching its potential during the year due to the COVID-19 pandemic, the five-star Conrad Shenyang hotel continued to solidify its position as the leading hotel in the city, achieving the number one ranking revenue per available room according to Smith Travel Research data. There was a healthy split demonstrated between hotel room sales and food and beverage.

It is anticipated that during 2022 the hotel will experience residual travel hesitancy through the first quarter and potentially into the second quarter, while a gradual opening of both domestic and international travel is expected thereafter. As travel returns, there is underlying optimism toward the third and fourth quarters revenues based on pent-up demand.

Parc 66, Jinan

Located in the heart of Jinan's Central Business District with proximity to tourist attractions, Parc 66 is top of mind for mid-to-upmarket brands. Despite being in a recovery stage after the COVID-19 outbreak and footfall impacted by extreme weather, the mall's effective marketing campaigns in 2021 helped stimulate consumer demand with the year-end occupancy rate maintained at a similar level compared to 2020 and tenant sales rising by 20%.

New tenants included first-in-town stores Lululemon, Redline, Venchi, Aquascutum, HEFANG, Trek & Travel, and UDX, while food and beverage anchor M Sky opened on floor L6 with an impressive 4,000-sq.m outdoor seating area, creating a unique alfresco wine and dine experience. The opening of world-class dining outlets such as Japanese restaurant, Hua Sheng and Chinese restaurant, Yue Xiu in 2022 will further enhance the dining experience offered.

The improved tenant mix saw sports flagship stores opening with more contemporary casual wear elements, an enhancement in children's fashion flagships, and food and beverage tenants.

From June 2021, the three-year AEI commenced in phases, which will uplift the mall's positioning and luxury content to achieve long-term competitiveness and profitability. A high-end beauty hub will be introduced in 2022 to capture the market's strong demand for luxury items. HOUSE 66 will continue to strengthen relationships with consumers, and marketing campaigns will draw visitors from nearby cities.

Center 66, Wuxi

Shopping Mall

An undisputed leader in luxury retail within Wuxi, Center 66's performance was strong, with many shoppers opting to drive to the mall, including from nearby cities during holidays and festive seasons. Tenant sales increased, and rental revenue rose in response to the tenant sales and healthy rental reversions.

The year-end occupancy rate benefitted from the enrichment of tenant mix and retail ambience. 2021 was the first full year with the current key luxury brands on floor L1, while continued efforts were made to improve the tenant mix on other spaces. Tenants included first-in-town stores Breguet, Redline, The Beast Florist, Burberry Beauty, Putien Restaurant, T9 Premium Tea House, and an outdoor Rolls-Royce pop-up store. HOUSE 66, launched in 2019, continued to help Center 66 foster customer loyalty, tenant collaborations, and ultimately greater customer satisfaction.

There is a positive outlook for 2022 with expected growth in tenant sales. In conjunction with organic growth, efforts will be made to continue the fine-tuning of the tenant mix and improving customer experience by promoting entry of strategic brands and improvement of existing tenants.

Center 66 held workshops exclusive for HOUSE 66 members to strengthen relationships with our loyal customers

Office Towers

With a strong mix of tenants in financial and professional services, and TMT, the two office towers at Center 66 are considered a landmark location within Wuxi. Multinational corporations and leading domestic companies accounted for almost 60% of the leased areas. Despite the uncertain economic environment, both office towers reported solid occupancy rates, with Office Tower 1 and Office Tower 2 achieving an occupancy rate of 90% and 85%, respectively, by the end of 2021.

Our first branded and self-operated multifunctional workspace, HANGOUT, continued to receive positive feedback from quality tenants.

Looking ahead, efforts will continue to be made on optimizing the tenant mix and improving the renewal process with key tenants. Collaborations with local government-related bureau and the Chamber of Commerce will be enhanced to attract more companies to Wuxi and bolster the market.

Riverside 66, Tianjin

Recovering from the impacts of the pandemic in 2020, Riverside 66 experienced a pleasant increase in tenant sales, with the year-end occupancy rate rising from 76% in 2020 to 86% in 2021.

The mall continued to uplift its positioning by attracting new brands, with 60 brands signing leases during 2021. These included: Aquascutum, UDX, Daniel Hechter, Trek & Travel, Wei Park, 52TOYS, and Pizza Bianca – some of which are first-in-town brands to Tianjin.

HOUSE 66 memberships grew considerably, and deepening engagement with customers and tenants allowed for targeted marketing campaigns and more differentiated experiences.

During 2022, there will be a focus on improving the tenant mix within the mall to enhance its offerings, especially in premium ladies' fashion and jewelry.

Riverside 66 spread festive joy with live performances during its "Mystical Christmas Forest, Everlasting Winter Warmth" campaign

Olympia 66 hosted a fun fifth-anniversary party with interactive events, special discounts, and a lucky draw involving more than 150 tenants

Olympia 66, Dalian

Despite the challenging landscape, Olympia 66 performed impressively, with tenant sales, occupancy, and rental revenue rising significantly. Daily footfall grew 54% compared with last year, and HOUSE 66 expanded its membership base with high-spending customers.

The Datong Street Underground Passenger Tunnel opened in April 2021, connecting the mall and Metro station on Line 2. The opening of the underground passenger tunnel has boosted access to the mall by linking the Metro with floor B1 of the mall and seamlessly connecting citizens of Dalian with the wealth of shopping and entertainment experiences awaiting them within Olympia 66.

Notable luxury brands joined the tenant mix, with the wave of luxury openings beginning with Italian premium jewelry and accessory brand BVLGARI, which is exclusive to Olympia 66, and continuing with Brunello Cucinelli, another prestigious Italian fashion brand that opened in May. In June, Armani Group's Emporio Armani migrated from a competing mall, and together with Moncler, opened stores in the luxury zone on floor L1. In December, Louis Vuitton's ladies and men's stores opened. Other top luxury brands that opened stores include CELINE, Tiffany & Co., Chaumet, Fred, Loro Piana, Montblanc, TimeVallée, Burberry, Dior, Fendi, Balenciaga, and Qeelin, all of which achieved strong sales results.

It is expected that 2022 will be a strong year, with a rich line-up of top-tier luxury tenants opening stores. Subsequent to the opening of Gucci's duplex store in January, other brands including Tory Burch, Marc Jacobs, Philipp Plein, Tod's, HOGAN and Rolex will follow suit. There will be a concentrated effort around digital and non-digital marketing and a focus on enhancing customer service to offer a premium shopping experience.

Spring City 66 arranged flash mob shows at its anniversary celebration, bringing an immersive shopping experience to customers

Spring City 66, Kunming

Shopping Mall

Spring City 66's position as Kunming's hub of prime luxury was fortified with international brands establishing their flagship or pop-up stores in the mall, including some first-in-Kunming luxury labels. In 2021, Spring City 66 achieved an increase in rental revenue and tenant sales and was almost fully let by the end of the year.

The second anniversary celebration "Spring into Life" was a success, drawing shoppers and boosting tenant sales to record highs across the two-day event. HOUSE 66 played an important part with strong collaboration between the mall and tenants to attract and retain members.

With the mall already offering comprehensive trade-mix and tenant-mix, the outlook for 2022 is positive. There will be some further tenant-mix refinement within the food and beverage brands and efforts to attract more first-in-town retail stores, so the mall can continue to provide an unrivaled experience.

Office Tower

The Grade A Spring City 66 Office Tower successfully attracted multiple Fortune 500 companies and quality domestic tenants from industries such as insurance, professional services, trading, and TMT, strengthening its position as a landmark location in Kunming. The occupancy rate was 71% as at the end of the year.

Moving into 2022, there will be a focus on attracting tenants from different traditional industries to further improve the tenant mix, while an emphasis will be placed on securing the renewal intentions of existing tenants as early as possible.

Heartland 66, Wuhan

Shopping Mall

Heartland 66 in Wuhan is the tenth mall within our Mainland portfolio and our first large-scale commercial complex in Central China. The mall has performed impressively since opening its doors in March 2021 and continues to offer world-class retail, leisure, and entertainment elements under its "Start Anew" concept.

Flagship and first-in-town stores CELINE and Balenciaga achieved strong sales, while popular restaurants Dong.Fa.Tao and Nashi Xinjiang opened their doors and attracted high footfall. Luxury international fashion and jewelry stores Hermès, Cartier, and Tiffany & Co. will be joining the mall in 2022, joining an impressive assortment of luxury brands already opened in 2021, including Louis Vuitton, Dior, Gucci, among many others.

The mall's occupancy rate met expectations, while tenant sales and rental revenues exceeded expectations. Footfall had been improving since its opening, as at the end of the reporting period, two million visitors had entered the mall.

HOUSE 66 proved to be a strong tool with customers attracted to the shopping benefits and value-added privileges. Within six months, members' sales penetration at Heartland 66 had comprised nearly 55% of the total retail sales and highlighted the program's strategic value within the portfolio.

Looking ahead, the tenant mix within the mall will continue to be refined, with an emphasis on replacing underperforming stores and improving the tenant mix to tailor it more to local consumers' needs.

Office Tower

The office tower at Heartland 66 opened for occupancy in November 2020 and is a prestigious location in Wuhan. It successfully leads the highly competitive market, achieving high occupancy and premium tenants. Rental revenue is increasing steadily as occupancy rates rise, and most major transactions resulted from letting spaces to new, high-quality multinational and domestic companies.

Major tenants include Fortune 500 and international companies TotalEnergies, Ernst & Young, DHL, Johnson & Johnson, Rider Levett Bucknall, Pernod Ricard, and Ping An Life Insurance, CITI – Prudential Life Insurance, China Railway Trust, China CITIC Bank, Taikang Life Insurance, and Everbright Securities. The tenant mix will be further enhanced as the occupancy rate increases.

During 2022, the market is expected to be more challenging as market supply increases, causing high vacancies and lower rental rates. To strengthen the office tower's leading position in the market, efforts will be made to improve tenant mix and capturing further opportunities to create greater synergy between the mall and office tower.

Superior in design, tenant mix, service, and experiences, Heartland 66 is a world-class landmark in Wuhan that reflects the city's pulse and dynamism

New Projects Under Development

The Company has high-end malls, office towers, and hotels currently under development in prime locations across mainland China.

Grand Hyatt Kunming

With the prestigious Grand Hyatt as the operator, this luxury hotel is set to become an accommodation and social hub for the local community and international travelers. Situated at Spring City 66 in Kunming, the development will be the city's first fully-integrated mixed-use project that comprises a world-class shopping mall, a Grade A office tower, a luxury hotel, and branded premium serviced residences. Featuring 332 guestrooms and suites, state-of-the-art amenities, and extraordinary dining experiences, the hotel will cater to the most discerning local residents and international business and leisure travelers. The Grand Hyatt Kunming hotel is scheduled to open in late 2023.

Location
Dongfeng Dong Lu/Beijing Lu, Panlong District, Kunming

Total gross floor area
98,054 square meters (including the total gross floor area of Grand Hyatt Residences Kunming)

Expected year of completion
2023

Wuxi – Hotel

The distinctive and luxurious boutique hotel in Wuxi forms part of the Phase 2 development of Center 66, which currently features a shopping mall and two office towers. It will include a seven-story tower and three-story heritage building that will be developed into premium accommodation with 106 hotel rooms. Creating a fusion of old and new, complementing and enriching the Center 66 experience, the hotel is targeted to open in late 2024.

Location
Jiankang Lu, Liangxi District, Wuxi

Total gross floor area
7,165 square meters

Expected year of completion
2024

Westlake 66, Hangzhou

The Westlake 66 site is being developed into a high-end commercial complex, comprising of a world-class shopping mall, five Grade A office towers, and the prestigious hotel Mandarin Oriental Hangzhou. The project is scheduled for completion by phases from 2024 onwards. Featuring over 190 guestrooms and suites, the Mandarin Oriental Hangzhou is currently in its early design phase with an intended opening date in 2025 and is anticipated to become the social hub in the city for both residents and visitors alike.

Location
Bai Jing Fang, Xiacheng District, Hangzhou

Total gross floor area
194,100 square meters (including above ground only)

Main usage
Retail, office, hotel

Expected year of completion
2024 onwards

Forum 66, Shenyang

The remaining phases of Forum 66 in Shenyang consist of a retail mall and offices complementing the development's existing luxury shopping mall, Grade A office tower, and the Conrad Shenyang hotel. The project is scheduled for completion in stages from 2027 onwards.

Location
Qingnian Da Jie, Shenhe District, Shenyang

Total gross floor area
502,660 square meters

Main usage
Retail, office, apartments for sale

Expected year of completion
2027 onwards

Review of Operations

Hong Kong Property Leasing

The portfolio was set to recover as market sentiment continued to improve amid the stabilizing COVID-19 situation throughout much of 2021 and launch of the government's Consumption Voucher Scheme in Hong Kong, coupled with our efforts in enhancing the tenant mix tailored for local consumers' needs, and the launch of our CRM program to deepen engagement with customers and tenants.

Market Landscape

The retail leasing market continued to improve with the COVID-19 pandemic under control throughout much of 2021 until concerns over the recent Omicron outbreak, the government's Consumption Voucher Scheme boosting consumer spending, and various business marketing campaigns energizing the retail market.

The economy continued to gain traction during the year, with unemployment figures falling to 3.9%. Figures released by the Census and Statistics Department showed that total retail sales value grew by 8.1% in 2021 over 2020.

There were some slight changes to consumer behavior as a result of COVID-19 and the travel restrictions in place, with local consumers favoring unique experiences, outdoor activities, and special offers and discounts. This indicates the importance of the continued focus of CRM programs among mall operators to attract and retain customers.

The recovery of the retail leasing market is highly dependent on whether the recent fifth wave of the COVID-19 pandemic can be put under control, and when the Hong Kong-mainland China border will re-open.

A mild correction is still expected across Grade A office rents during 2022, adding to pressure on commercial landlords as competition for tenants heats up amid rising vacancy rates and increased commercial space becoming available in the peripheral districts.

Hong Kong Property Leasing Continued to Demonstrate Resilience

Tenant Sales

↑9%
Year-to-year

Retail

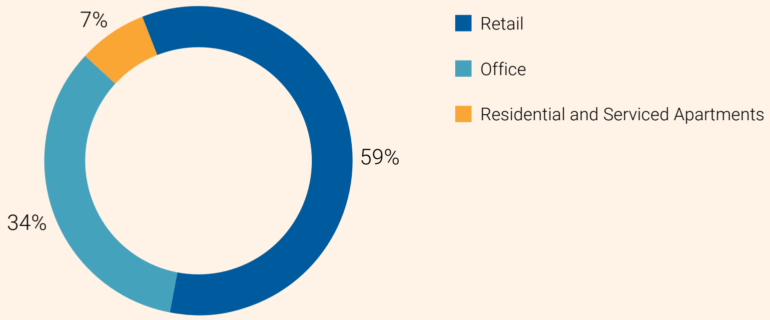
Occupancy Rate#
97%

Office

Occupancy Rate#
87%

All occupancy rates stated therein were as of December 31, 2021

Distribution of Revenue of Our Hong Kong Property Leasing Portfolio in 2021



Business Overview

Shopping malls in our Hong Kong portfolio enjoyed high occupancy rates, with many sitting at 100% throughout the year thanks to the management teams' well-thought-out leasing strategies. The unique tenant mix within the properties was a key strategy for development, as the diverse range of shops coupled with mid- to high-end food and beverage outlets helped draw in consumers.

The tourist-centric mall Peak Galleria also noticed a slight increase in traffic with our e-shopping coupons, which attracted more locals visiting the mall. To capture this growing market, the teams have been changing their tenant mix to attract more local shoppers while waiting for travel restrictions to ease.

The "hello Hang Lung Malls Rewards Program" and the Hang Lung Malls App were launched in 2021, enabling over 100,000 members to earn unlimited points and redeem them for attractive gifts or enjoy personalized shopping experiences in one centralized location. During the second half of 2021, the "Go Shopping! Rewards Program" was successfully launched through the Hang Lung Malls App, stimulating both tenant sales and footfall within the malls.

Causeway Bay Portfolio

Despite unfavorable market conditions with border restrictions and social distancing measures in place, Fashion Walk was able to maintain 100% occupancy at the end of 2021. A strong line-up of tenants in fashion, beauty, and lifestyle was introduced to this distinctive shopping destination during the reporting year. New Balance debuted its GREY concept in Hong Kong – the third in the world after Tokyo and Beijing – and Guerlain opened a special concept store featuring rotational themes year-round.

The portfolio of exclusive fashion and lifestyle shops was bolstered by additions from AIGLE, Initial Gentlemen, O.N.S kapok, Vivienne Tam, German Pool, and at.home, while the dining offering was strengthened by the opening of Ramen House Hototogisu, and Studio City by Cali-Mex. The additions of high-end and trendy collectibles shops, including Hot Toys Echo Base and AMAZ By Lokianno further added to the diverse variety of stores that appeals to our customers.

Pop-ups and concept stores are constantly reenergizing Fashion Walk in Causeway Bay

Our Central portfolio presents customers with a selection of premium and exceptional dining outlets

Looking ahead, efforts will be made to enhance the blend of tenants with a focus on global fashion, beauty, and trendy street fashion trades. Occupancy at the nearby Hang Lung Centre remained stable in 2021 despite major segments of our tenant mix hit hard by the pandemic, including fashion wholesalers and travel agencies. We will persist in capturing more tenants in medical, beauty, and lifestyle segments, which are more resilient against challenging economic situations.

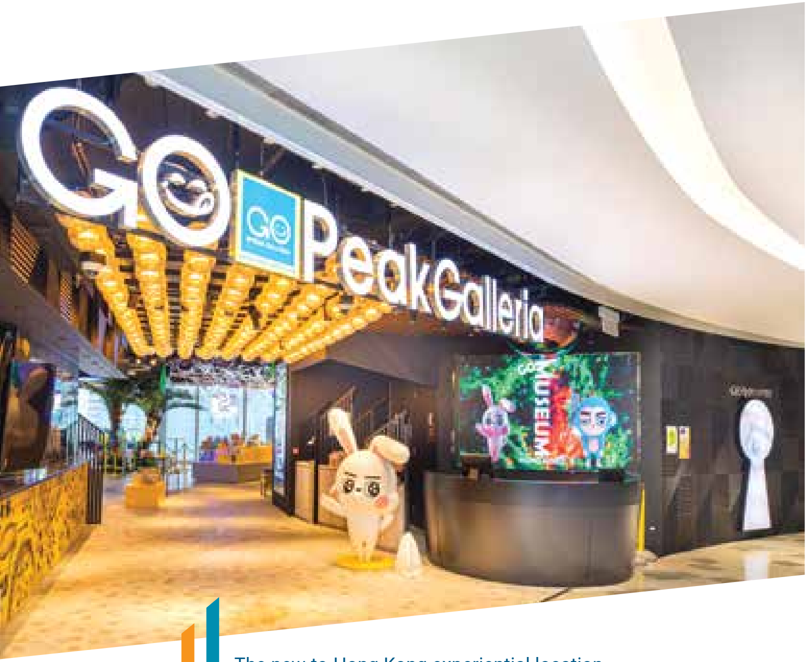
Central Portfolio

The Central portfolio comprises four office buildings – Standard Chartered Bank Building, 1 Duddell Street, Printing House, and Baskerville House – and continued to attract excellent tenants from the finance and professional service sectors.

The overall retail and office leasing performance remained solid, with high occupancy rates amid ongoing COVID-19 impacts and market uncertainty. On the retail leasing side, the fine-dining offerings at the Central portfolio, which features renowned establishments such as Mott 32, Duddell's, SUSHI SASE and Wolfgang's SteakHouse, were further enhanced with the additions of ODDS, a Japanese restaurant offering sushi and teppanyaki, and ESTRO, an Italian restaurant opened by Michelin-star chef Antimo Maria Merone. For the office leasing side, despite some downsizing decisions in the fourth quarter of 2021, efforts have been paid to diversify the office sizes and offer more refurbished units or sub-divided office spaces to accommodate the change in market demand.

Peak Galleria

Despite the plunge in international tourist arrivals due to the COVID-19 pandemic and the suspension of the Peak Tram service during the reporting year, Peak Galleria managed to boost its footfall and occupancy rate by introducing the new-to-Hong Kong experiential location GO@PEAK GALLERIA, which features innovative exhibitions and performances, as well as quality brands such as Imperial Patisserie and Dafu. The introduction of The Barkyard, which features a swimming pool for pets and grooming facilities, coupled with the existing line-up of amenities and services, further strengthens the attractiveness of Peak Galleria to local pet lovers.



The new-to-Hong Kong experiential location GO@PEAK GALLERIA has revitalized the mall's appeal to local visitors

The continued enhancement in the tenant mix at Kornhill Plaza has captured the interest of nearby residents and office workers

With tourist arrivals remaining subdued, Peak Galleria will continue to focus on creating a unique destination and introducing more lifestyle brands and experiential trades, including outlets focusing on lifestyle and wellness, while preparing for the return of tourists.

Kornhill Plaza and Kornhill Apartments

Our community stronghold, Kornhill Plaza, continued to serve nearby residents and office workers, maintaining high occupancy rates with rental income staying at a similar level to the previous year. The largest Japanese department store in Hong Kong, AEON STYLE, continued to perform well, and FRESH – a new supermarket concept which opened in January 2021 – received a positive response from nearby residents. During the reporting year, the dining offerings were further enhanced with the additions of Japanese restaurants Gyu-Kaku, Yaki ANA, and Zou Qing, which serves Cantonese noodles, congee, and dim sum. During 2022, there will be a focus on strengthening the fashion and accessories categories by introducing small but trendy local brands, delivering a unique shopping experience to those who visit.

The office tower and serviced apartments at Kornhill Plaza maintained their occupancy rates, achieving similar levels to the previous year. The serviced apartments continued to be hit hard by COVID-19, with tight border controls still being enforced, reducing demand from expatriates. However, the "hello Hang Lung Malls Rewards Program" proved effective in boosting occupancy of the serviced apartments by offering loyalty privileges to Hang Lung retail shoppers.

The office tower will continue to diversify its mix of education providers during 2022. STEM and action-driven learning workshops will meet the different learning needs of customers, further enhancing the tower's position as an education hub within the community. The demand for serviced apartments will depend on the COVID-19 situation and the opening schedule of the Hong Kong-Mainland border. The flexible pricing strategy will continue while focusing on customer-centricity to improve occupancy.

Several new sports specialty stores in our Mongkok portfolio have met growing demand among locals for outdoor activity equipment

Amoy Plaza's refinement of its tenant mix to enrich the customer experience includes the crossover grocery concept TASTE X FRESH

Mongkok Portfolio

Our lifestyle malls in Mongkok – Gala Place and Grand Plaza – continued to solidify the area's position as the place "Where Trends Meet".

Gala Place achieved 100% occupancy amid adversity in 2021, with the Foot Locker Power Store and the mega lifestyle concept store AEON STYLE officially opening in February and August 2021, respectively. The latter features high-quality products directly imported from Japan and is home to several popular lifestyle brands, including the homeware brand HOME COORDY. The basement of Gala Place was transformed into a brand-new 15,000-square-foot dining floor, where the existing Starbucks Reserve™ Coffee Experience Bar was joined by a number of dining outlets, including the popular yakiniku restaurant, Yakiniku Like, the new concept store Coucou Hotpot • Tea Break with its tea and beverage brand Coucou • TeaMiTea. A new popular café concept, The Alchemist Coffee, opened in Grand Plaza in November 2021, further enriching the dining offerings in our Mongkok portfolio.

To increase footfall and stabilize occupancy rates, the shopping centers are looking to recruit more popular restaurants to replace underperforming food and beverage tenants. Efforts will also be made to promote the "hello Hang Lung Malls Rewards Program" to further enhance customer loyalty.

The office towers in Grand Plaza continue to be a popular destination for leading operators in the medical and beauty sectors. Several medical groups expanded in 2021 on top of several encouraging new lets, bolstering the tower's position as a premium healthcare services hub in Mongkok. The portfolio of exclusive outdoor and lifestyle shops in Mongkok was also strengthened by additions from Backpacker and Ball Head, and expansions by Cam2, Supreme Co., and more. Looking ahead, efforts will be made to widen semi-retail trades with the introductions of more tenants in the medical and beauty segments to enhance the resilience of the office leasing business.

Amoy Plaza

A one-stop community hub in Kowloon Bay, Amoy Plaza strives to look after the diversified community interests and needs of the burgeoning district of Kowloon East. It is home to extensive casual dining options and pragmatic business trades, including groceries, education, and entertainment. The first-in-Hong Kong crossover groceries concept, TASTE X FRESH, was launched in August 2021, combining the finest supermarket and fresh market offerings. Dining options were further enriched with the introduction of the popular Chiuchow concept Yum Yum Goose, the first-in-Hong Kong all-day casual dining location Wing Wah All-Day, the authentic yakiniku bowl concept Gyu-Kaku Jinan-Bou, plus others. The traffic to the mall is expected to surge with DON DON DONKI opening in January 2022 and the expected opening of the nearby East Kowloon Cultural Centre in 2023.

New Project Under Development

228 Electric Road Redevelopment in North Point

In collaboration with our parent company, Hang Lung Group, 228 Electric Road* in North Point is being redeveloped into a Grade A office tower with a retail area on the podium floors. Superstructure works are in progress and the project is scheduled for completion in late 2022.

Location	228 Electric Road, IL 1618, North Point
Total gross floor area	9,754 square meters
Main usage	Office, Retail
Expected year of completion	2022

* This provisional number is subject to confirmation when the building is completed

Review of Operations

Mainland China Property Sales and Development

Setting a new benchmark for urban living through quality design, prime locations, optimum connectivity, and an unparalleled pivot on the owner experience, Hang Lung Residences broadens the Company's customer-centric focus, aligning with the market's aspirations for premium living experiences.

Market Landscape

We expect the demand for high-end residential properties in mainland China to remain positive, despite underlying weaknesses in current market sentiment due to increased government regulatory control and liquidity issues among some local developers. There continues to be a demand for higher tier residential projects, with purchasers inclined to look for projects emphasizing quality, core locations, and well-established developers with a solid financial reputation.

Business Overview

In June 2021, we announced the launch of our Hang Lung Residences, which will bring premium serviced residences to mainland China. With projects in Wuhan, Wuxi, Kunming, and Shenyang, our developments will set a new benchmark for urban living and capture the Company's vision "to create compelling spaces that enrich lives".

This new revenue stream will form part of Hang Lung's long-term vision for sustainable growth by maximizing the value across our investment properties on the Mainland and highlighting our commitment to creating shareholder value. These developments will inject vitality into the real estate market with fully integrated and exciting new lifestyle experiences.

We draw on our extensive experience as a leading commercial property developer from Hong Kong with an established reputation for producing high-quality developments in mainland China and an eye for excellence.

Introduction to our Hang Lung Residences

Heartland Residences, Wuhan

Heartland Residences in Wuhan is the inaugural Hang Lung Residences project comprising three uniquely designed towers that offer 492 units, and a three-story clubhouse designed to accommodate the needs of the most discerning residents. Seamlessly connected to the Heartland 66 shopping mall and office towers, Heartland Residences benefits from a range of educational and medical facilities, greeneries, five-star hotels, and other amenities with a one-to-three-kilometer radius. The first batch of pre-sales is expected to start in the first half of 2022, while construction was topped out in November with completion in phases from the second half of 2023.

Location
Jinghan Avenue, Qiaokou District, Wuhan

Total gross floor area
131,493 square meters

Expected year of completion
2023 onwards

Center Residences, Wuxi

Center Residences forms part of the Phase 2 development of Center 66 in Wuxi. Building on the proven success of the luxury retail mall and two office towers at the world-class commercial complex, the Center Residences is set to transform the Central Business District into a work-life hub that presents a modern interpretation of this historic city's artistic and cultural heritage. The two high-rise towers share a gross floor area of around 100,000 sq.m, housing approximately 600 units and a world-class clubhouse. Adjacent to the property will be an international boutique hotel offering a total of 106 hotel rooms. Center Residences is expected to be launched for pre-sale from end 2022, with construction scheduled to be completed in phases beginning from mid-2024.

Location
Jiankang Lu, Liangxi District, Wuxi

Total gross floor area
99,953 square meters

Expected year of completion
2024 onwards

Grand Hyatt Residences Kunming

Grand Hyatt Residences Kunming is an integral component of the Spring City 66 development, which spans luxury retail, Grade A offices, and the five-star Grand Hyatt Kunming hotel. The Grand Hyatt Residences sits above the 332-room Grand Hyatt Kunming hotel, occupying the highest zone of the 250-meter-tall building. It offers 254 apartments that enjoy sweeping views across the city and three immaculate penthouses, each with its own private terrace and swimming pool. Pre-sale is expected to launch in the first half of 2023, and construction is scheduled to be completed in phases from the first half of 2024.

Location
Dongfeng Dong Lu/Beijing Lu, Panlong District, Kunming

Total gross floor area
98,054 square meters (including the total gross floor area of Grand Hyatt Kunming)

Expected year of completion
2024 onwards

Forum Residences, Shenyang

The Forum Residences comprises part of the Forum 66 development in Shenyang. Integrating seamlessly into the luxury retail mall, office establishment, and the renowned international hotel Conrad Shenyang, the Forum Residences offers the exclusivity of upscale urban living in the city. The master layout plan is currently being refined. Target pre-sale is expected from 2024.

Location
Qingnian Da Jie, Shenhe District, Shenyang

Total gross floor area
502,660 square meters*

Expected year of completion
2027 onwards

* This is the total gross floor area of the remaining phases of Forum 66, Shenyang

Review of Operations

Hong Kong Property Sales and Development

We will continue to look for opportunities to sell completed residential properties and dispose of some non-core properties in Hong Kong to unlock value from our property portfolio, depending on market conditions.

Market Landscape

There was strong demand in the Hong Kong market during 2021, especially for small and medium units, which pushed prices up in the first half of the year. Mid-year property price indexes climbed to new highs before becoming more volatile following the introduction of China's new austerity measures. That, plus the spread of COVID-19 variants, weakened purchasing power and affected the property market in the second half of the year, offsetting part of the uptrend that occurred in the first half.

The luxury property market has adapted to COVID-19 and re-emerged as an attractive asset class since the second half of 2020 and strong momentum remained throughout the reporting year. With little new supply and strong market demand, the luxury property market continued to break record sale price.

We believe the residential market will remain resilient in 2022 due to the limited supply of homes, the robust performance of the luxury end of the market will continue.

Business Overview

During the reporting year, our new development project named The Aperture in Kowloon East started pre-sales in December. As the first new residential development in Ngau Tau Kok and Kowloon Bay districts in the last three decades, market response was positive, with a total of 123 units was sold as at the end of 2021, generating total sales proceeds of HK$1,083 million – an average of HK$22,644 per square foot. A new record was also set in the Kowloon Bay area, with the highest transaction priced at HK$26,628 per square foot. Revenue is expected to be recognized in 2023 upon sale completion.

One house on Blue Pool Road was sold, with the sales revenue and profit from the transaction due to be recognized in the first quarter of 2022 upon the completion of the legal assignment. As such, no property sales revenue was recorded during the reporting period. The operating loss from property sales for 2021 in Hong Kong was HK$53 million, mainly representing the pre-sale marketing expenses for The Aperture as well as other operating expenditures.

Non-core investment properties were disposed of as the opportunity arose. 34 car parking spaces at AquaMarine and The Long Beach were sold in the reporting year.

New Projects Under Development

The Aperture

Situated in the sought-after location of Kowloon East, The Aperture is Hang Lung's exquisite new residential project and embodies the **We Do It Well** philosophy. Close to the MTR Kowloon Bay Station and with three large shopping malls within close proximity, the development will satisfy residents' needs for daily necessities while offering premium living. With the superstructure currently underway and completion anticipated in 2023, the development will offer 294 units with a selection of one-bedroom to three-bedroom layouts.

Location
11 Ngau Tau Kok Road, NKIL 1744, Kowloon Bay

Total gross floor area
16,226 square meters

Main usage
Residential, Retail

Expected year of completion
2023

* This provisional number is subject to confirmation when the building is completed

Shouson Hill Road Redevelopment

The land acquisition at 37 Shouson Hill Road in the Southern District of Hong Kong Island was completed in February 2021. The site will be re-developed into luxurious houses and is now in the planning stage.

Location
37 Shouson Hill Road, RBL 357, Southern District,
Hong Kong Island

Total gross floor area
4,403 square meters

Main usage
Residential

Expected year of completion
2024

Outlook

Our Mainland portfolio is expected to continue to be the growth driver in 2022. We will continue to increase the collection of luxury brands in our malls and collaborate with them on strategic marketing initiatives through HOUSE 66. The steady leasing pace of our new office towers will carry forward into 2022, driving up the overall occupancy and contributions of our office portfolio.

The performance of our Hong Kong portfolio will hinge upon the situation of COVID-19 and various government measures relating to the containment of the pandemic. We will continue to optimize our tenant mix, retain quality tenants, and step up our customer engagement to capture local consumption and overcome the challenges ahead.

On the property sale side, we expect the Mainland's demand for high-end residential properties to remain strong. Hang Lung Residences our premium serviced residences brand in Wuhan, Wuxi, and Shenyang, and our hotel-branded residences in Kunming, are dedicated to demonstrating Hang Lung's commitment to enriching the lives of the communities we serve by building a sustainable future together. Those will further enrich the total offerings and enhance the premium positioning of our overall portfolio. We will launch the pre-sale of our Heartland Residences in Wuhan in the first half of 2022, followed by our Center Residences in Wuxi from the end of 2022.

In Hong Kong, our redevelopment projects are making headway. The response from The Aperture pre-sale since December 2021 has been positive. We will continue to look for opportunities to sell development properties and dispose of non-core assets in Hong Kong to support capital recycling into new projects with higher returns.

Major Properties of the Group

A. Major Properties under Development

At December 31, 2021

	Location	Site Area (sq.m.)	Main Usage	Total Gross Floor Area (sq.m.)	Stage of Completion	Expected Completion Year
MAINLAND CHINA						
WUHAN						
Heartland Residences	Jinghan Avenue, Qiaokou District	16,687	Apartments for Sale	131,493	Superstructure	2023 onwards
WUXI						
Center 66 (Phase 2)	Jiankang Lu, Liangxi District	16,767	Apartments for Sale, Hotel	107,118	Superstructure (Center Residences) Foundation (Hotel)	2024 onwards
KUNMING						
Spring City 66	Dongfeng Dong Lu/ Beijing Lu, Panlong District	56,043	Apartments for Sale, Hotel	98,054	Superstructure	2023 (Grand Hyatt Kunming) 2024 onwards (Grand Hyatt Residences Kunming)
HANGZHOU						
Westlake 66	Bai Jing Fang, Xiacheng District	44,827	Retail, Office, Hotel	194,100	Foundation and basement construction	2024 onwards
SHENYANG						
Forum 66	Qingnian Da Jie, Shenhe District	92,065	Retail, Office, Apartments for Sale	502,660	Foundation	2027 onwards
HONG KONG						
NORTH POINT						
228 Electric Road Redevelopment (HLP held: 66.7%)	228 Electric Road, IL 1618	650	Retail, Office	9,754	Superstructure	2022
KOWLOON BAY						
The Aperture	11 Ngau Tau Kok Road, NKIL 1744	1,923	Retail, Apartments for Sale	16,226	Superstructure	2023
SOUTHERN DISTRICT						
Shouson Hill Road Redevelopment	37 Shouson Hill Road, RBL 357	8,806	Apartments for Sale	4,403	Planning	2024

All the above properties are wholly owned by Hang Lung Properties Limited unless otherwise stated

Retail Office Apartments for Sale Hotel

B. Residential Properties Completed for Sale

At December 31, 2021

	Location	Site Area (sq.m.)	Total Saleable Area (sq.m.)	No. of Residential Unit for Sale	No. of Car Parking Spaces for Sale
HONG KONG					
23-39 Blue Pool Road	23-39 Blue Pool Road, IL 5747	7,850	3,835	9	18

All the above properties are wholly owned by Hang Lung Properties Limited

C. Major Investment Properties

At December 31, 2021

	Location	Lease Expiry	Total Gross Floor Area (sq.m.)			
			Retail	Office	Residential & Serviced Apartments	No. of Car Parking Spaces
HONG KONG						
CENTRAL						
Printing House	6 Duddell Street, IL 339	2848	1,709	5,980	–	–
1 Duddell Street	1 Duddell Street, IL 7310	2848	2,340	6,616	–	–
Baskerville House	22 Ice House Street, IL 644	2880	1,473	3,379	–	–
Standard Chartered Bank Building	4-4A Des Voeux Road Central, Sections A&B of ML 103	2854	4,814	23,730	–	16
CAUSEWAY BAY AND WAN CHAI						
Hang Lung Centre	2-20 Paterson Street, IL 524 & IL 749	2864	8,777	22,131	–	126
Fashion Walk	Paterson Street, Houston Street, Great George Street, Cleveland Street, Kingston Street, Gloucester Road, ML 231 & ML 52, IL 469 & IL 470	2842, 2864 & 2868	31,072	–	7,935	–
Shui On Centre	15/F-28/F, 6-8 Harbour Road, IL 8633	2060*	–	16,313	–	42
HAPPY VALLEY						
23-39 Blue Pool Road	Unit 25B, 35B 23-39 Blue Pool Road, IL 5747	2090	–	–	855	4

* With an option to renew for a further term of 75 years

C. Major Investment Properties

At December 31, 2021

	Location	Lease Expiry	Total Gross Floor Area (sq.m.) Retail	Office	Residential & Serviced Apartments	No. of Car Parking Spaces
HONG KONG						
KORNHILL (QUARRY BAY)						
Kornhill Plaza	1-2 Kornhill Road, IL 8566	2059*	53,080	10,577	–	1,069
Kornhill Apartments	2 Kornhill Road, IL 8566	2059*	–	–	35,275	–
THE PEAK AND MID-LEVELS						
Peak Galleria	118 Peak Road, RBL 3	2047	12,446	–	–	493
The Summit	41C Stubbs Road, IL 8870	2047	–	–	15,225	54
HONG KONG SOUTH						
Burnside Villa	9 South Bay Road, RBL 994	2072	–	–	9,212	89
MONGKOK						
Grand Plaza	625 & 639 Nathan Road, KIL 10234 & KIL 10246	2060	20,905	31,251	–	40
Hang Tung Building	1112-1120 Canton Road, KIL 9708	2045*	–	–	–	1,000
Gala Place	56 Dundas Street, KIL 9590	2044*	7,454	30,205	–	478
TSIM SHA TSUI AND WEST KOWLOON						
Grand Centre	8 Humphreys Avenue, KIL 7725 & KIL 8026	2038	3,688	7,198	–	–
Hanford Commercial Centre	221B-E Nathan Road, KIL 10619 & KIL 8132	2037	1,444	4,891	–	–
AquaMarine	8 Sham Shing Road, NKIL 6338	2050	22,350	–	–	352
The Long Beach	8 Hoi Fai Road, KIL 11152	2050	20,174	–	–	87
KOWLOON BAY						
Amoy Plaza	77 Ngau Tau Kok Road, NKIL 53, NKIL 1482, NKIL 2660 & NKIL 3947	2047	49,006	–	–	620
KWAI CHUNG						
Laichikok Bay Garden	Shops 1A1, 1A2, 5A, 6A & 6B, Lai King Hill Road, Lot 3336 of SD 4	2047	2,973	–	–	–

* With an option to renew for a further term of 75 years

C. Major Investment Properties

At December 31, 2021

	Location	Lease Expiry	Total Gross Floor Area (sq.m.)# Retail	Office	Hotel	Residential & Serviced Apartments	No. of Car Parking Spaces
MAINLAND CHINA							
SHANGHAI							
Grand Gateway 66	1 Hong Qiao Lu, Xuhui District	2043	122,262	–	–	–	752
Plaza 66	1266 Nanjing Xi Lu, Jing'an District	2044	53,700	159,555	–	–	804
SHENYANG							
Palace 66	128 Zhongjie Lu, Shenhe District	2057	109,307	–	–	–	844
Forum 66	1 Qingnian Da Jie, Shenhe District	2058	101,960	131,723	60,222	–	2,001
JINAN							
Parc 66	188 Quancheng Lu, Lixia District	2059	171,074	–	–	–	785
WUXI							
Center 66 (Phase 1)	139 Renmin Zhong Lu, Liangxi District	2059	122,227	137,543	–	–	1,292
TIANJIN							
Riverside 66	166 Xing'an Lu, Heping District	2061	152,831	–	–	–	800
DALIAN							
Olympia 66	66 Wusi Lu, Xigang District	2050	221,900	–	–	–	1,214
KUNMING							
Spring City 66	21-23 Dongfeng Dong Lu/ 433 Beijing Lu, Panlong District	2051	165,375	167,737	–	–	1,629
WUHAN							
Heartland 66	688 Jinghan Avenue, Qiaokou District	2053	177,140	151,472	–	–	2,265

Gross floor area of mainland China investment properties includes gross floor area above and below ground

Financial Review

Consolidated Results

The total revenue and operating profit of Hang Lung Properties Limited (the Company) and its subsidiaries (collectively known as "Hang Lung Properties") for the year ended December 31, 2021, increased by 15% to HK$10,321 million and 14% to HK$7,371 million, respectively. No property sales revenue was recognized in 2021.

The underlying net profit attributable to shareholders increased by 4% to HK$4,365 million. The underlying earnings per share correspondingly rose to HK$0.97.

Hang Lung Properties reported a net profit attributable to shareholders of HK$3,868 million (2020: net loss of HK$2,571 million) when including a net revaluation loss of properties attributable to shareholders of HK$497 million (2020: net revaluation loss of HK$6,772 million). The corresponding earnings per share was HK$0.86 (2020: loss per share of HK$0.57).

Revenue and Operating Profit

	Revenue			Operating Profit		
	2021 HK$ Million	2020 HK$ Million	Change	**2021 HK$ Million**	2020 HK$ Million	Change
Property Leasing	**10,321**	8,911	16%	**7,462**	6,437	16%
Mainland China	**6,939**	5,277	31%	**4,693**	3,468	35%
Hong Kong	**3,382**	3,634	-7%	**2,769**	2,969	-7%
Property Sales	**–**	62	-100%	**(91)**	44	N/A
Total	**10,321**	8,973	15%	**7,371**	6,481	14%

Dividends

The Board of Directors has recommended a final dividend of HK60 cents per share for 2021 (2020: HK59 cents) to be paid in cash on May 19, 2022, to shareholders whose names are listed on the register of members on May 4, 2022. Together with an interim dividend of HK18 cents per share (2020: HK17 cents), the full year dividends for 2021 amounted to HK78 cents per share (2020: HK76 cents).

Property Leasing

The overall rental revenue of Hang Lung Properties grew by 16% to HK$10,321 million during the year. Rental revenue of our Mainland portfolio rose by 23% in Renminbi (RMB) terms and 31% in HKD terms, more than offsetting the 7% decline of our Hong Kong portfolio.

On the Mainland, the retail market sentiment continued to improve in 2021 despite sporadic resurgences of COVID-19 cases in certain provinces during the year. On the strength of our luxury malls' strong performance, the rental revenue of the malls jumped 25% in RMB terms year-on-year.

In Hong Kong, COVID-19 continues to cast a shadow over economic recovery with travel restrictions and social distancing measures in effect throughout the reporting year. Prior to recent Omicron outbreak, the retail market had gradually picked up since May 2021. In 2021, our tenant sales rose by 9%, with a much reduced level of rent relief needed as the year progressed.

Mainland China[1]

Property Leasing – Mainland China Portfolio

	Revenue		
	2021 RMB Million	2020 RMB Million	Change
Malls	**4,662**	3,731	25%
Offices	**1,001**	864	16%
Hotel	**94**	80	18%
Total	**5,757**	4,675	23%
Total in HK$ Million equivalent	**6,939**	5,277	31%

[1] Percentage changes pertaining to the mainland China portfolio are expressed in RMB terms unless otherwise specified.

Overall rental revenue and operating profit surged by 23% and 27% in RMB terms or rose 31% and 35% in HKD terms, respectively. All segments reported double-digit revenue growth year-on-year. The overall rental margin achieved 68%.

When excluding the rental contributions from the Heartland 66 office tower and mall in Wuhan, which opened in November 2020 and March 2021, respectively, revenue increased by 19% compared to a year ago; revenue in the second half of 2021 grew 6% against the first half of 2021.

Malls

The mall portfolio recorded revenue growth of 25% year-on-year. Revenue of luxury-positioned malls surged by 30%, while revenue of sub-luxury malls rose by 2%.

Property Leasing – Mainland China Mall Portfolio

	Revenue			Year-End Occupancy Rate	
Name of Mall and City	2021 RMB Million	2020 RMB Million	Change	2021	2020
Luxury malls					
Plaza 66, Shanghai	**1,782**	1,426	25%	**100%**	99%
Grand Gateway 66, Shanghai	**1,163**	984	18%	**100%**	98%
Forum 66, Shenyang	**106**	95	12%	**90%**	89%
Center 66, Wuxi	**373**	267	40%	**98%**	96%
Olympia 66, Dalian	**164**	136	21%	**87%**	77%
Spring City 66, Kunming	**269**	183	47%	**97%**	91%
Heartland 66, Wuhan#	**153**	–	N/A	**84%**	N/A
	4,010	3,091	30%		
Sub-luxury malls					
Palace 66, Shenyang	**179**	175	2%	**90%**	88%
Parc 66, Jinan	**305**	297	3%	**93%**	94%
Riverside 66, Tianjin	**168**	168	–	**86%**	76%
	652	640	2%		
Total	**4,662**	3,731	25%		

Opened in March 2021

The retail market for high-end products remains robust and optimistic. All of our luxury malls enjoyed double-digit revenue growth, with year-on-year tenant sales growth in these malls ranging from 33% to 89%. In particular, the revenue of Olympia 66 in Dalian in the second half of 2021 increased by 45% versus the first half of 2021, following its transformation into a luxury-led mall. Comparing the second half of 2021 against the same period in 2020, the total tenant sales of our luxury malls grew by 21% despite the high base.

Our sub-luxury malls had a relatively moderate performance with year-on-year growth of 2%, reflecting the uneven impact of the pandemic on different market segments. The performance was also affected by resurgences of COVID-19 cases in their respective cities.

Luxury malls

The **Plaza 66** mall in Shanghai achieved another year of outstanding performance. Revenue grew 25% year-on-year, primarily driven by increases in turnover rents and favorable rental reversions. Tenant sales advanced by 37%, and an exciting line-up of promotions and events, including the "Home to Luxury" Party held in November 2021, took place throughout the year to stimulate growth. HOUSE 66, our customer relationship management (CRM) program continued to provide our loyal customers with diverse and personalized services and prestigious offerings. These efforts have offered unparalleled customer experience and successfully captured the upswing in luxury sales and converted them into solid growth in tenant sales and rental revenue and profit.

The **Grand Gateway 66** mall in Shanghai continued to benefit from the Asset Enhancement Initiative (AEI) completed in 2020. A league of premium brands has been introduced to fortify the mall's luxury content making it the regional lifestyle center in Shanghai. Revenue increased by 18% year-on-year with a 56% surge in tenant sales.

Revenue and tenant sales of the **Forum 66** mall in Shenyang increased by 12% and 33%, respectively, against last year despite several COVID-19 resurgences. Effective marketing campaigns, including compelling sales-driven HOUSE 66 events and incentives for loyal customers, were implemented throughout the year. Cross-trade promotions between Forum 66, Palace 66 in Shenyang, and Conrad Shenyang were launched to enhance awareness of the Hang Lung brand.

The **Center 66** mall in Wuxi delivered 40% more revenue against last year, benefiting from the continued migration of luxury brands to the mall from other shopping centers in the city. Tenant sales soared by 77%. The landmark status and luxurious position of the mall have further entrenched with a variety of premium brands and unique experiential offerings. More compelling promotional campaigns and fine-tunning of tenancy profile have been planned for sustainable growth in revenue and profit.

Olympia 66 in Dalian was successfully transformed into a luxury-led mall during the reporting year. A strategically calibrated tenant mix helped create several well-defined zones housing high-end luxury, trendy lifestyle, sportswear, and food & beverage tenants. Many top-tier brands commenced businesses in the mall during the second half of 2021. The mall's curated shopping experience has appealed to lifestyle-focused and brand-savvy customers. Compared with last year, revenue and tenant sales jumped by 21% and 89%, respectively. In April 2021, a passenger subway connecting the mall to a metro station on Line 2 was opened, adding convenience and bringing another stream of foot traffic.

The **Spring City 66** mall in Kunming generated 47% more revenue by capturing higher turnover rents through strong tenant sales and achieving positive rental reversion. The increasing popularity and success of our marketing campaigns and HOUSE 66 attracted more brands to us during the year. As the year progressed, numerous international brands established flagship or pop-up stores in our mall, including some first-in-Kunming luxury labels. The mall was almost fully let at the end of the year.

Our tenth mall on the Mainland, **Heartland 66** in Wuhan, opened for business in March 2021. Located on Jinghan Avenue in the bustling Qiaokou District—the commercial and business heart of Wuhan with mass transit railway accessibility—the mall's prime location ensures high connectivity and footfall. Performance has already exceeded expectations, with revenue reaching RMB153 million and tenant sales of almost RMB1 billion in less than ten months of operations. More than 250 brands were recruited, comprising a good mix of top-notch brands and tenants. Among them were notable brands making their debut in Wuhan. The mall's occupancy rate reached 84% by the end of the year.

Sub-luxury malls

Despite sluggish retail market sentiment owing to tightened social distancing measures following resurgences of COVID-19 cases in northern China, **Palace 66** in Shenyang recorded a respectable growth of 2% in revenue and 11% in tenant sales. Occupancy rose two points to 90%. We seized the opportunity to refresh and refine the tenant mix of Palace 66 by replacing non-performing tenants with more competitive and unique brands.

Parc 66 in Jinan recorded mild revenue growth of 3%. In pursuit of revitalizing the mall upon the tenth anniversary of its business operations, a three-year AEI began in June 2021 to uplift its positioning and further enrich its luxury content. Despite the ongoing AEI, tenant sales rose by 20% due to strong local demand for luxury items and the phased scheduling of renovation works during non-operating hours. The affected areas will re-open in stages starting from mid-2022. Leveraging our experience with major AEI programs in Shanghai, the thoroughly planned AEI at Parc 66 will strengthen the mall's long-term competitiveness and profitability.

Revenue from **Riverside 66** in Tianjin stayed flat compared to last year, and tenant sales was 28% higher. The mall expanded its offerings in 2021 by introducing popular brands in a spectrum of products and services, including fashion and accessories, sportswear, and food & beverage.

Offices

The revenue of our office portfolio on the Mainland continued to be a stable and resilient income stream. It accounts for 17% of our total Mainland rental revenue. The total revenue increased by 16% as the occupancy rates of our three new towers that opened in 2019 and 2020 continued to rise. When excluding the effects of these new towers, our office portfolio generated organic revenue growth of 4% in a challenging market environment.

Property Leasing – Mainland China Office Portfolio

	Revenue			Year-End Occupancy Rate	
Name of Office and City	**2021 RMB Million**	2020 RMB Million	Change	**2021**	2020
Plaza 66, Shanghai	**629**	606	4%	**97%**	93%
Forum 66, Shenyang	**132**	124	6%	**92%**	90%
Center 66, Wuxi [a]	**113**	96	18%	**88%**	72%
Spring City 66, Kunming [b]	**81**	37	119%	**71%**	41%
Heartland 66, Wuhan [c]	**46**	1	45 times	**57%**	15%
	1,001	864	16%		

(a) Center 66 Office Tower 2 in Wuxi opened in August 2019
(b) Spring City 66 Office Tower in Kunming opened in August 2019
(c) Heartland 66 Office Tower in Wuhan opened in November 2020

Despite increasing market competition, income from the two world-class office towers at **Plaza 66** in Shanghai increased slightly by 4% with a high occupancy rate and positive rental reversions. A wave of relocations and tenant expansions from the technology, media, telecommunications, finance, and pharmaceutical sectors introduced new demand for prime office space.

The office tower at **Forum 66** in Shenyang recorded a revenue growth of 6%, while the occupancy rate climbed to 92%. Despite significant supply of new office spaces in Shenyang, Forum 66 retained its market leadership by leveraging its top-graded design, build quality, prestigious location, and premium management services.

Driven by new tenants relocating from competing buildings and the internal expansions of existing tenants, the total income of the two office towers at **Center 66** in Wuxi advanced by 18%, while the overall occupancy rate rose by 16 points to 88%. Our first branded and self-operated multifunctional workspace, HANGOUT, continued to receive positive feedback from our tenants since its launch in 2020. The enhanced offering of this agile workspace attracted small-sized tenants of excellent caliber and further improved the occupancy rate.

Revenue from the two-year old office tower at **Spring City 66** in Kunming surged by 119% as the occupancy rate jumped 30 points to 71%. We accelerated the leasing pace by offering modular offices with high-standard fit-outs and furnishings. Despite ample office supply in Kunming, top-tier tenants chose Spring City 66 because of its prime location, premium facilities and value-added services.

Heartland 66 in Wuhan, the seventh office tower in our Mainland portfolio, commenced operations in November 2020. Rental revenue during the year reached RMB46 million with the year-end occupancy rate at 57%. The increasing popularity of Heartland 66 has already gained the property landmark status in Wuhan.

Hotel

Conrad Shenyang demonstrated resilience despite international border restrictions and sporadic resurgences of COVID-19 cases in northern China. Revenue grew 18% to RMB94 million during the year. Room sales and food & beverage income gradually improved after the resumption of domestic travel and business conferences.

Hong Kong

Market sentiment in Hong Kong was improving throughout much of 2021 until concerns over the recent Omicron outbreak. In 2021, although the border remained closed for the whole year and social distancing measures continued, the government's electronic Consumption Voucher Scheme and various marketing campaigns by businesses, such as our "Go Shopping!" Rewards Program, stimulated the retail activities. Against such backdrop, full-year revenue retreated 7% to HK$3,382 million, with the year-on-year revenue fall in the second half reduced to 1% compared with a 12% decline in the first half. Overall, the operating profit for the year receded by 7% to HK$2,769 million, and the rental margin remained steady at 82%.

We took a more sales-driven approach in supporting our tenants as market sentiment continued to improve over time. The launch of the "hello Hang Lung Malls Rewards Program" along with the Hang Lung Malls App in March 2021 allowed us to better engage our customers and take the shopping experience to new heights. Through the Hang Lung Malls App, the "Go Shopping!" Rewards Program was launched in the second half of 2021 and stimulated tenant sales and footfall. In 2021, we also introduced initiatives worth HK$27 million in support of the government's COVID-19 vaccination drive. The campaign included free e-shopping coupons offered via the Hang Lung Malls App to members who were fully vaccinated by the end of September 2021. The majority of our tenants greatly supported our initiatives to bolster the vaccination drive. Tenant sales in 2021 rose 9% against 2020 with the second half generating year-on-year growth of 16%.

Properties located in Causeway Bay and Mongkok, as well as Peak Galleria, remained under pressure due to their exposure to tourism. Tenants of specific trades, such as cinemas, gyms, and restaurants, were more directly affected by social distancing measures imposed by the government.

Property Leasing – Hong Kong Portfolio

	Revenue			Year-End Occupancy Rate	
	2021 HK$ Million	2020 HK$ Million	Change	**2021**	2020
Retail	**1,983**	2,139	-7%	**97%**	97%
Offices	**1,157**	1,232	-6%	**87%**	88%
Residential & Serviced Apartments	**242**	263	-8%	**72%**	56%
Total	**3,382**	3,634	-7%		

Retail

Revenue from our Hong Kong retail portfolio decreased by 7% to HK$1,983 million.

The **Causeway Bay portfolio** recorded a 14% drop in revenue due to inevitable negative rental reversions amid the absence of tourists. However, by introducing trades focused on domestic consumption, the occupancy rate reached 100% at the end of 2021, providing a solid foundation for future rental growth.

Our **Mongkok portfolio** posted a 17% rental drop caused by negative rental reversions. Although the former three-story anchor tenant at Gala Place vacated in late 2020, we were able to maintain full occupancy by the opening of the leading global athletic footwear brand Foot Locker, a new AEON STYLE concept store, and a new dining cluster in the basement.

Our community malls, **Kornhill Plaza in Hong Kong East** and **Amoy Plaza in Kowloon East**, were comparatively defensive, both recording a rental decline of 4%.

Offices

Revenue declined by 6% to HK$1,157 million due to a drop in the average occupancy rate by three points to 87% and the granting of rent relief packages.

Fashion wholesalers and travel agencies, which are major segments of our tenant mix, have suffered during the pandemic. A high proportion of business closures in these two segments resulted in a 21% drop in revenue from our offices in Causeway Bay in 2021. The rental revenue generated from our offices in Mongkok declined mildly by 1% due to negative rental reversions. The revenue of our Central portfolio fell 4% with the occupancy rate at 82% at the end of the year after an anchor tenant downsized upon lease renewal in October 2021. We have diversified the product mix and tenancy profile by offering more refurbished units and sub-divided office spaces to meet changing market demands.

Residential & Serviced Apartments

Due to stringent border restrictions and shrinking demand from expatriates, the revenue of our residential and serviced apartments segment retreated 8% from the preceding year to HK$242 million. With a more agile leasing strategy being adopted in the second half of 2021, the occupancy rate gradually improved by 16 points to 72% at the end of the year.

Property Sales

In June 2021, one house at Blue Pool Road was sold. The sales revenue and profit from this transaction will be recognized upon completion of legal assignment in the first quarter of 2022.

Pre-sale of The Aperture, a development project in Kowloon Bay located close to the MTR Kowloon Bay Station and the future East Kowloon Cultural Centre, commenced in December 2021. The project comprises 294 residential units with additional commercial areas on the podium floors. Up to December 31, 2021, 123 residential units were pre-sold at a total of HK$1,083 million. This revenue is expected to be recognized in 2023 upon sale completion.

As such, no property sales revenue was recorded during the reporting year. The operating loss from property sales for 2021 was HK$91 million, mainly representing the selling expenses for The Aperture, marketing expenses for Heartland Residences in Wuhan, and other operating expenditures.

We continued to seize opportunities to dispose of non-core investment properties for capital recycling. 34 car parking spaces were sold during the year, delivering total disposal gains of HK$17 million, recognized as Other Net Income.

Property Revaluation

As of December 31, 2021, the total value of our investment properties and those under development amounted to HK$199,855 million, including the mainland China portfolio of HK$138,548 million and the Hong Kong portfolio of HK$61,307 million. These properties were appraised by Savills, an independent valuer, as of December 31, 2021.

A revaluation gain of HK$460 million was recorded (2020: loss of HK$6,664 million).

The mainland China portfolio recorded a revaluation gain of HK$1,750 million (2020: loss of HK$2,529 million), a 1% increase since the valuation at the end of 2020, largely reflecting the expected growth in the luxury malls. The valuation of offices remained relatively stable.

The Hong Kong portfolio had a revaluation loss of HK$1,290 million (2020: loss of HK$4,135 million), representing a 2% decrease against the value as of December 31, 2020. The decline was smaller compared with the 6% drop in 2020.

After the related deferred tax and non-controlling interests, an attributable net revaluation loss of HK$497 million was reported (2020: net revaluation loss of HK$6,772 million).

Property Development and Capital Commitment

The aggregated values of our projects under development for leasing and sale were HK$22,399 million and HK$9,765 million, respectively. These comprised mainland China projects in Wuhan, Wuxi, Kunming, Hangzhou, and Shenyang, and redevelopment projects in Hong Kong. As of the reporting date, our capital commitments for the development of investment properties amounted to HK$19 billion.

Mainland China

Heartland Residences in Wuhan, the inaugural project of our premium serviced residences brand on the Mainland, is situated in the immediate proximity of Heartland 66 and comprises three towers offering a total of more than 490 units. The project is scheduled for completion in phases from the second half of 2023. The pre-sale of the first batch of units is expected to commence in the first half of 2022.

Center Residences in Wuxi and an adjacent boutique hotel form the Phase 2 development of Center 66. The Residences comprise of two high-rise residential towers housing around 600 units. In addition, there will be a seven-story new-build tower plus a three-floor heritage building offering a total of 106 hotel rooms. Excavation and piling works are making good progress. The project is scheduled for completion in phases from 2024 onwards. Center Residences is expected to be launched for pre-sale from the end of 2022.

Grand Hyatt Residences Kunming and **Grand Hyatt Kunming** are integral components of the remaining Spring City 66 development. The Residences sit above the hotel and house 254 apartments and three immaculate penthouses. Grand Hyatt Kunming features more than 330 guestrooms and suites. Site development kick-started following possession of the construction permit in May 2021. The pre-sale of the Residences is expected to be launched in the first half of 2023 with expected completion in phases from 2024 onwards, while the opening of the Grand Hyatt Kunming is planned for late 2023.

Westlake 66 in Hangzhou is an integrated high-end commercial development comprising a retail podium, five Grade A office towers, and a luxurious hotel — **Mandarin Oriental Hangzhou**. The piling works are making good progress. The project is scheduled for completion in phases from 2024 onwards. Mandarin Oriental Hangzhou, featuring more than 190 premium guestrooms and suites, is slated to open in 2025.

Forum Residences forms part of the mixed-use Forum 66 development in Shenyang. The remaining developments of Forum 66 yield a gross floor area of more than 500,000 square meters. The master layout plan is presently in the refining stage. The project is planned for pre-sale from 2024 onwards and completion in stages from 2027 onwards.

Hong Kong

The pre-sale of The Aperture was launched in December 2021. Construction is on schedule and targeted for completion in 2023.

Construction works of the Grade A office tower redevelopment at 228 Electric Road in North Point are in progress. The project is a joint development with our parent company, Hang Lung Group Limited (Hang Lung Group), inclusive of a retail area across the lower floors. Superstructure works are underway, and the project is scheduled for completion in late 2022.

The land acquisition at 37 Shouson Hill Road in the Southern District of Hong Kong Island was completed in February 2021. The land site will be re-developed into luxurious detached houses and is now in the planning stage.

Financing Management

We have been maintaining an appropriate capital structure with multiple financing channels to ensure that financial resources are always available to meet operational needs and expansions. A sufficient level of standby banking facilities and other debt capital fundings has been in place to cushion Hang Lung Properties from any unexpected external economic shocks. All financial risk management, including debt refinancing, foreign exchange exposure, and interest rate volatility, is centrally managed and controlled at the corporate level.

Funding needs are closely monitored and regularly reviewed to allow a fair degree of financial flexibility and liquidity while optimizing the cost of funds. We also maintain various sources of debt financing to mitigate concentration risks.

For debt portfolio management, we focus on mitigating foreign exchange, interest rate, and refinancing risks through an appropriate mix of RMB/HKD/USD borrowings, fixed/floating-rate debts, a staggered debt repayment profile, and a diversified source of funding.

As part of our environmental, social and governance (ESG) initiatives, Hang Lung Properties continues to make more use of sustainable finance. During the year, we issued green bonds worth HK$3.2 billion, obtained HK$1.5 billion in green loan facilities and HK$7 billion in sustainability-linked loan facilities. These are collectively referred to as sustainable finance, which now accounts for 30% of our total debts and available facilities. We have plans to increase that proportion further.

Cash Management

Total cash and bank balances at the reporting date by currency:

	At December 31, 2021		At December 31, 2020	
	HK$ Million	% of Total	HK$ Million	% of Total
Denominated in:				
HKD	**5,484**	64%	2,584	41%
RMB	**2,885**	34%	3,602	57%
USD	**146**	2%	133	2%
Total cash and bank balances	**8,515**	100%	6,319	100%

All deposits are placed with banks carrying strong credit ratings. The counterparty risk is routinely monitored.

Debt Portfolio

At the balance sheet date, total borrowings amounted to HK$45,695 million (December 31, 2020: HK$37,917 million), of which 27% was denominated in RMB to act as a natural hedge to net investments in mainland China.

Our fixed-rate borrowings primarily consist of medium-term notes (MTNs) and bank loans that are converted to fixed-rate through the use of interest rate swaps. The percentage of fixed-rate borrowings fell to 48% of total borrowings as of December 31, 2021 following the (a) redemption of a USD500 million MTN and an RMB1,000 million Panda Bond in April 2021 and July 2021, respectively; (b) issuance of some MTNs in HKD and USD with an aggregate equivalent amount of HK$3.8 billion during the year.

The composition of our debt portfolio can be categorized as follows:

(i) by currency (after currency swap):

	At December 31, 2021		At December 31, 2020	
	HK$ Million	% of Total	HK$ Million	% of Total
Denominated in:				
HKD	**33,196**	73%	25,007	66%
RMB	**12,499**	27%	12,910	34%
Total borrowings	**45,695**	100%	37,917	100%

(ii) by fixed or floating interest (after interest rate swap):

	At December 31, 2021		At December 31, 2020	
	HK$ Million	% of Total	HK$ Million	% of Total
Fixed	**21,998**	48%	23,772	63%
Floating	**23,697**	52%	14,145	37%
Total borrowings	**45,695**	100%	37,917	100%

Gearing Ratios

At the reporting date, the net debt balance amounted to HK$37,180 million (December 31, 2020: HK$31,598 million). The net debt to equity ratio was 24.4% (December 31, 2020: 21.3%), and the debt to equity ratio was 30.0% (December 31, 2020: 25.6%). The increase in both ratios was largely due to capital expenditures in both the Mainland and Hong Kong, as well as the balance payment for the acquisition of 37 Shouson Hill Road in Hong Kong.

Maturity Profile and Refinancing

At the balance sheet date, the average tenure of the entire loan portfolio was 3.0 years (December 31, 2020: 2.9 years). The maturity profile was staggered over more than 10 years. Around 65% of the loans were repayable after two years.

	At December 31, 2021		At December 31, 2020	
	HK$ Million	% of Total	HK$ Million	% of Total
Repayable:				
Within 1 year	**8,079**	18%	7,464	20%
After 1 but within 2 years	**7,566**	17%	8,585	23%
After 2 but within 5 years	**23,868**	52%	18,645	49%
Over 5 years	**6,182**	13%	3,223	8%
Total borrowings	**45,695**	100%	37,917	100%

As of December 31, 2021, the total undrawn committed banking facilities amounted to HK$14,645 million (December 31, 2020: HK$12,563 million). The available balances of the USD4 billion (December 31, 2020: USD4 billion) MTN program amounted to USD1,760 million, equivalent to HK$13,722 million (December 31, 2020: HK$12,945 million).

Net Finance Costs and Interest Cover

For the year ended December 31, 2021, gross finance costs increased 1% to HK$1,487 million. The effect of the increase in total borrowings was partially offset by a drop in the average effective cost of borrowings which was lowered to 3.7% (2020: 4.4%), benefiting from lower interest rates upon the refinancing of maturing debts.

The net amount charged to the statement of profit or loss increased to HK$487 million partly because of the increase in gross finance costs and also a decrease in finance costs capitalized for projects under development after the completion of the mall and office at Heartland 66 in Wuhan.

Interest cover for 2021 was 5 times (2020: 4 times).

Foreign Exchange Management

Normal operations in mainland China and MTNs denominated in USD expose our business activities to foreign exchange fluctuations. Appropriate measures have been taken to reduce our risk.

(a) RMB Exposure

Our RMB exposure is mainly derived from the currency translation risk arising from the net assets of our subsidiaries in mainland China.

As of December 31, 2021, net assets denominated in RMB accounted for approximately 74% of our total net assets. The RMB appreciated against the HKD by 2.9% compared with December 31, 2020. The translation of these net assets from RMB into HKD at the exchange rate as of the reporting date resulted in a translation gain of HK$3,173 million (2020: HK$6,233 million), recognized in other comprehensive income/exchange reserve.

Our business operations and projects under development in mainland China are funded by a combination of cash inflows from local operations, RMB borrowings, and capital injections from Hong Kong. We have adopted a systematic approach to mitigate currency risks and practice the strict discipline of not speculating on the movement of the RMB against the HKD. Regular business reviews assess the level of funding needed for our mainland China projects based on factors such as regulatory constraints, project development timelines, and the market environment. Appropriate modifications to our funding plan will be conducted in light of any changing circumstances.

(b) USD Exposure

Our USD foreign exchange exposure is related to the USD550 million fixed-rate bonds issued, equivalent to HK$4,289 million at the reporting date. The related currency exchange risk was covered back-to-back by USD/HKD cross-currency swap contracts.

Charge of Assets

Assets of Hang Lung Properties were not charged to any third parties as of December 31, 2021.

Contingent Liabilities

Hang Lung Properties did not have any material contingent liabilities as of December 31, 2021.

A tree planting activity by Hang Lung As One Volunteer Team in Hong Kong

sustainability

We collaborate with like-minded stakeholders to drive sustainable growth not only in our Company but also in our communities

Sustainability

We made significant strides in our sustainability journey during 2021. We remain committed to embedding sustainability in all aspects of our work, with a focus especially on our four priorities of Climate Resilience, Resource Management, Wellbeing, and Sustainable Transactions.

Alongside our **2030 Sustainability Goals and Targets** announced in December 2020, we have established 25 sustainability targets for the end of 2025, **25 x 25 Sustainability Targets**. Our combined targets for 2025 and 2030 provide a clear agenda for our ambition to become one of the world's most sustainable real estate companies.

Key Highlights in 2021

International Recognition

GRESB 2021

Upgraded to **4-star** performance rating

Member of Dow Jones Sustainability Indices
Powered by the S&P Global CSA

82nd » 88th percentile

MSCI ESG RATINGS

Upgraded to "A" rating

SUSTAINALYTICS
a Morningstar company

A low ESG risk rating since July 2020

FTSE4Good

Inaugural inclusion in **FTSE4Good** Index Series

Hang Seng Corporate Sustainability Index Series Member 2021-2022

Upgraded to "AA" rating

Ambitious Targets Towards Sustainability Leadership

25 x 25 Sustainability Targets

Set company-wide **strategic Environmental, Social and Governance Key Performance Indicators (ESG KPIs), tied to departmental and employee performance reviews**

Committed to setting both **near-term** and **long-term targets** to reach **net-zero** value chain greenhouse gas (GHG) emissions by no later than 2050

Major Milestones

Spring City 66, Kunming is **100%** powered by **renewable energy**

Conducted **comprehensive employee engagement survey**

>1,800 volunteers

+

133 volunteering activities

+

>14,500 hour

+

>14,800 people benefitted

Secured **30%** of debts and available facilities from **sustainable financing**

Launches initiatives worth **HK$27 million** to encourage **COVID-19 vaccination** in Hong Kong

Reporting Approach and Standards

The Report's Sustainability section summarizes the Company's sustainability performance in 2021, including key achievements and plans. The initiatives are aligned with our Sustainability Policy, which outlines our sustainability leadership approach over the next decade, including our Sustainability Framework, our 2030 Sustainability Goals and Targets, and the principles and processes ensuring effective implementation and governance. We will disclose our sustainability policies, metrics, and performance in greater detail in our standalone *Sustainability Report 2021*, prepared in accordance with the Global Reporting Initiative (GRI) Standards and the "mandatory disclosure requirements" and "comply and explain" provisions of the ESG Guide contained in Appendix 27 of the Listing Rules.

Progress Towards Sustainability Leadership

In support of our long-term sustainability ambition, we introduced annual Strategic ESG KPIs tied to the performance reviews of departments and employees in 2021, including our top management. The Strategic ESG KPIs have fuelled our momentum across our four sustainability priorities.

Climate Resilience

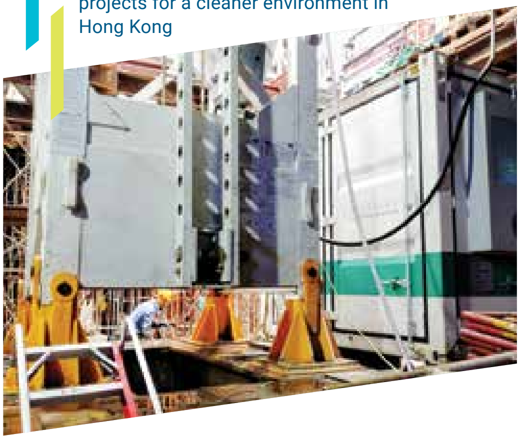
Commitments to Science-Based Targets

Our GHG emissions reduction scenarios for 2025 and 2030 include a detailed analysis of sensitivities related to grid decarbonization, energy efficiency, and renewable energy procurement. In late December 2021, we became one of Asia's first real estate companies to make commitments through The Science Based Targets initiative (SBTi) to setting near-term and long-term targets to reach net-zero value chain greenhouse gas emissions by no later than 2050.

Scopes 1 and 2 (GHG) Emissions

We also implemented our 2021 GHG Mitigation Plan to reduce portfolio-wide Scope 1 and 2 GHG emissions and prepared our 2022 GHG Mitigation Plan. Within each plan, our properties must identify and include carbon reduction measures in the annual budgeting process. We also installed smart energy meters at most properties in Hong Kong and are on track to complete the installation work at our mainland China properties in the first quarter of 2022.

Our CEO Mr. Weber Lo joined the Carbon Neutrality Partnership Certification cum Pledging Ceremony organized by the Environment Bureau of the HKSAR Government



An advanced battery energy storage system has been introduced to replace traditional diesel generators at our new development projects for a cleaner environment in Hong Kong

Spring City 66, Kunming is 100% Powered by Renewable Energy

In December 2021, we announced that Spring City 66 in Kunming is fully powered by renewable energy. A first for the Company, Spring City 66 is also the first commercial complex in Yunnan Province to achieve net-zero carbon emissions in terms of annual electricity consumption for both landlords' and tenants' operations. We aim to replicate this landmark achievement and have established a 2025 target to meet at least 25% of our mainland China portfolio's electricity demand with renewable energy.

Scope 3 GHG Emissions

Following a comprehensive inventory of our Scope 3 emissions in 2021, we found that embodied carbon from our building materials (e.g. steel and concrete) and emissions from our tenants' energy consumption constitute the two most significant sources of such emissions.

We have adopted low carbon concrete at our new development projects, and we are applying battery storage technologies to replace diesel at our construction sites in Hong Kong.

We have also developed a 2025 embodied carbon target to achieve a minimum 10% reduction in embodied carbon intensity (kg CO_2e/m^2) for new development projects that begin in 2022 or later, compared to standard practice for an equivalent project. Embodied carbon is a challenging but critical area, and we are one of the first developers in the region to commit to a 2025 target addressing it.

For Scope 3 downstream emissions, we are piloting amendments to our tenant handbook and fit-out guide for our Shanghai properties (please refer to "Tenant Collaboration" section). Our 2025 target is to reduce GHG intensity (kg CO_2e/m^2) from tenants' electricity consumption at our properties in mainland China by at least 15% compared to 2018.

Amoy Plaza was awarded the Smart Technology Excellence Award in the Smart Energy Award 2021 for its outstanding achievements in energy saving

Adaptation to Physical Climate Risks

To address physical risks from climate change, we worked with an expert consultancy to complete a detailed physical risk analysis for all properties. The risk analysis modelled the impact of potential changes to key climate indicators, including temperature, precipitation, and typhoons, under various scenarios from now until 2030 and 2050. Over the year, we conducted four workshops to review and discuss the findings, including a corporate level discussion of the results and implications with our top management. We are currently reviewing our existing risk controls and evaluating key areas and priority properties that may require enhanced adaptation measures.

Resource Management

Energy Management

Our properties are embracing technologies to improve their energy management. For example, CLP in Hong Kong honored Amoy Plaza with a Smart Energy Award in recognition of significant energy savings achieved through collaboration between our central and local Service Delivery teams in embracing IoT and the latest HVAC control technologies.

We have also adopted brushless direct current (DC) motor fan coil unit designs for multiple projects, and are piloting artificial intelligence technologies starting with Arup's Neuron Energy system at the Standard Chartered Bank Building in Hong Kong. The Company will continue to innovate in energy and electricity management and aims by 2025 to reduce our electricity intensity by 18%, compared to 2018.

Water Management

We have completed a detailed review of water consumption and practices across our mainland China and Hong Kong portfolio. We also conducted on-site visits to Grand Gateway 66, Shanghai and our properties in Hong Kong East in Hong Kong (Kornhill Plaza, Kornhill Apartments, and Kornhill Recreation Club) to gauge our properties' current water operations and conservation practices. We have identified key strategies to enhance water management, including water-efficient fixtures, water recycling, efficient use of cooling towers, rainwater harvesting, and irrigation methods. We have set a 2025 target to reduce our water intensity by 10% compared to 2018.

Recycling and Waste Management

A variety of initiatives improved our understanding of current waste management and recycling practices in 2021. To verify data accuracy and identify areas of improvement, we completed a waste data analysis for 29 properties across our mainland China and Hong Kong portfolios. We also conducted more detailed waste audits at Plaza 66, Shanghai and our properties in Hong Kong East in Hong Kong. Our overall landfill diversion rate exceeds 60%, mainly due to the incineration of municipal solid waste at our properties in mainland China. Our 2025 waste targets are to divert 70% of operational waste from landfill and divert 60% of construction waste from landfill and maximizing recycling for projects under development.

We have also improved and enhanced our recycling and reuse practices in collaboration with various stakeholders. For example, in mainland China, we collaborated with a recycling company to collect about 24 tons of used frontline staff uniforms which were either upcycled into gloves, yarn, and other materials or reused in other markets. Our project team at Heartland 66, Wuhan also partnered with national NGO Flying Ant and the Hang Lung As One Volunteer Team to collect, sort, and donate old clothes from customers to people in need. Tenants also sponsored shopping vouchers to incentivize customers to support the campaign. We are planning to replicate the project at other properties in mainland China, aiming to collect and donate up to 5,000 kilograms of clothing.

Wellbeing

COVID-19 Measures

In 2021, the Company supported Hong Kong's COVID-19 vaccination drive with initiatives worth HK$27 million. The Company offered two additional days of paid vaccination leave and up to HK$4,000 in e-shopping coupons for fully vaccinated and eligible staff.

Employee Wellbeing and Engagement

We remain committed to fostering employee wellbeing and engagement through a range of measures and initiatives. The Company provides competitive remuneration and benefits regularly benchmarked against the market. In 2021, we achieved a key talent retention rate of 92.6% and approximately 53% of our key staff members were promoted or given opportunities to broaden their horizons in 2021.

Heartland 66 in Wuhan partnered with NGO Flying Ant and the Hang Lung As One Volunteer Team to collect, sort, and donate old clothes from customers to people in need

We collaborated with a recycling company to collect about 24 tons of frontline staff uniforms in mainland China for upcycling or reuse

We respect each employee's personal needs and unique professional development and promote a healthy work-life balance with flexible working hours and work from home options. In 2021, *JobMarket* named us Employer of Choice and honored the Company with its Work-Life Balance and COVID-19 Caring Employer awards.

Our first employee engagement survey launched in 2021 with an impressive overall participation rate of 97.4%. Based on the findings, we formulated plans to improve employee engagement and keep management informed with regular updates. Our 2025 target sets out to achieve an employee engagement rating equal to or greater than the 75th percentile.

Diversity and Inclusion

Our Equal Employment Opportunities Policy prohibits discriminatory practices to ensure that all job candidates and employees are treated fairly. We are also committed to further improving the current 4:6 female-to-male ratio of executive employees. Our 2025 target sets out to maintain a 1:1 female-to-male pay ratio.

The Company creates opportunities for people from diverse backgrounds in mainland China and Hong Kong. In 2021, we launched a national summer internship program and provided 72 students, including two students with special needs, with working opportunities across various functions and projects. We also recruited interns to participate in and organize social service initiatives, including soap recycling and battery disposal, to encourage community service among young people. We recognize that we can do more to support people with disabilities and aim to audit all our properties and corporate practices – in other words, both our hard and soft infrastructure – to enhance inclusive opportunities by 2025.

We organized a national summer internship program to provide young people with working opportunities across different functions

Learning and Development

We remain committed to providing our employees with learning and development opportunities. Extensive training programs include professional skills training, leadership programs, and company knowledge training through our Academy 66. In 2021, we completed 94,649 hours of training, including 16 webinars on wide-ranging topics related to our business.

We also launched the first cohort of our Leadership Development Program Series to help key employees hone their leadership skills. Going forward, the initiative will expand to cover key employees at all levels in the Company.

Lastly, we are rolling out ESG-specific training across the Company. In 2021, we delivered webinars on important topics such as climate resilience and sustainability leadership and aim to provide priority ESG training across all departments and seniority levels by 2025, starting with practical ESG training in four major departments in 2022.

Health and Safety

Endorsed by our Sustainability Steering Committee, we are launching a group-level Health and Safety Policy in 2022. The policy will encourage collaboration and the exchange of best practices between our projects, offices, and operations. In addition, a Service Delivery Safety Management Committee established in 2021 tracks relevant safety KPIs and monitors safety issues across our operations. Among our 2025 targets, we aim to maintain a Lost Time Injury Rate of 1.5 or below for employees and zero work-related fatalities for employees and contractors.

Sustainable Community Investment (SCI) Initiatives

The Group is committed to enriching lives and promoting diversity and inclusion in our communities. Despite the pandemic, 1,800 volunteers completed 133 volunteering activities, collectively contributing more than 14,500 service hours and benefitting over 14,800 people in Hong Kong and mainland China during 2021. Examples include:

- **Nationwide Volunteer Day**. To commemorate the founding anniversary of the Group, our employees participate in a nationwide volunteer day across nine cities in mainland China and Hong Kong in September every year. In 2021, 980 corporate volunteers dedicated over 4,000 service hours to promote low-carbon living and deliver care to more than 5,000 people in need.
- **Hang Lung x HKYWCA in Hong Kong**. In 2021, the Group partnered with the Hong Kong Young Women's Christian Association (HKYWCA) to launch a three-year program, Hang Lung x HKYWCA Love·No·Limit, to build an inclusive, dementia-friendly environment in the community. Volunteers contributed over 400 service hour with more than 900 in attendance benefiting from the services offered in the first year.
- **Hang Lung x St James Settlement in Hong Kong**. We partnered with St. James Settlement in Hong Kong to introduce a volunteer program, Walking Through Arts with Kids, in which 26 volunteers contributed 200 service hours to help 28 children with special education needs experience various art forms, including dance therapy and arts and crafts workshops.

The Hang Lung x HKYWCA "Love · No· Limit" program aims to build an inclusive, dementia-friendly environment in the community.

980 corporate volunteers from mainland China and Hong Kong took part in the Nationwide Volunteer Day to promote low-carbon living

We donate HK$2.5 million to each edition of Hang Lung Mathematics Awards, encouraging students to realize their creative potential in mathematics and sciences, and stimulating their passion for intellectual discovery

- **Parc 66, Jinan**. The shopping mall hosted an art exhibition, Lighting Up the Starry Sky with Arts, to raise awareness of autism and encourage social integration and understanding of people living with autism.
- **Grand Gateway 66, Shanghai**. In anticipation of the Tuen Ng Festival, volunteers made and gave as presents scented sachets, along with rice dumplings, to senior citizens in an elderly care center.

The Hang Lung As One Volunteer Team in Shanghai prepared handicrafts for the elderly as a celebration of Tuen Ng Festival

- **Hang Lung Mathematics Awards**. The prestigious biennial mathematics research competition is for secondary school students in Hong Kong. Over the past eight editions, over 2,400 students from 200 schools have participated. Hang Lung donates HK$2.5 million to each edition of the competition, to cover academic consultancy, assessment, administration, promotion, and of which HK$1 million will be used as prize money. In 2021, the event included over 60 teams from nearly 40 secondary schools across Hong Kong.

Sustainable Transactions

Sustainable Finance

The Company secured 30% of debts and available facilities from green bonds, green loan facilities, and sustainability-linked loan facilities. In March 2021, to educate employees on the topic, we conducted a webinar on sustainable finance for 316 colleagues in Hong Kong and mainland China. Our 2025 target is to obtain 50% of debts and available facilities from sustainable finance.

Supplier Collaboration

In 2021, we made significant progress in advancing sustainability across our operations and project supply chains. On the operations side, we developed a sustainable procurement strategy and updated our Central Purchasing Department – Operating Manual and Procedures with enhanced ESG considerations. We also embedded ESG requirements into priority procurement categories, and we invited two experts to speak about ESG and supply chain issues at an internal conference attended by more than 100 colleagues from our finance, IT, and central procurement departments.

On the projects side, we defined an initial framework to improve sustainability and will engage more than ten key project suppliers on 16 improvement ideas, including low embodied carbon materials, energy efficiency, environmentally friendly design features, indoor environmental quality, and employee wellbeing. Additionally, we plan to host an ESG suppliers conference in late 2022 focused on embodied carbon and other priority areas to advance sustainability in partnership with our suppliers. Our 2025 target seeks to build a robust digital platform to assess suppliers' ESG performance.

Tenant Collaboration

We recognize the vital importance of working with our tenants to reduce emissions and bolster sustainability objectives. Planned amendments to our tenant handbook and fit-out guide for office and retail tenants will include sustainability provisions and roll out in Shanghai before expanding to all our properties.

In Hong Kong, we are collaborating with the Hong Kong University of Science and Technology's Environmental Management and Technology Program so students can assess our tenants' understanding of and commitments to sustainability as part of their final year Capstone Project. The project not only benefits students but also identifies and prioritizes opportunities for landlord-tenant sustainability collaboration.

We plan to incorporate sustainability provisions into 100% of our leases by 2025.

25 x 25 Sustainability Targets

The 25 x 25 Sustainability Targets address the four priorities outlined in the Company's Sustainability Framework, defining concrete and quantifiable measures to tackle sustainability challenges and provide employees with a clear blueprint for the next four years. Highlights include:

- **Climate Resilience.** Targets related to Scopes 1, 2, and 3 emissions, renewable electricity, and climate adaptation.
- **Resource Management.** Targets related to recycling, water use, and landfill diversion.
- **Wellbeing.** Targets related to employee engagement, gender pay ratio, people with disabilities, health and wellness, safety, and youth.
- **Sustainable Transactions.** Targets related to suppliers' ESG performance, marketing events, leases, sustainable finance, and asset acquisitions.

25 x 25 Sustainability Targets

Climate Resilience

2030 Goal : Reduce carbon footprint in line with climate science

2030 Target	25 x 25 Sustainability Targets	
Nearly net zero carbon building		
Demonstrate best efforts to achieve a 70% reduction in scopes 1 and 2 greenhouse gas emissions intensity (per m²), compared to 2018 baseline	1 40% cumulative reduction in GHG intensity (kg CO_2e/m^2) relative to 2018	2 18% cumulative reduction in electricity intensity (kWh/m²) relative to 2018
	3 25% of our mainland China portfolio electricity demand met by renewable energy	4 Wherever feasible exceed local regulations for the provision of parking spaces installed with EV charging facilities across our portfolio
	5 Demonstrate best efforts to achieve at least 10% reduction in embodied carbon intensity (kg CO_2e/m^2) for new development project that begin in 2022 or later, compared to typical practice in an equivalent building	6 15% reduction in GHG intensity (kg CO_2e/m^2) from tenants' electricity consumption for our properties in mainland China, relative to 2018
	7 Complete technical analysis for climate adaptation measures for all properties	

Resource Management

2030 Goal : Promote circular economy by reducing resource consumption and maximizing recycling

2030 Target	25 x 25 Sustainability Targets	
Incorporate circular building principles in new properties	8 60% of construction waste diverted from landfill for new projects starting in 2022 with maximized recycling	9 Demonstrate best efforts to maximize the use of recycled, reused and bio-based materials on all new projects
Implement water management program in all properties	10 10% reduction in water intensity (m³/m²/year) relative to 2018	
Divert 90% of operational waste from landfill	11 70% of operational waste diverted from landfill	

Wellbeing

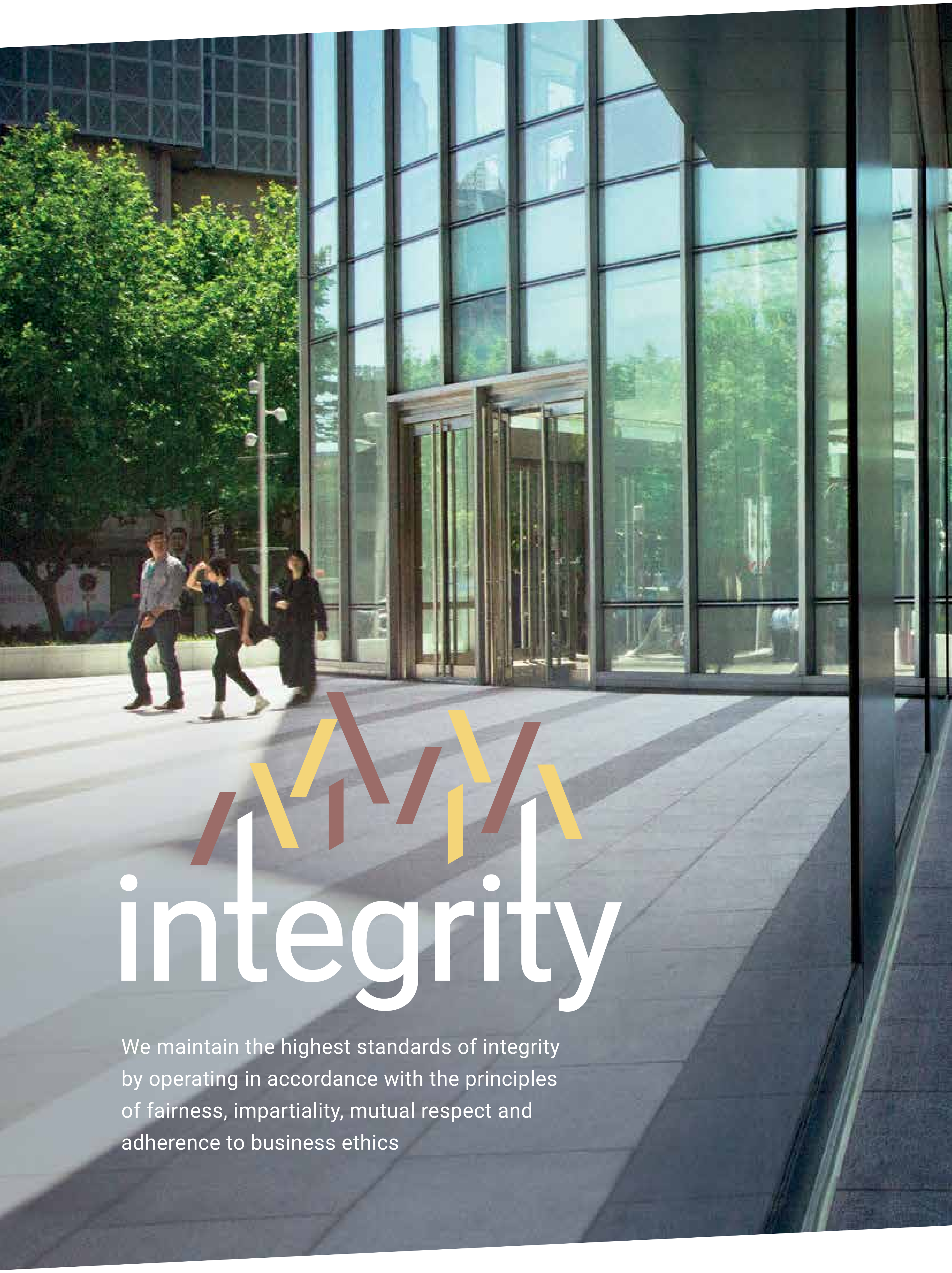
2030 Goal : Ensure employees, customers and communities enjoy an unrivalled environment that promotes their health and wellbeing

2030 Target	25 x 25 Sustainability Targets
Assess wellbeing for all employees and key customers	12 Achieve an employee engagement rating greater than or equal to the 75th percentile 13 Maintain Female-to-Male pay ratio of 1:1 14 Conduct an audit of all our properties and corporate practices on how to enhance wellbeing and opportunities for persons with disabilities
Meet or exceed wellbeing standards for new properties	15 Obtain local or international health and wellness certification for all our existing Mainland properties 16 Obtain WELL Gold certificate or equivalent for at least one new property in Hong Kong and mainland China 17 Deliver priority ESG training targeted to all departments and seniority levels 18 Maintain a Lost Time Injury Rate of 1.5 or below for employees 19 Maintain zero work-related fatalities for employees and contractors
Work with youth on sustainability solutions in all cities where we have asset	20 Work with youth on wellbeing community initiatives at all properties by 2025

Sustainable Transactions

2030 Goal : Collaborate with all suppliers and customers to advance our sustainability priorities

2030 Target	25 x 25 Sustainability Targets
Implement supplier evaluation and ranking system	21 Embrace technology to build a robust digital platform for assessing suppliers' ESG performance 22 100% of marketing events evaluated for their sustainability impacts
Engage all tenants on emissions reduction, resource management, and wellbeing enhancement	23 100% of leases incorporate sustainability provisions
	24 50% of total debts and available facilities from sustainable finance
	25 100% of potential asset acquisitions include ESG due diligence



integrity

We maintain the highest standards of integrity by operating in accordance with the principles of fairness, impartiality, mutual respect and adherence to business ethics

Plaza 66, Shanghai

Corporate Governance Report

Our vision, mission, and values are guiding principles by which we do business and will guide us to sustainable growth.

Vision

We create compelling spaces that enrich lives

Mission

We pursue sustainable growth by connecting our customers and communities

Values

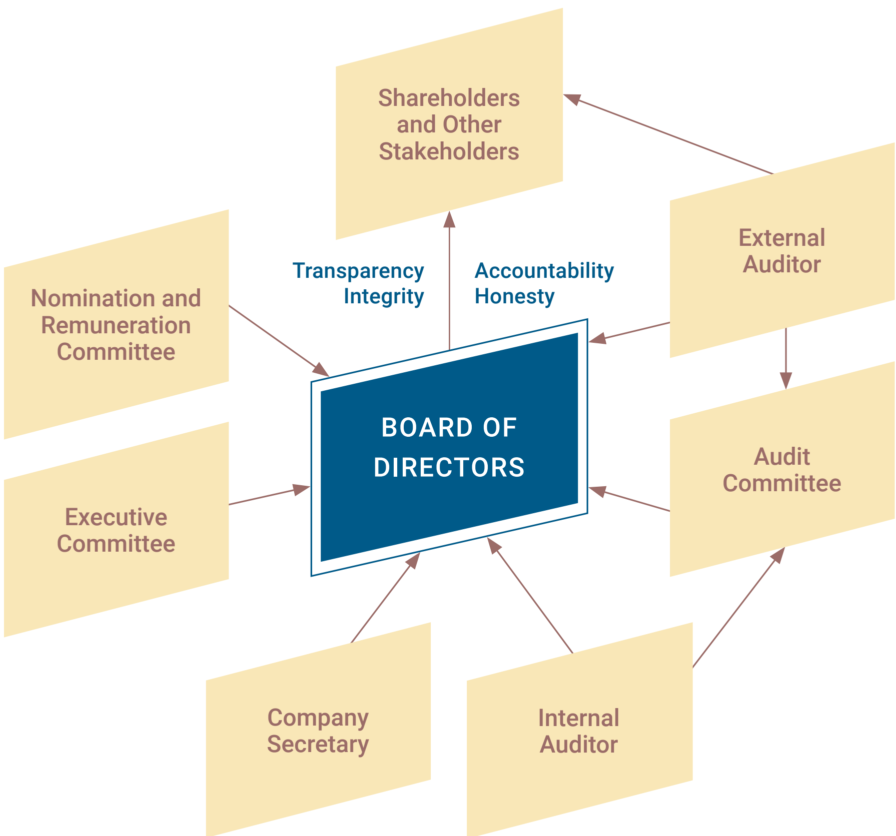
Integrity
Sustainability
Excellence
Openness

The Board believes that strong corporate governance provides a solid foundation for sustainable growth and long-term success. The Board will continue to focus on enhancing sound corporate governance, and promoting the corporate values and culture that reflects the essence of **We Do It Well** at all levels within Hang Lung.

Our Strong Belief in Good Governance

Good governance starts at the top. At the core of our governance structure is a diverse and effective Board, which is committed to maintaining the highest standard of corporate governance, implementing sound internal controls and effective risk management mechanism, enhancing transparency and instilling accountability, and being a standard-bearer for integrity and honesty.

Corporate Governance Structure



A Sound Corporate Culture

Corporate belief must be supported and practiced by all levels of employees. The **We Do It Well** business philosophy extends from the Board to all of our employees of different positions and at all levels all of who strive to uphold the highest standard of integrity and honesty in every aspect of our business.

Professional and Accountable Board

The Board comprises professionals from different sectors of the society, who bring with them a wide range of business and financial experience and expertise. The balanced composition of the Board has a strong independent element, which provides invaluable perspectives and facilitates impartial decision-making. To enhance the function of the Board, three Board committees, namely, the Executive Committee, Audit Committee and Nomination and Remuneration Committee, have been established to assume different responsibilities.

Prudent Risk Management and Effective Internal Controls

The Company recognizes the challenges it faces in its operations and manages with them in a prudent manner with the support of an effective internal control environment which is responsive to ever changing environment and business needs. Further details are disclosed in the latter part of this report.

Compliance with Corporate Governance Code

We have adopted, fully complied with, and in many cases exceeded, the code provisions and recommended best practices of the CG Code.

The key areas are listed below:

Board & Board Committees
• Six Board meetings were held in 2021
• Four Audit Committee meetings were held in 2021
• More than one-third of Board Members are INEDs
• Nomination and Remuneration Committee comprises entirely of INEDs only
• Audit Committee comprises entirely of INEDs only
• Audit Committee met with the External Auditor without the presence of management four times in 2021
Sustainability
• Publication of separate sustainability reports since the financial year 2012
• Established Sustainability Steering Committee in 2013
• ERM Working Group as a robust forum for risk management
• Well established framework for responsive crisis management
• In December 2020, announced 10 Sustainability Goals and Targets for 2030 under the latest sustainability framework
• In December 2021, announced 25 Sustainability Targets to be achieved by the end of 2025 (25 x 25)

Accountability
• Results announcement was published within one month after the end of the accounting period
• Adoption of Code of Conduct since 1994
• Whistleblowing Policy was updated and enhanced
• Whistleblowing cases were reported to the Audit Committee on a half-yearly basis
• Confirmation by all executive staff of their compliance with the "Code of Conduct regarding Transactions in the Company's Shares" on a half-yearly basis
• Declaration of interest required from all executive staff on a half-yearly basis
• Sending reminder to our employees on the Policy governing Conflict of Interest on a half-yearly basis
Communications
• The Chair's detailed explanation of the business strategies and outlook of the Group in his Letter to Shareholders
• The Vice Chair sharing of his thoughts on issues relating to our business, including corporate values, sustainability and technology, in the Vice Chair's Notes
• Open and direct dialogue between the Chair and shareholders at the AGMs
• AGM notice was issued more than 20 clear business days before AGM

We are pleased to receive The Hong Kong Corporate Governance Excellence Awards 2021 (Hang Seng Index Constituent Companies) as a recognition of our efforts and commitment on corporate governance by The Chamber of Hong Kong Listed Companies and The Centre for Corporate Governance and Financial Policy of Hong Kong Baptist University.

(I) Effective and Qualified Board

1. Composition, Board Diversity, Functions, Process and Access to Information

Composition

The Board comprises 11 members:

- five Executive Board Members
  Mr. Ronnie C. Chan (Chair)
  Mr. Adriel Chan (Vice Chair)
  Mr. Weber W.P. Lo (CEO)
  Mr. H.C. Ho (CFO)
  Mr. Kenneth K.K. Chiu (CFO Designate)
- one NED
  Mr. Philip N.L. Chen
- five INEDs
  Mr. Nelson W.L. Yuen
  Mr. Dominic C.F. Ho
  Dr. Andrew K.C. Chan
  Prof. H.K. Chang
  Ms. Anita Y.M. Fung

Our NED and INEDs possess diverse academic and professional qualifications, financial and management expertise and bring a wide range of business and financial experience to the Board.

Mr. Ronald Joseph Arculli, retired as an INED at the AGM of the Company held on April 30, 2021 as he reached the retirement age as set by the Nomination and Remuneration Committee.

Mr. Kenneth K.K. Chiu was appointed as Executive Board Member and CFO Designate of the Company and HLG on October 6, 2021. Mr. Chiu will succeed Mr. H.C. Ho as CFO on March 1, 2022 upon the retirement of Mr. H.C. Ho.

Mr. Ronnie C. Chan is the father of Mr. Adriel Chan.

Board Diversity

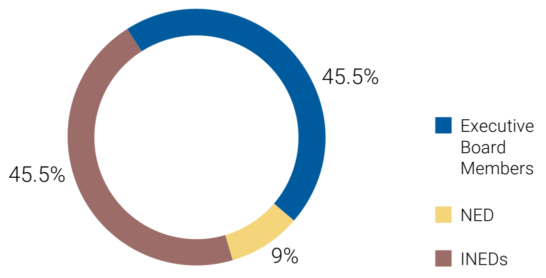
The Board Diversity Policy sets out the approach to achieve diversity on the Board with an aim to further enhance its effectiveness. Board diversity has been considered from different perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, expertise, skills, knowledge, and length of service. Recognizing that the above are proxies for a diversity of thought, the ultimate selection of Board Members is based on merit, and the contribution that selected candidates are expected to bring.

The Board Diversity Policy is available on our website under "Board of Directors" in the "Corporate Governance" subsection of the "Investor Relations" section.

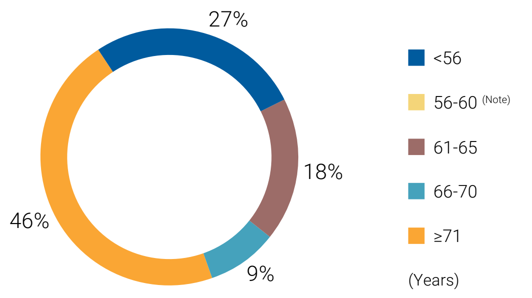
The Nomination and Remuneration Committee and the Board have taken into account the Board Diversity Policy in the appointment of Mr. Kenneth K.K. Chiu as Executive Board Member and CFO Designate in October 2021.

Board composition and diversity as of December 31, 2021 is as follows:

Designation

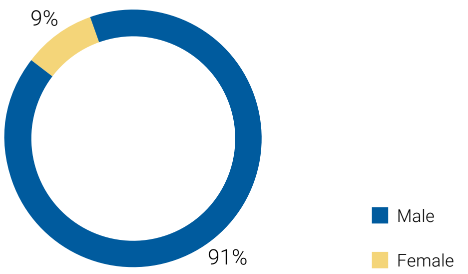


Age

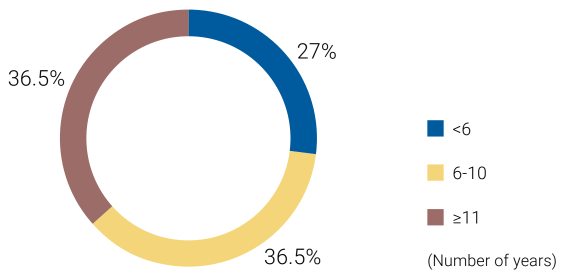


Note: None of Board Members is included in this age range

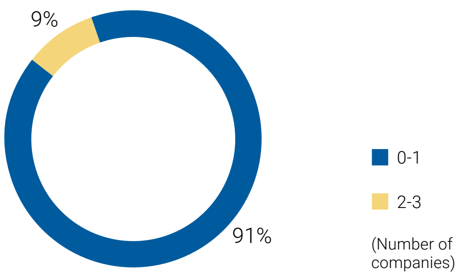
Gender



Directorship with the Company



Other Public Company Directorship



The current Board consists of a diverse mix of Board Members with skills and experience apposite to leading and overseeing of the Company's business. Depending on the needs of our growing business and the availability of competent candidates to fulfill those needs, suitably qualified individuals will be considered for Board membership in the future.

Functions

An updated list of Board Members identifying their roles and functions and whether they are INEDs is maintained on our website and the website of HKEX. Their biographical details, disclosed on pages 139 to 144 of this annual report, are also maintained on our website under "Board of Directors" in the "Corporate Governance" subsection of the "Investor Relations" section.

The Board is responsible for, among other things:

- ensuring continuity of leadership;
- the development of sound business strategies;
- the deployment of adequate capital and managerial resources to implement the business strategies adopted; and
- the adequacy of systems of financial and internal control, risk management, and the conduct of business in conformity with applicable laws and regulations.

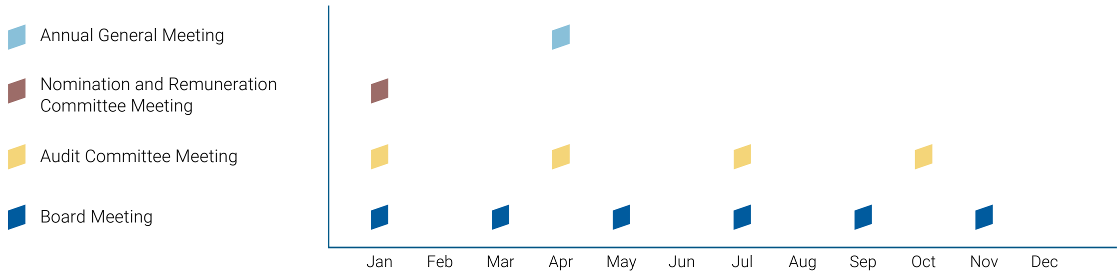
NED and INEDs have made an invaluable contribution to the development of the Company's strategies and policies, providing independent, constructive, and informed advice. They have given the Board, and the Board committees on which they serve, the benefit of their skills, expertise, and diversified backgrounds and qualifications through regular attendance and active participation. The balanced composition between Executive Board Members and NEDs (including INEDs) provided the checks and balances necessary for safeguarding the interests of shareholders.

All Board Members are required to disclose to the Company any office they held in public companies or organizations, and other significant commitments. Each Board Member ensures that he/she gives sufficient time and attention to the affairs of the Company.

The Board held six regular Board meetings in Hong Kong in 2021.

The operating landscape in 2021 was filled with challenges. Apart from the pandemic, the Board discussed in the Board meetings the impacts brought about by the Mainland government's initiatives such as "anti-monopoly" measure, "common prosperity" initiative and "three red lines" policy. On top of the regular Board meetings, a Board retreat was held at which the Board Members had an in-depth discussion on the current political and economic issues.

The timeline for the Board meetings, Board committees meetings, and AGM held in 2021 is set out below:



In 2021, the attendance rate of Board Members at Board meetings was 100%. To encourage attendance and participation in the meetings during the pandemic, management arranged video conference participation for Board Members who were unable to attend Board meetings in person due to travel restrictions and social distancing measures.

Details of Board Members' attendance in 2021 are set out below:

Board Members	Meetings Attended/Held Board	Audit Committee	Nomination and Remuneration Committee	2021 AGM
Independent Non-Executive Directors				
Ronald J. Arculli (Note 1)	2/2	N/A	1/1	1/1
Nelson W.L. Yuen (Note 2)	6/6	N/A	N/A	1/1
Dominic C.F. Ho	6/6	4/4	1/1	1/1
Andrew K.C. Chan	6/6	4/4	N/A	1/1
H.K. Chang	6/6	4/4	1/1	1/1
Anita Y.M. Fung	6/6	4/4	N/A	1/1
Non-Executive Director				
Philip N.L. Chen	6/6	N/A	N/A	1/1
Executive Board Members				
Ronnie C. Chan	6/6	N/A	N/A	1/1
Adriel Chan	6/6	N/A	N/A	1/1
Weber W.P. Lo	6/6	N/A	N/A	1/1
H.C. Ho	6/6	N/A	N/A	1/1
Kenneth K.K. Chiu (Note 3)	1/1	N/A	N/A	N/A

Notes

1. Mr. Ronald J. Arculli retired as INED and Chair of Nomination and Remuneration Committee on April 30, 2021.
2. Mr. Nelson W.L. Yuen was appointed as Chair of Nomination and Remuneration Committee on April 30, 2021.
3. Mr. Kenneth K.K. Chiu was appointed as Executive Board Member on October 6, 2021.

To ensure attendance and active participation, the dates of regular Board meetings and meetings of the Board committees for the full year 2021 as well as the AGM were set at least three months before the commencement of 2021.

Board Process and Access to Information

Any Board Member can give notice to the Chair or the Company Secretary if he/she intends to include matters on the agenda of a Board meeting.

Board or Board committees papers are sent to Board Members or Board committees members at least three days before the date of meeting. A digital meeting solution is used for the meetings, which contributes to the Company's sustainability efforts and enables the Board Members to access meeting materials in a timely, secure, efficient, convenient and paperless manner.

Management also provides the Board and the Board committees with sufficient information and analyses to enable them to make informed assessments of the Company's financial and other information put before the Board and the Board committees for discussion. Management is also invited to join Board meetings where appropriate. The Company Secretary keeps the minutes of Board meetings and Board committees meetings together with related Board or Board committees papers and materials, which are available for inspection by Board Members.

Furthermore, management provides all Board Members with monthly updates which give a balanced and up-to-date assessment of the Company's performance, position, and prospects in sufficient detail to enable the Board as a whole and each Board Member to discharge his/her duties under the Listing Rules.

All Board Members are entitled to have access to timely information in relation to our business and to make further enquiries where necessary, and each also has separate and independent access to management.

In addition, all Board Members have access to the advice and services of the Company Secretary, a full time employee of the Company, who is responsible to the Board for ensuring that procedures are followed and that all applicable laws, rules and regulations are complied with. The Company Secretary supports the Board by ensuring good information flow within the Board and is also a source of advice to the Chair and to the Board on corporate governance issues and the implementation of the CG Code. The Company Secretary has confirmed that she took more than 15 hours of relevant professional training to update her skills and knowledge in 2021.

Procedures have also been agreed by the Board to enable Board Members to seek independent professional advice at the Company's expense.

Pursuant to the Articles of Association, a Board Member shall not vote or be counted in the quorum in respect of any transaction, contract or arrangement in which he/she or any of his/her associates is/are materially interested, unless otherwise stated.

We have also arranged appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against them arising from corporate activities. The insurance policy is reviewed every year to ensure fair and sufficient coverage.

2. Clear Division of Responsibilities between Chair and CEO

There is a clear division of responsibilities between the Chair and the CEO to ensure a balance of power and authority.

Chair

The Chair, Mr. Ronnie C. Chan, provides leadership for the Board. He is responsible for ensuring that all Board Members receive, in a timely manner, adequate information that is accurate, clear, complete and reliable, and that Board Members are properly briefed on issues arising at Board meetings. He also ensures that:

- the Board works effectively and discharges its responsibilities;
- all key and appropriate issues are approved by the Board in a timely manner;
- good corporate governance practices and procedures are established; and
- appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole.

He holds meetings with the INEDs without the presence of the NED and Executive Board Members at least annually.

He is primarily responsible for drawing up and approving the agenda for each Board meeting. He takes into account matters proposed by the other Board Members for inclusion on the agenda.

He encourages all Board Members to make an active contribution to the Board's affairs and takes the lead in ensuring that the Board acts in the best interests of the Company. He encourages Board Members with different views to share their opinion and ensures sufficient time for discussion of issues which the Board is charged to deliberate and reach decisions on.

He promotes a culture of openness and debate by facilitating the effective contribution of NED and INEDs, in particular, and ensures constructive relations between Executive Board Members, NED and INEDs.

He also arranges suitable trainings for Board Members to refresh their knowledge and skills.

CEO

The CEO, Mr. Weber W.P. Lo, is a member of the Executive Committee of the Company and is responsible for:

- leading the management team in business operations and in the implementation of policies and strategies adopted by the Board;
- the Company's day-to-day management in accordance with the instructions issued by the Board;
- developing strategic operating plans that reflect the objectives and priorities established by the Board and maintaining operational performance; and
- ensuring the adequacy of risk management, financial, and internal control systems, and the conduct of business in conformity with applicable laws and regulations.

The CEO chairs the monthly business review meetings. He also chairs the biweekly "Morning Prayer" meetings of the Company's key executives. Matters concerning the day-to-day operations of the Company are discussed in these meetings. He reports to the Board from time to time on matters of material importance.

To cope with the fast pace of expansion and the ever-changing operating environment, management, under the leadership of the CEO, has put great effort into enhancing our operating systems as well as enriching our corporate culture with an integrity program that reflects the essence of **We Do It Well** as the way Hang Lung engages in business.

In support of our vision to create compelling spaces that enrich lives, the CEO has also formulated and led the management team to implement Hang Lung's five overarching strategies for sustainable growth: Be Customer Centric, Build Hang Lung Branded Experience, Embrace Technology, Disciplined Execution, and Uphold Hang Lung Core Values.

3. Independence of INEDs

We have received from each of our INEDs an annual confirmation of his/her independence and we consider each INED to be independent.

In respect of the re-election of an INED who has served on the Board for more than nine years in the AGM, we will state in the notice of the AGM the reason why we consider the INED to still be independent and our recommendation to shareholders to vote in favor of the re-election of such INED.

4. Appointment, Re-election and Removal

In accordance with the Articles of Association, one-third of the Board Members are required to retire from office by rotation for re-election by shareholders at an AGM, and new appointments to the Board are subject to re-election by shareholders at the next general meeting. In addition, every Board Member is subject to retirement by rotation at least once every three years.

The names of such Board Members eligible and offering themselves for re-election, accompanied by detailed biographies, will be presented in the notice of the general meeting. In relation to the appointment or re-election of an INED, we also state in the notice of the general meeting the identifying process, the reason why we consider the INED to be independent, the perspectives, skills and experience that the INED can bring to the Board, and how the INED contributes to the diversity of the Board.

The NED and INEDs are appointed for specific terms, which coincide with their expected dates of retirement by rotation at least once every three years.

5. Continuous Professional Development

Each newly appointed Board Member first meets with fellow Board Members and key executives, and receives a comprehensive, formal, and tailored induction upon his/her appointment. Subsequently, he/she receives the briefings and professional development necessary to ensure he/she has a proper understanding of the Company's operations and business, and full awareness of his/her responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements, and, in particular, the Company's business and governance policies. The Company Secretary facilitates the induction and professional development of Board Members.

All Board Members are encouraged to participate in continuous professional development to broaden and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Chair also arranges suitable training for Board Members from time to time. In 2021, the Company organized a Board retreat, to which external experts were invited to present and discuss topics relating to the political and economic issues. Site visit and showflat viewing of our residential developments, 23-39 Blue Pool Road and The Aperture, were also arranged for Board Members.

The training received by each Board Member in 2021 is summarized below:

Board Members	Types of Training
Ronnie C. Chan	A, B, C
Adriel Chan	A, B, C
Weber W.P. Lo	A, B, C
Nelson W.L. Yuen	A, B
Dominic C.F. Ho	A, B
Philip N.L. Chen	A, B
Andrew K.C. Chan	A, B, C
H.K. Chang	A, B
Anita Y.M. Fung	A, B, C
H.C. Ho	A, B, C
Kenneth K.K. Chiu	A, B, C

A Attending seminar(s)/forum(s) and/or giving talk(s) relating to the business or directors' duties

B Reading materials relating to the business or directors' duties

C Site visit

(II) Delegation by the Board

The Executive Committee, Audit Committee, and Nomination and Remuneration Committee were formed in 1989, 1999 and 2003 respectively.

1. Executive Committee

The Executive Committee of the Board was formed in 1989. Its members are all the Executive Board Members of the Company, who meet regularly to establish the strategic direction of the Company and to monitor the performance of the management. Clear terms of reference have been adopted by the Board, and guidelines have also been set up for certain issues requiring Board approval. Each of the Committee members has full understanding for determining which issues require a decision of the full Board and which may be delegated by the Board to the Committee or management.

2. Audit Committee

An Audit Committee was established by the Board in 1999. The Committee currently comprises entirely INEDs, namely, Mr. Dominic C.F. Ho (Chair of the Committee), Dr. Andrew K.C. Chan, Prof. H.K. Chang and Ms. Anita Y.M. Fung, all of whom possess appropriate academic and professional qualifications or related financial management expertise.

Under the CG Code, it is required that meetings are held at least two times per year with the External Auditor. Separate meetings are also held with the External Auditor, in the absence of management, as and when required. The Audit Committee has exceeded the CG Code requirements and held four meetings in 2021 for the purpose of, inter alia, discussing the nature and scope of internal audit work and assessing the Company's internal controls. Moreover, the Committee met the External Auditor four times in 2021 without the presence of management.

The terms of reference detailing the Committee's role and authority, which include duties pertaining to corporate governance functions and the oversight of risk management, are available on both our website, under "Audit Committee" in the "Corporate Governance" subsection of the "Investor Relations" section, and the website of HKEX.

The Committee is authorized by the Board to investigate any activity within its terms of reference; to seek any information it requires from any employee (and all employees are directed to co-operate with any requests made by the Committee); to obtain outside legal or other independent professional advice; and to secure the attendance of outsiders with relevant experience and expertise at their meetings if necessary. Sufficient resources are provided to the Committee to discharge its duty.

In 2021, the Audit Committee executed, inter alia, the following:

Relationship with External Auditor, Review of Financial Information and Oversight of Financial Reporting System, Risk Management and Internal Control Systems

- reviewed and obtained an explanation from management and the External Auditor for the interim and annual results, including the changes from the previous accounting period, the effects on the application of new accounting policies, compliance with the Listing Rules and relevant legislation, and any audit issues, before recommending their adoption by the Board;
- considered and proposed to the Board the reappointment of KPMG as the Company's External Auditor and approved its terms of engagement;
- reviewed the procedures and guidelines for employing the External Auditor to perform non-audit assignments for the Company, and approved the scopes and fees for non-audit assignments;
- received and reviewed the internal audit reports from the Internal Auditor;
- held meetings with the External Auditor in the absence of management to discuss any material audit issues;
- held meetings with the Internal Auditor in private to discuss material internal audit issues;
- approved the internal audit plan for 2022;
- carried out reviews of the effectiveness of the Company's risk management and internal control systems including the structure of senior management, the adequacy of resources, staff qualifications and experience, as well as training for financial reporting and internal audit; and
- received the financial update and ERM reports, reviewed the related risks (both financial and non-financial) and made recommendations on risk mitigation, including a review of the Group's cyber security and whistleblowing policy.

Corporate Governance Functions

- reviewed the Company's policies and practices on corporate governance, compliance with legal and regulatory requirements and the Code of Conduct, and made recommendations to the Board;
- reviewed and monitored the training and continuous professional development of Board Members; and
- reviewed the Company's compliance with the CG Code and disclosure in annual report on corporate governance and sustainable development.

The Audit Committee also reviewed ESG related risks and confirmed that the ESG risk management and internal control systems were in place and remained effective throughout 2021.

In view of our rapid expansion in mainland China, the Audit Committee also meets quarterly to review and monitor the progress and construction costs of Mainland development projects and major renovation projects. The Cost and Controls Department reports regularly in these Audit Committee meetings to facilitate effective checks and balances in the control of our sizeable capital expenditures, spending and investment, as well as the quality and safety aspects of these projects.

3. Nomination and Remuneration Committee

A Nomination and Remuneration Committee, set up in 2003, now comprises entirely INEDs, namely, Mr. Nelson W.L. Yuen (Chair of the Committee), Mr. Dominic C.F. Ho and Prof. H.K. Chang. Regular reviews of significant changes to the salary structure within the Group and the terms and conditions affecting Executive Board Members and senior management are conducted. The Committee met once in 2021 to review, inter alia, the composition of Board Members and Board Members' remuneration.

The terms of reference of the Committee contain the criteria and principles for nomination of Board Members. These criteria and principles are formally regarded as the nomination policy for Board Members. The terms of reference of the Committee can be accessed on both our website, under "Nomination and Remuneration Committee" in the "Corporate Governance" subsection of the "Investor Relations" section, and the website of HKEX.

The major works performed by the Committee in 2021 include the following:

- a review of the Board Diversity Policy and its implementation;
- a review of the structure, size and diversity of the Board;
- an assessment of the independence of the INEDs;
- as part of the succession plan, identifying and making recommendations to the Board on the appointment of CFO Designate to succeed the existing CFO who would retire on March 1, 2022;
- recommendations to the Board on the selection of individuals nominated for directorship with reference to qualifications and related expertise;
- recommendations to the Board on the re-election of retiring Board Members at the AGM;
- recommendations to the Board on the Company's remuneration policy and structure for all Board Members and senior management;
- determination of remuneration packages for individual Executive Board Members and senior management, including benefits in kind, pension rights, and compensation payments; and
- recommendations to the Board on the remuneration of the NED and INEDs.

In the nomination policy, the Committee will:

- review the structure, size and diversity of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identify individuals suitably qualified to become Board Members and select or make recommendations to the Board. In identifying suitable candidates, the Committee shall consider candidates on merit and against objective criteria, with due regard for the benefit of diversity on the Board; and
- make recommendations to the Board on the appointment or re-appointment of Board Members and succession planning for Board Members, in particular the Chair of the Board and the CEO, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience, and diversity needed in the future.

The remuneration package of Executive Board Members and senior management, including discretionary bonuses and share options, is based on the following criteria:

- individual performance;
- skills and knowledge;
- involvement in the Group's affairs;
- achievement of business targets; and
- the performance and profitability of the Group.

The Committee also considers factors such as salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group.

The Committee obtains benchmark reports for the evaluation of market trends and the competitiveness of the remuneration being offered to Board Members and senior management. Sufficient resources are provided to the Committee to discharge its duties. The Committee may consult the Chair and the CEO about remuneration proposals for Executive Board Members and has access to independent professional advice if necessary.

Details of remuneration payable to members of the senior management (which includes Executive Board Members only) are disclosed in Note 6 to the Financial Statements.

4. Management Functions

"Senior Management" refers to our Executive Board Members. Their duties are explained in the paragraph headed Executive Committee above. Key executives are responsible for day-to-day operations and the administration function of the Group under the leadership of the Executive Board Members. The Board has given clear directions to management as to matters that must be approved by the Board before decisions are made on behalf of the Company. The types of decisions to be delegated by the Board to management include implementation of strategies and direction determined by the Board, operation of the Group's businesses, preparation of financial statements and operating budgets, and compliance with applicable laws and regulations. These arrangements are reviewed periodically to ensure that they remain appropriate to our needs.

(III) Securities Transactions and Share Interests

1. Securities Transactions

We have set out guidelines regarding securities transactions by Board Members under "Transactions in the Company's Shares" in our Code of Conduct according to the required standard set out in the Model Code. The Company has made specific enquiries with all Board Members and confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct regarding Board Members' securities transactions.

The Company has also set out guidelines regarding securities transactions by relevant employees who, because of their office in the Company or its subsidiaries, are likely to be in possession of inside information. The relevant employees are also required to comply with the required standard set out in the Model Code. All the relevant employees are reminded of the necessity for compliance with the guidelines every six months.

2. Share Interests

Details of Board Members' interests in shares of the Company and HLG as of December 31, 2021 are as follows:

	The Company		Hang Lung Group Limited
Board Members	Number of Shares	Number of Shares under Option	Number of Shares
Ronnie C. Chan	17,155,000	15,500,000	27,713,500 (Note 1)
Adriel Chan	2,670,248,340 (Note 2)	7,400,000	538,345,080 (Notes 1 & 2)
Weber W.P. Lo	600,000	15,750,000	200,000
Nelson W.L. Yuen	8,000,000	–	–
Dominic C.F. Ho	–	–	–
Philip N.L. Chen	–	9,500,000	–
Andrew K.C. Chan	–	–	–
H.K. Chang	–	–	–
Anita Y.M. Fung	–	–	–
H.C. Ho	–	10,700,000	78,000
Kenneth K.K. Chiu	–	2,000,000	–

Notes

1. These interests included 15,923,500 shares of HLG held by a trust of which Mr. Ronnie C. Chan was a discretionary beneficiary, and Mr. Adriel Chan was a settlor and discretionary beneficiary. Accordingly, Mr. Ronnie C. Chan and Mr. Adriel Chan were deemed to be interested in such shares under the SFO.
2. These interests included 2,670,248,340 shares of the Company and another 522,421,580 shares of HLG held/deemed to be held by another trust of which Mr. Adriel Chan was a discretionary beneficiary. Accordingly, Mr. Adriel Chan was deemed to be interested in such shares under the SFO.

(IV) Accountability and Audit

1. Financial Reporting

Board Members acknowledge their responsibility for preparing the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Company's financial statements are prepared in accordance with the Listing Rules, the Companies Ordinance, and also the accounting principles and practices generally accepted in Hong Kong. Appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable. A statement by the External Auditor, KPMG, about its reporting responsibilities is included in the Independent Auditor's Report on the Company's consolidated financial statements.

The Board Members endeavor to ensure a balanced, clear and coherent assessment of the Company's position and prospects in annual reports, interim reports, inside information announcements, and other disclosures required under the Listing Rules and other statutory regulations.

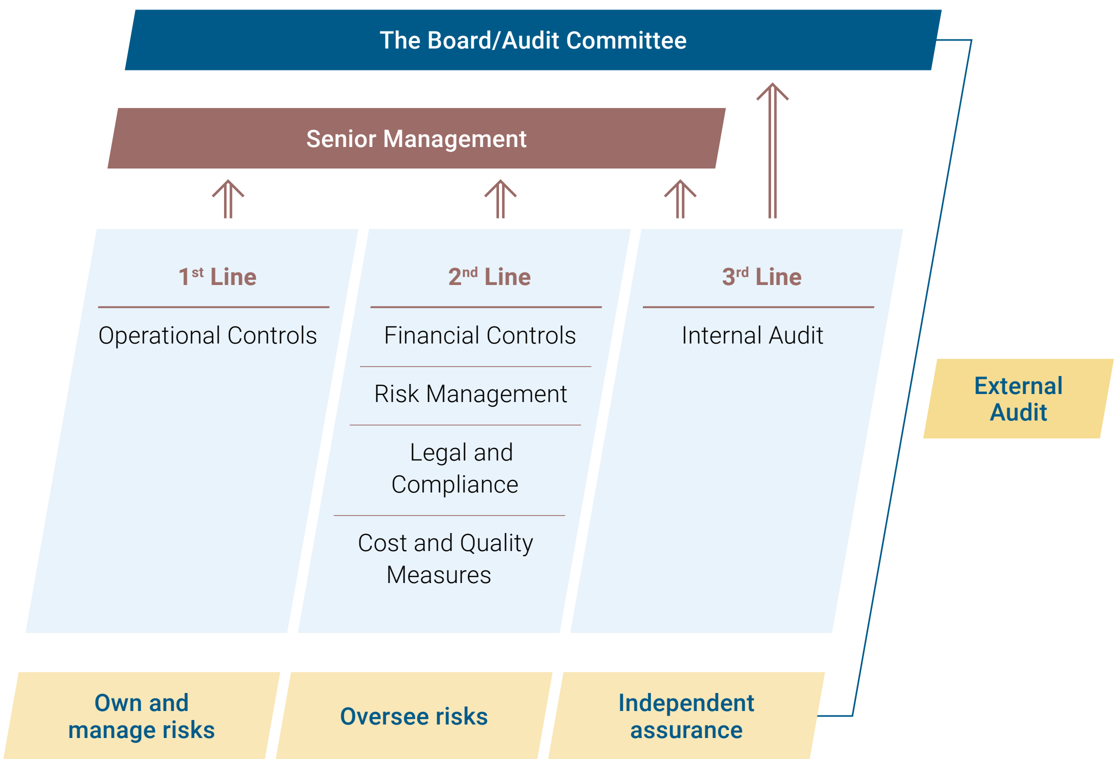
2. Risk Management and Internal Controls

Risk Management Framework

The Board has overall responsibility for risk management and evaluating and determining the nature and extent of any significant risks it is willing to take in order to achieve the Company's strategic objectives. The Audit Committee supports the Board to oversee the effectiveness of our risk management system on an ongoing basis. Management is tasked with the design, implementation, and maintenance of a sound and effective risk management framework with reference to the COSO (Committee of Sponsoring Organizations of the Treadway Commission) principles, which is crucial in bringing corporate strategies to fruition and ensuring the sustainability of the Company.

Risks are inherent in every area of our business. It is essential to maintain a risk-aware culture throughout the organization, and a systematic approach to identify and assess risks so they can be mitigated, transferred, avoided or accepted. We are committed to continually enhancing our risk management framework, linking it to our corporate strategies, and integrating it into our day-to-day operations and decision-making processes. Our risk governance structure is guided by the "Three Lines Model", as illustrated below:

Three Lines Model



As the first line functions, risk owners of all corporate departments and business units regularly conduct risk and control assessments to evaluate the implications of identified risks and the adequacy and effectiveness of controls in place to mitigate these risks.

As the second line, specific functions are established to effectuate risk management and ensure the first line is functioning properly. The responsibilities of these functions include but are not limited to financial controls, risk management, legal and compliance, cost and quality. Under its approved terms of reference, the ERM Working Group (comprising our CEO as Chair and unit heads from all business units and support divisions) oversees risk management activities across all functions and makes a robust assessment of the principal risks and uncertainties that the Company is exposed to.

In 2021, the ERM Working Group met four times and achieved the following:

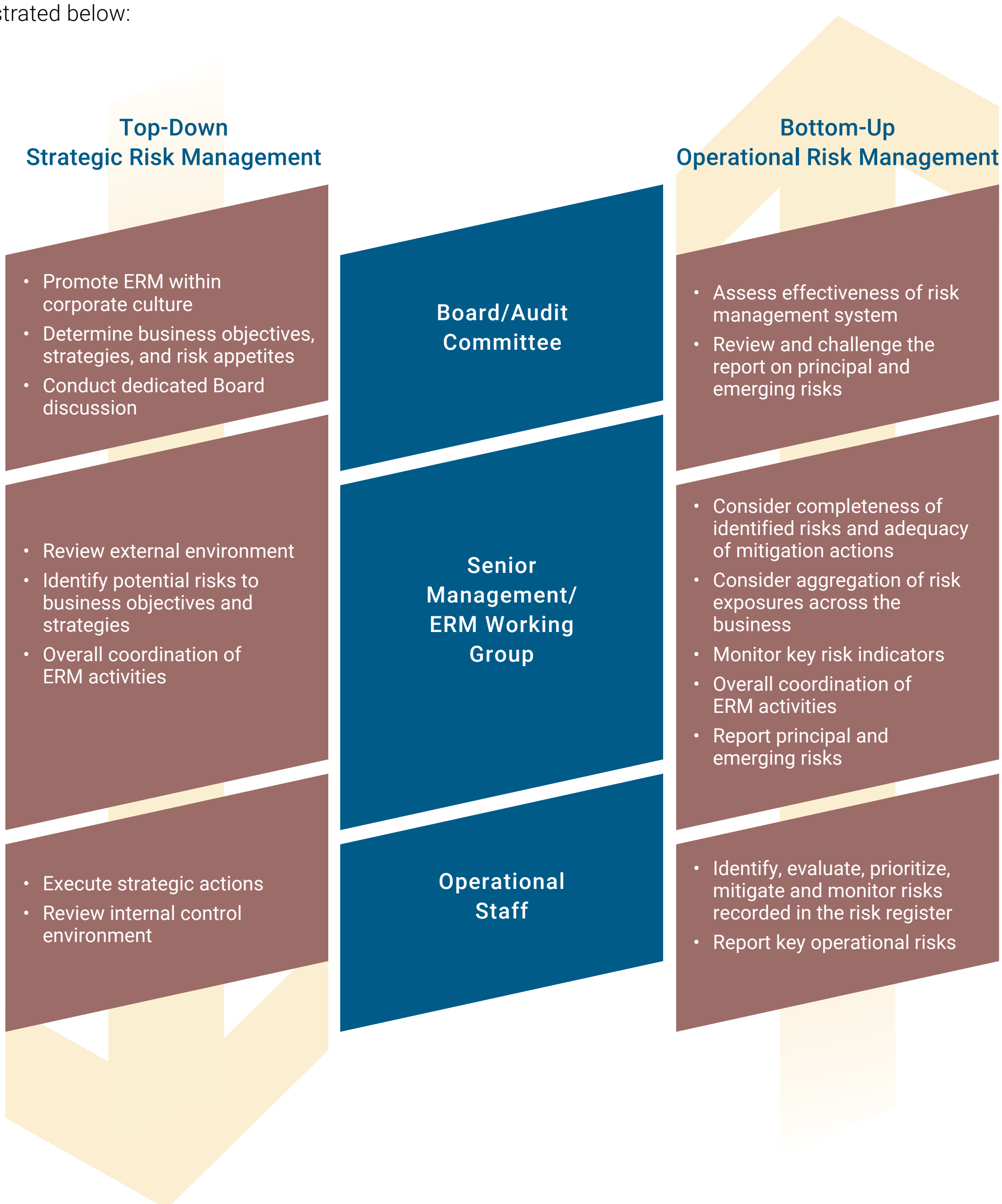
- reviewed the effectiveness of the Company's ERM framework;
- reviewed risk assessment criteria to ensure they were appropriately defined and continued to be relevant in light of the Company's business and risk profile;
- organized various workshops for management and operational staff to promote understanding of the ERM framework and to embed a risk-aware culture for monitoring and reporting risks within the Company;
- identified and evaluated the Company's principal risks and key emerging risks;
- evaluated the comprehensiveness of identified risks at the operational level;
- challenged the risk owners on mitigation actions and their effectiveness;
- analyzed root causes and checked risk enforcement in key areas where controls were previously inadequate or ineffective;
- examined crisis management capacities for handling large-scale, sudden operational adversities; and
- compiled relevant and timely risk reports, including "deep-dives" for the Board and the Audit Committee.

As the third line, the Internal Audit Department plays a crucial role in assessing the effectiveness of the risk management system, reports regularly to the Audit Committee on key findings, and makes recommendations for improving and tracking the implementation of such measures.

The Board and the Audit Committee reviewed the Company's top and emerging risks and conducted an annual review of the effectiveness of the ERM framework. Taking into consideration the principal risks and mitigation actions, the Board believes the Company has the ability to adequately respond to changes to our business and the external environment.

Risk Management Process

The Company takes proactive measures to identify, evaluate, and manage significant risks arising from our business and the constantly changing business environment at different levels within the organization. This integrated approach combines a top-down strategic view with complementary bottom-up operational processes, as illustrated below:



A list of principal risks (including ESG-related risks), covering both strategic and operational risks as identified by our risk assessment process, is compiled with reference to their residual risk impact and likelihood (after considering mitigation actions and controls). Action plans are developed, and risk ownership is assigned for each principal risk. The risk owners coordinate the mitigation actions to ensure the proper implementation of these action plans. They are also required to continuously monitor, evaluate, and report on risks for which they bear responsibility. Mitigation controls are subject to internal audit review and testing.

The Company has continued its program to fine-tune the risk management system for operating sites and sites under development. Various risk management workshops have been conducted for local management teams to further promote risk awareness across all levels of the organization and fully engage our teams in the risk assessment process. When compiling their risk registers, each site identified key risks and mitigation actions and rated the residual risks according to likelihood and impact parameters at the operational level (scaled down from the enterprise level). Top risks at the operational level were then extracted from each site's detailed risk register and reported to the Audit Committee.

Through this integrated top-down and bottom-up risk review process, which enables the identification and prioritization of risks throughout the Company, we maintain effective lines of communication to ensure the timely escalation of potential risks and the initiation of mitigation actions to manage them.

Internal Control Framework

The Board is responsible for maintaining an effective internal control system. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Specifically, our internal control system monitors the Company's overall financial position and ensures it is accurately reflected in our financial and management reporting while safeguarding our assets against major losses and misappropriation; providing reasonable assurance against material fraud and error; and efficiently identifying and correcting non-compliance.

To ensure efficient and effective operations in our expanding business units and functions, relevant internal control policies and procedures, committees, and working groups are in place to achieve, monitor, and enforce internal controls. These policies and procedures are periodically reviewed and updated when necessary. All employees are made aware of the policies and procedures, with comprehensive staff communications and training programs in place to ensure understanding and awareness.

The Audit Committee supports the Board to oversee the effectiveness of internal controls, while management is responsible for designing, implementing, and maintaining an effective internal control system with reference to the COSO principles. In particular, appropriate policies and procedures governing the activities of the Executive Committee, Board Members, executives, and senior staff, such as delegation of authority, approval of annual and mid-year budgets for all capital, revenue, and expenditure items, etc., have been put in place. Management also continually reviews, updates, and refines the internal control system to anticipate future challenges.

Our Internal Audit Department is independent of our operations and accounting functions. The Deputy Director (Head of Corporate Audit) reports directly to the Audit Committee.

A risk-based internal audit program is approved by the Audit Committee each year. Based on the audit program, the Internal Auditor performs an assessment of risks and testing of controls across all business and support units of the Company in order to provide reasonable assurance that adequate controls and governance are in effect. In line with the Company's zero tolerance for fraud and bribery, the Internal Auditor is responsible for the conduct of relevant investigations should fraud or irregularities be uncovered or suspected.

In 2021, the Audit Committee met quarterly to discuss internal audit issues with the Internal Auditor and to discuss financial and internal control matters with the External Auditor. The Audit Committee held four direct discussions with the External Auditor in the absence of management. The Audit Committee reported any key issues arising from these meetings to the Board.

There were no significant control failings or weaknesses identified in 2021. Our internal audit function has been operating effectively.

Annual Assessment

With the confirmation of management and the foregoing review by the Audit Committee covering all material controls (including financial, operational and compliance controls) as well as risk management functions of the Company and its subsidiaries for the financial year ended December 31, 2021, the Board concluded that effective and adequate risk management and internal control systems were in operation.

The level of resources, staff qualifications and experience, training programs, and budget for the Company's internal audit, accounting, and financial reporting functions were assessed and considered adequate.

Principal Risks of the Company

The principal risks the Company faces may not change significantly from year to year, although the magnitude and significance of these risks can and do vary. Our ongoing review of these principal risks focuses on how changes might arise and how our controls need to be adapted in response to evolving business conditions and organizational changes. The Company's principal risks in 2021 are outlined below:

Business and Market Risk

The advent of digital technologies and evolving consumer behaviors always present new challenges to our business. The adverse impacts of the COVID-19 pandemic compelled us to redefine our leasing strategy and reposition our Hong Kong properties with a better-established local presence in response to the lack of tourists during the year.

The ability to acquire suitable land for development is critical for the Company to sustain continuous growth and the desired return on investment. Complex designs, tight deadlines, and the global supply chain crisis have created implementation challenges in delivering our projects safely, on budget, on time, and to the desired quality.

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Fast-paced technological innovations such as e-commerce and artificial intelligence, as well as rapidly changing consumer behaviors and tastes, could impact the Company's business model or strategy	⇑ Advances in technology and changing consumer tastes undermine competitiveness	• Stay in touch with the latest relevant technologies for understanding customers through data analytics and smart retail solutions • Explore and adopt applicable new technologies, such as virtual reality/augmented reality, 3D imaging, and innovative digital platforms, to create exciting new experiences • Ensure IT infrastructure readiness for anticipated IT developments, such as our data journey project and WeChat mini program • Grow customer engagement and loyalty via well-established CRM programs to better understand customers and drive sales • Launch customer survey pilot projects in Hong Kong to better monitor customer feedback and changing needs, plus continue customer survey tracking in mainland China for prompt follow-ups on service pain points

Key – Risk trend (change from last year) ⇑ Upward/increasing risk trend ⇌ Risk trend remains similar

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Challenges to reposition or redefine our leasing strategy for Hong Kong projects under turbulent market conditions	↑ Lingering impacts of the global pandemic have affected customer footfall and rental revenue to varying degrees	• Evaluate our existing leasing strategy from the perspective of these special circumstances, and reposition the at-risk malls with a change of focus or by improving the tenant mix • Act fast on market changes to recruit blooming trades under our leasing portfolios, introduce exclusive concepts and experience flagships, and continue to monitor high-impact trade tenants • Conduct ongoing branding and marketing programs to excite and engage with target audiences • Enhance precautions and regular deep cleaning of office buildings with medical tenants, as well as our serviced apartments with overseas returnees
Heavy capital investment coupled with a long investment period and market cycles provide opportunities and challenges in land acquisition	⇄	• Set investment strategy, criteria, and risk appetite prior to land acquisition • Consolidate local market information • Conduct appropriate due diligence, including third-party expert reviews • Identify critical resource constraints in funding or human resources for proper planning • Undertake structured analyses of business opportunities with the early involvement of the Business Operation Team • Focus on our product quality and core location as our differentiator • Exercise financial prudence and continually monitor our return on investment
Design complexity, tight deadlines, and fluctuations in material costs after tender award present implementation challenges in delivering projects safely, on budget, on time, and in line with the required quality	⇄	• Establish clear roles and responsibilities for accountability and division of duties among design, project management, and business operations at various stages of the development cycle • Closely monitor project progress and review all aspects of a development's planning and construction • Closely monitor the price fluctuations and supply of materials, tighten controls on price variation claims with clearly defined terms in both the tenders and the contracts, and conduct careful tender analysis • Carry out factory inspections to ensure the quality of materials before delivery to the site, and set up workmanship mockups for review before the commencement of works • Identify and rectify any non-compliance cases by the designated safety manager and external safety consultant • Establish clear and comprehensive policies and procedures with periodic enhancements to tighten controls • Provide regular and comprehensive reports to the Board and the Audit Committee, and strengthen management supervision

Social and Political Risk

We ensure that our properties remain highly competitive by closely monitoring and responding to changing business environments and market trends. However, dynamic sociopolitical conditions and changes in government policy and the regulatory environment in mainland China present implementation challenges to our project development and leasing strategies.

Lingering impacts of the pandemic continued to adversely affect our customer footfall and leasing revenue in Hong Kong throughout the year. Most of our Mainland malls recovered in 2021, despite several waves of COVID-19 pandemic affecting different cities in the second half of the year. The regulatory impacts of newly launched government policies and requirements in mainland China were also under periodic assessment and close monitoring during the year.

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Introduction of new government regulations or sudden policy changes without sufficient consultation and guidelines could adversely affect a project's development and/or our business operations	⇑ Regulatory impacts on our project construction and business operations	• Closely monitor regulatory developments and market/public sentiment • Actively engage with regulatory bodies and professional firms on updates to laws and regulations • Allocate sufficient internal resources to ensure timely responses to and compliance with regulatory changes • Monitor the impacts of significant breaches or non-compliance with regulatory requirements, as well as exposure to potential litigation or claims, if any, and their magnitude • Continue monitoring and assessing the practical implications and impacts of regulatory changes, prepare legal updates on a quarterly basis, and conduct legislative trend analyses • Maintain proper and sufficient documentation as much as possible
Major external disasters or crises, such as epidemics, floods, earthquakes, cyber-crimes, etc., could impact assets or business sustainability	⇄	• Review, update, and test business continuity plans of each critical function on an annual basis • Keep track of premises with cases of infection and ensure timely communication with tenants, customers, staff, media, and other stakeholders • Proactively participate in dialogue and discussions with tenants on rental arrangements • Continue to enhance IT security policies and guidelines, such as conducting IT disaster recovery drills, security awareness education, and penetration tests • Launch the Crisis Management Refresh Program 2021, and conduct crisis audits and media training • Ensure appropriate insurance coverage for properties and business

People and Governance Risk

Competition for talented and experienced staff across the property management sector presented challenges to our frontline operations in ensuring a superior level of service in both Hong Kong and mainland China, especially for new opening project during the year.

Climate change is a growing strategic risk that our cross-functional management team is addressing through both physical risk and transition risk controls to ensure sustainable assets and operations.

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Failure to recruit, develop, or retain staff with suitable capabilities and the capacity to support the expansion/ growth of the Company	↑ Challenges in recruiting qualified and competent talent in both mainland China and Hong Kong	• Formulate manpower plan led by functional heads to match existing and future human capital needs against our business strategy • Fully utilize the Headquarters (Shanghai) as an extended arm of the Headquarters (Hong Kong) to facilitate talent development and attract local talent • Formalize talent and organizational review twice a year to identify and retain staff with development potential for critical roles • Provide structured leadership training to support the learning needs of our key talent and enhance functional knowledge and key competencies of the workforce • Build up the young talent pipeline, expand the internal job posting platform "CareerConnect" to mainland China, and enhance the employee referral program policy • Review the competitiveness of our compensation and conduct benefits enhancements • Launch the employee engagement survey to understand opportunities for improvement and establish action plans across the Company
Fraud and corruption activities could result in significant financial losses and/or impact the reputation of the business	⇄	• Strengthen our commitment to the highest standards of integrity and accountability • Provide ongoing training and reinforce communication with staff on integrity, impartiality, and honesty • Operate an effective whistleblowing mechanism with a refined whistleblowing policy that benchmarks industry best practices • Periodically review and update the Staff Handbook and Code of Conduct to emphasize zero tolerance for unethical behavior
Physical risks of climate change and the risks of the transition to a low-carbon economy	↑ Align our sustainable growth with the nationwide new development concept for carbon peak and carbon neutrality	• Strengthen Board and corporate governance of our ESG and maintain a high level of transparency on our ESG performance • Embed ESG metrics into business priorities and set up measurable ESG KPIs for each business function • Conduct preliminary physical risk assessments for all our existing properties in mainland China and complete the first iteration of our climate adaption plan • Engage an external consultant to conduct a carbon pricing assessment for our building portfolio • Establish a greenhouse gas (GHG) mitigation plan as a strategic ESG KPI and require input from all properties • Procure 100% renewable energy at a property in mainland China in support of our 2025 renewable energy targets

Financial Risk

In keeping with the principle of prudent financial management, we have processes in place to identify and manage financial risks associated with our operations. Key financial risks include interest rate and foreign exchange rate risks, funding and liquidity risks, credit/counterparty risks, and property valuation risks.

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Prolonged economic downturn and unfavorable market conditions could impact property valuations and affect the Company's borrowing capabilities	⇌	• Understand the basis of the asset valuation models of our properties and review capitalization rates with our independent valuer • Periodically review our exposure to potential decreases in property valuation and carry out stress tests • Review financial risk exposure in accordance with the covenants of our borrowings • Perform gearing ratio projections based on reasonable assumptions, taking future financial commitments into account
Portions of the Company's borrowings are floating-rate bank loans, which could expose us to rising interest rates	⇌	• Continually track and monitor interest rates • Utilize a spectrum of financing instruments, such as the issuance of fixed rate bonds and loans, and the use of derivatives such as interest rate swaps for achieving an appropriate mix of fixed/floating debts • Perform a stress test on borrowing capacity, and maintain a relatively conservative gearing ratio
Our business in mainland China has, by nature, currency risk derived from capital investment, as well as risks from revenue/debt currency mismatch	⇌	• Continually track and monitor the RMB exchange rate • Maintain an appropriate level of RMB resources for the Company's capital requirements in mainland China • Monitor currency risks and perform periodic sensitivity analyses • Modify our currency hedging strategy as necessary
Market liquidity may change from time to time and inhibit our ability to acquire adequate and cost-effective funding	⇌	• Centralize the management of cash and financing at the corporate level by the Treasury Team • Maintain closer relationships with banks and intermediaries; Effective management of concentration of bank loans • Manage the maturity profile of deposits and loans to minimize refinancing risk • Establish and maintain diversified channels of debt financing
Credit/counterparty risk exposure primarily from rents receivable and deposits placed with banks	⇌	• Undertake comprehensive credit assessments of prospective tenants • Require rental deposits and rent in advance, and closely monitor outstanding rents to mitigate our rents receivable risk • Assign bank exposure limits to mitigate concentration risk on our deposits • Only make deposits with banks that have sound financial strength and/or good credit ratings

In addition to the principal risk categories outlined above, the Company has identified and monitored specific emerging risks, such as tightened up regulatory controls in mainland China over educational sectors and restrictions on electricity usage across various cities. We have evaluated the potential impacts of these emerging risks to our business operations and have taken appropriate mitigation actions during the year. Periodic assessment would be carried out in case any of these emerging risks may become more significant in the future.

3. Code of Conduct

The Company adopted a corporate Code of Conduct in 1994 and has maintained it with regular reviews and updates from time to time, as necessary. The latest update was made in January 2022. The Code of Conduct is uploaded on our intranet and website to enable easy accessibility by our employees and the public.

The Code of Conduct clearly spells out the Group's policy regarding legal requirements, conflicts of interest, the handling of confidential information and company property, the use of information and communication systems, personal social media activities, our whistleblowing policy, relations with suppliers and contractors, responsibilities to shareholders and the financial community, relations with customers and consumers, employment practices, and responsibilities to the community. In essence, it details the Group's philosophy in running its business and acts as a benchmark for all staff and suppliers to follow.

In order to monitor and enforce compliance with the Code of Conduct, functional managers are responsible for ensuring their subordinates fully understand and adhere to the standards and requirements stipulated. Violations result in disciplinary action which may include termination of employment or reporting of the offense to the appropriate authorities if necessary. Executive Board Members answer directly to the Board on the impartial and efficient handling of complaints received from shareholders and potential shareholders, customers and consumers, suppliers and contractors, and our employees. As part of our commitment to good governance, all executive staff are required to sign and submit an electronic declaration of compliance with the Code of Conduct regarding Transactions in the Company's Shares, on a half-yearly basis.

A well-defined whistleblowing mechanism has been put in place for our employees and other related third parties such as contractors and tenants. It is designed to encourage the confidential reporting of concerns regarding misconduct, fraudulent activities, or malpractices in any matter related to the Group. An email account (whistleblowing@hanglung.com) has been set up for this purpose. All reported cases are directly addressed to the Deputy Director (Head of Corporate Audit) and investigated by the Internal Audit Department in complete confidence. Our Internal Audit Department monitors and reports cases to the Audit Committee on a half-yearly basis.

Employees at all levels of the organization are made aware of the Company's emphasis on integrity and zero-tolerance for unethical behavior through the Code of Conduct as well as policies and procedures issued from time to time. In addition, the Hang Lung Integrity Program, established in 2013, is a channel through which the highest standards of integrity and honesty are promoted to every employee and in every process of our diverse functions across our operations in Hong Kong and mainland China. The program espouses the centricity of ethical conduct to our business through the e-learning programs for all employees. In 2021, about 94,649 training hours were delivered to our employees, of which about 4,227 training hours were delivered as part of the program.

In addition, to ensure that all operations are managed in accordance with our high standards of professional practice and corporate governance, all employees are reminded of the policy governing conflict of interest situations every six months. All executive staff are also required to complete and sign an electronic declaration form every six months, declaring their interest (if any), directly or indirectly, with the Company, its subsidiaries, or associated companies.

4. Inside Information

The Company has adopted a Policy on Disclosure of Inside Information since 2013 setting out the procedures and controls for handling and dissemination of inside information in compliance with the SFO and the Listing Rules, including:

- disclosure of inside information as soon as reasonably practicable under the applicable laws and regulations;
- publication of interim and annual results within one month from the end of accounting periods to minimize the risk of leakage;

- conduct of its affairs with close adherence to the "Guidelines on Disclosure of Inside Information" issued by Securities and Futures Commission;
- authorizing designated person(s) as spokespersons for communications with stakeholders;
- imposing a strict prohibition on the unauthorized disclosure and use of inside information in its Code of Conduct; and
- reminders to the Board Members and staff (through key executives) of the necessity for policy compliance every six months.

The Company and its listed parent company, HLG, issued a joint announcement on February 25, 2021, informing the market of the inside information relating to the completion of the acquisition of No. 37 Shouson Hill Road, Hong Kong, in compliance with the SFO and the Listing Rules.

5. *Independence of External Auditor*

KPMG conducts audits on the annual consolidated financial statements of the Company and confirms every year its independence and objectivity. To ensure the independence of KPMG,

- the Audit Committee regularly reviews and monitors the independence of KPMG;
- the Audit Committee reviews the audit scope as well as the scope and fees for non-audit services;
- the policy on engaging the External Auditor for non-audit services is in place and regularly reviewed by the Audit Committee. KPMG will confirm its independence before accepting the engagement of non-audit services; and
- the Audit Committee considers and proposes to the Board every year for the re-appointment of KPMG as the auditor.

KPMG confirms its independence with regard to The Code of Ethics for Professional Accountants issued by Hong Kong Institute of Certified Public Accountants regarding auditor independence.

Total remuneration in respect of services provided by KPMG is as follows:

	Year ended December 31, 2021 HK$ (in million)	Year ended December 31, 2020 HK$ (in million)
Statutory audit services	**9**	9
Non-audit services	**3**	2

(V) Communication with Stakeholders

1. *Shareholders*

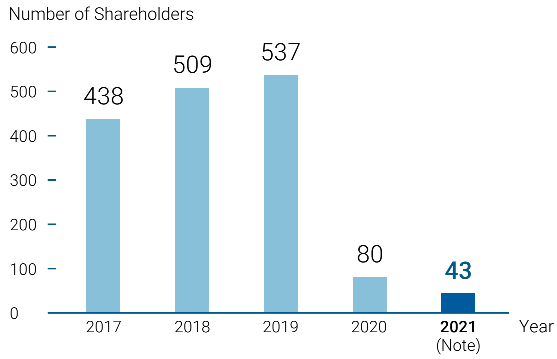
The Board has a shareholders communication policy setting out strategies to promote effective communication between the Company and its shareholders, with the aim of ensuring that sufficient information is provided to enable active engagement with the Company and the proper exercise of shareholder rights in an informed manner. This policy is regularly reviewed to ensure its effectiveness.

Letters to Shareholders & AGMs

Our commitment to transparency and clarity of communication with our shareholders is perhaps most keenly evidenced in the Letters to Shareholders from the Chair and the Vice Chair. These Letters, personally penned by the Chair and the Vice Chair and accompanying each annual and interim report, have consistently provided in-depth discussion and analyses of the Group's business, the markets in which we operate, and the regional and global socioeconomic developments impacting our markets.

Our AGM, also, provides an excellent platform for open communication between shareholders and the Board. The chairs of the Board and of the Board committees are routinely present to answer queries raised by shareholders. The External Auditor also attends and reports to shareholders at the AGM every year. Notice of the AGM and related papers are sent to shareholders at least 20 clear business days before the meeting. Each separate issue is proposed by a separate resolution from the Chair. The meeting enjoys strong participation from shareholders.

Shareholder participation in AGMs is illustrated as follows:



Note

At the recommendation of the Company, the number of shareholders physically present at the 2020 and 2021 AGMs were substantially reduced due to the pandemic. As a part of precautionary measures, the Company recommended that shareholders exercise their voting rights by appointing the chair of the AGM as their proxy to vote at the 2020 and 2021 AGMs, as an alternative to attending in person.

In addition to the Letter to Shareholders, the Chair uses the AGM as an opportunity to open a dialogue with shareholders and to elaborate on the outlook of the Group and its business strategies.

2021 AGM

Our last AGM was held on April 30, 2021 at Grand Ballroom, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong. The meeting was attended by 43 shareholders present in person or by proxy. At the meeting, the Chair had demanded a poll on each of the resolutions submitted for voting, and the shareholders were provided with detailed procedures for conducting the poll.

The resolutions tabled at the 2021 AGM included:

- the adoption of the financial statements;
- the declaration of a final dividend;
- the re-election of Board Members;
- the re-appointment of the auditor; and
- the renewal of general mandates.

All these resolutions were voted on by poll, and the results of poll voting were posted on our website and the website of HKEX in the evening of the same day.

There were no changes in the Articles of Association, which is available on our website and the website of HKEX, in 2021.

The important shareholders' dates for the coming financial year, which include the Board meetings for considering the payments of interim and final dividends for the year ending December 31, 2022, and the AGM, are expected to be held in late July 2022, late January 2023, and in April 2023 respectively.

Procedure for Shareholders to Convene General Meetings

Shareholder(s) representing at least 5% of the total voting rights of all the shareholders of the Company may make a request to convene a general meeting pursuant to the Companies Ordinance. The request must state the business to be dealt with at the meeting and be signed by the relevant shareholder(s) and deposited at the registered office for the attention of the Company Secretary. The same request, authenticated by the person or persons making it, may also be sent to the Company in electronic form to ir@hanglung.com.

Procedure for Shareholders to Put Forward Proposals in General Meetings

Furthermore, the Companies Ordinance provides that (i) shareholder(s) representing at least 2.5% of the total voting rights of all the shareholders of the Company, or (ii) at least 50 shareholders entitled to vote, can put forward proposals for consideration at a general meeting of the Company by sending a request in writing to the registered office for the attention of the Company Secretary. The same request, authenticated by the person or persons making it, may also be sent to the Company in electronic form to ir@hanglung.com.

Procedure for Shareholders to Propose a Person for Election as a Board Member

According to the Articles of Association, if any shareholder(s), representing not less than 10% of the total voting rights of all the shareholders of the Company, wish(es) to propose a person (other than a retiring Board Member) for election as a Board Member (the Candidate) at a general meeting of the Company, the following documents must be lodged at the registered office:

(i) a written notice of such a proposal duly signed by the shareholder(s) concerned; and

(ii) a written consent duly signed by the Candidate indicating his/her willingness to be elected.

The period for lodgment of the above documents (being a period of at least seven days) shall commence no earlier than the day after the dispatch of the notice of the meeting appointed for such an election, and end no later than seven days prior to the date of said meeting.

Enquiries from Shareholders

Specific enquiries and suggestions by shareholders can be sent in writing to the Board or the Company Secretary at the registered address or by email to the Company at ir@hanglung.com. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings or entitlement to dividend. Relevant contact details are set out under the Listing Information section of this annual report.

2. Investors

Details of shareholders by domicile as of December 31, 2021 are as follows:

	Shareholders		Shareholdings	
Domicile	**Number**	**%**	**Number of Shares**	**%**
Hong Kong	2,660	94.09	4,490,440,017	99.80
Mainland China	51	1.81	3,767,554	0.09
Macau	8	0.28	387,433	0.01
Taiwan	2	0.07	593	0.00
Australia and New Zealand	8	0.28	13,885	0.00
Canada and United States of America	40	1.41	2,368,159	0.05
South East Asia	47	1.67	2,266,267	0.05
United Kingdom	7	0.25	13,400	0.00
Others	4	0.14	3,362	0.00
TOTAL	**2,827**	**100.00**	**4,499,260,670**	**100.00**

Details of shareholders by holding range as of December 31, 2021 are as follows:

	Shareholders*		Shareholdings*	
Holding Range	**Number**	**%**	**Number of Shares**	**%**
1 – 1,000 shares	1,359	48.07	588,958	0.01
1,001 – 5,000 shares	727	25.72	2,058,250	0.05
5,001 – 10,000 shares	259	9.16	2,118,359	0.05
10,001 – 100,000 shares	396	14.01	13,720,639	0.30
Over 100,000 shares	86	3.04	4,480,774,464	99.59
TOTAL	**2,827**	**100.00**	**4,499,260,670**	**100.00**

* incorporating, in their respective shareholdings range, 339 participants of Central Clearing and Settlement System holding a total of 2,842,384,089 shares registered in the name of HKSCC Nominees Limited

Based on information that is publicly available to the Company and within the knowledge of the Board Members as of the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

Investor Engagement

To engage effectively with our investors, management maintains consistent and regular dialogue with institutional investors and analysts through presentations, meetings, conference calls, and overseas roadshows.

We are committed to disclosing relevant information on our activities to our shareholders and investors through regular analysts' briefings, press conferences and press releases, emails and through our website in addition to through annual and interim reports. All enquiries and proposals received from shareholders, investors, the media or the public are responded to by Executive Board Members, the Company Secretary, or appropriate key executives.

The Company's information is accessible to all via our website. Besides providing traditional financial data, our website contains the most current information including properties available for sale and leasing, the latest number of issued shares, updated substantial shareholders' interests in shares, corporate brochures, newsletters, details of major corporate events, and frequently asked questions.

Moving Forward

Strong corporate governance is integral to sustainable business. Although our long track record of good corporate governance speaks for itself, we recognize that the environment is constantly changing, and that we must continue to adapt and improve. For example, sustainability has been highlighted repeatedly by stakeholders as a key concern. Yet, despite already having a strong reputation for sustainability, the Board has additionally educated and informed itself on the topic over the past 12 months, and continues to do so.

The Board and management are committed to ongoing excellence in corporate governance. As expectations and norms evolve, shareholders should be confident that we will adapt to maintain our leadership position.

Profile of the Directors

Mr. Ronnie Chichung Chan GBM

Chair

Aged 72, Mr. Chan joined the Hang Lung group in 1972, was appointed to the Board of Hang Lung Properties Limited in 1986, and became Chair in 1991. He also serves as Chair of Hang Lung Group Limited. Mr. Chan is a Director of The Real Estate Developers Association of Hong Kong, Chair Emeritus of Asia Society and Chairman of its Hong Kong Center, Chairman of the Executive Committee of The Better Hong Kong Foundation and former Chairman of the Executive Committee of One Country Two Systems Research Institute. He is also former Vice President and former Advisor of China Development Research Foundation in Beijing. Mr. Chan sits on the governing or advisory bodies of several think-tanks and universities, including The Hong Kong University of Science and Technology, and Peterson Institute for International Economics. He is a Life Trustee of University of Southern California, USA, where he received his MBA. Mr. Chan is a Fellow of American Academy of Arts and Sciences. He is the father of Mr. Adriel Chan, Vice Chair of the Company.

Mr. Adriel Wenbwo Chan

Vice Chair

Aged 39, Mr. Chan joined the Group in 2010. He was appointed to the Board of the Company and of its listed holding company, Hang Lung Group Limited, in 2016, and became Vice Chair in September 2020. He is now mainly responsible for Development and Design, Project Management (including asset assurance & improvement) and Cost & Controls. Mr. Chan is also the chair of the Sustainability Steering Committee and a member of Enterprise Risk Management Working Group, among his other responsibilities within the Group.

Mr. Chan is Vice-President and a member of the executive committee of The Real Estate Developers Association of Hong Kong, a member of the advisory council of The Hong Kong University of Science and Technology (the "HKUST") Business School, and overseers committee of Morningside College of The Chinese University of Hong Kong. He is also a director of China Institute for Knowledge, a member organization of Our Hong Kong Foundation. Mr. Chan holds an Executive Master of Business Administration degree jointly awarded by the Kellogg School of Management at Northwestern University, USA and the HKUST, and a Bachelor of Arts degree in International Relations from University of Southern California, USA. Prior to joining the Group, he worked in finance, audit, advisory, and risk management fields. Mr. Chan is a son of Mr. Ronnie Chan, Chair of the Group.

Mr. Weber Wai Pak Lo

Chief Executive Officer

Aged 51, Mr. Lo joined the Company and its listed holding company, Hang Lung Group Limited, as Chief Executive Officer Designate in May 2018, and became Chief Executive Officer in July 2018. He has more than 25 years of experience in business management across the banking and fast-moving consumer goods sectors in Hong Kong and mainland China. Mr. Lo is a Member of the Board of Inland Revenue of the Government of the HKSAR and the Advisory Committee of The Jockey Club CPS Limited (Tai Kwun). He was a Director of The Real Estate Developers Association of Hong Kong and a member of the Court of The University of Hong Kong. Mr. Lo graduated from The University of Hong Kong in 1993 with a Bachelor of Social Sciences degree.

Mr. Nelson Wai Leung Yuen

Independent Non-Executive Director

Aged 71, Mr. Yuen joined Hang Lung in 1978, became an Executive Director of the Company in 1986, and was appointed as Managing Director of the Company and its holding company, Hang Lung Group Limited, in 1992 until he retired in July 2010. He became a Non-Executive Director of the Company in March 2011 and was re-designated as Independent Non-Executive Director in November 2014. Mr. Yuen is a graduate of The University of Manchester, UK and a Fellow of The Institute of Chartered Accountants in England and Wales.

Mr. Dominic Chiu Fai Ho

Independent Non-Executive Director

Aged 71, Mr. Ho joined the Board as an Independent Non-Executive Director in April 2008. He retired as co-chairman of KPMG, China and HKSAR in March 2007. Mr. Ho obtained his degrees at the University of Houston in the United States and is a member of the American Institute of Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He was a past member of the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption and of the Insurance Advisory Committee, both in Hong Kong. Mr. Ho is an Independent Non-Executive Director of Singapore Airlines Limited and DBS Bank (Hong Kong) Limited, and the Non-Executive Chairman of DBS Bank (China) Limited.

Mr. Philip Nan Lok Chen

Non-Executive Director

Aged 66, Mr. Chen joined the Company and its listed holding company, Hang Lung Group Limited, as Chief Executive Officer in 2010 until he retired in July 2018. Upon his retirement, he was re-designated as Non-Executive Director of the Company, and was appointed as Adviser to Chair until July 2019. Mr. Chen has more than 40 years of management experience, mostly in the aviation industry, acquiring a wealth of experience in Hong Kong, mainland China and beyond. He is the Chairman of The Hong Kong Jockey Club. Mr. Chen graduated from the University of Hong Kong in 1977 with a Bachelor of Arts degree and holds a Master's degree in Business Administration from the same university.

Dr. Andrew Ka Ching Chan BBS, JP

Independent Non-Executive Director

Aged 72, Dr. Chan joined the Board as a Non-Executive Director in October 2014 and was re-designated as Independent Non-Executive Director in December 2015. He is a Member of the Trustees' Board and Senior Consultant of the global Arup Group, one of the world's foremost multi-disciplinary engineering consultants. Previously, Dr. Chan was the Deputy Chairman of Arup Group and retired in October 2014. He is an expert in civil and geotechnical engineering with over 40 years of experience in the engineering profession, and is distinguished for his leadership in the creation, design and delivery of many innovative and award-winning building projects as well as major infrastructure schemes in many cities in Asia. Dr. Chan is a past President and Gold Medallist of The Hong Kong Institution of Engineers, Founding Chairman of the Hong Kong Green Building Council, Honorary Fellow of the Hong Kong University of Science and Technology, Fellow and past President of the Hong Kong Academy of Engineering Sciences, and Fellow of the Royal Academy of Engineering, UK's national academy. He obtained his PhD degree from the University of Cambridge in Soil Mechanics. Dr. Chan was appointed Justice of the Peace in 2006 and awarded the Bronze Bauhinia Star in 2012.

Prof. Hsin Kang Chang GBS, JP

Independent Non-Executive Director

Aged 81, Prof. Chang joined the Board as an Independent Non-Executive Director in April 2015. He became an Honorary Professor in 2006 and Yeh-Lu Xun Chair Professor from 2008 to 2015 at Peking University, and an Honorary Professor at Tsinghua University in 2007. Prof. Chang was the President and University Professor of City University of Hong Kong from 1996 to 2007. Prior to that, he was Dean of the School of Engineering at the University of Pittsburgh in the US from 1994 to 1996, Founding Dean of the School of Engineering at Hong Kong University of Science and Technology from 1990 to 1994, and Chairman of the Department of Biomedical Engineering at the University of Southern California in the US from 1985 to 1990. Prof. Chang taught at several major universities in North America and served in a number of scholarly societies and public advisory bodies in the US, serving as President of Biomedical Engineering Society of the US in 1988-89. In Hong Kong, he was Chairman of the Cultural and Heritage Commission from 2000 to 2003, a member of the Council of Advisors on Innovation and Technology from 2000 to 2004 and a member of Judicial Officers Recommendation Commission from 1999 to 2005. Prof. Chang is a Fellow of the Royal Academy of Engineering of the United Kingdom, Member of International Eurasian Academy of Sciences, Chevalier dans l'Ordre National de la Légion d'Honneur and Commandeur dans l'Ordre des Palmes Académiques of France. He obtained his Bachelor's degree in civil engineering from National Taiwan University in 1962, Master's degree in structural engineering from Stanford University in the US in 1964 and Ph.D degree in biomedical engineering from Northwestern University in the US in 1969. Prof. Chang is an Independent Non-Executive Director of HKT Trust and HKT Limited. He was an Independent Non-Executive Director of Brightoil Petroleum (Holdings) Limited. Prof. Chang was appointed Justice of the Peace in 1999 and awarded the Gold Bauhinia Star in 2002.

Ms. Anita Yuen Mei Fung BBS, JP

Independent Non-Executive Director

Aged 61, Ms. Fung joined the Board as an Independent Non-Executive Director in May 2015. She is former Group General Manager of HSBC Holdings plc and former Chief Executive Officer Hong Kong of The Hongkong and Shanghai Banking Corporation Limited. Ms. Fung has held a number of positions with key financial bodies in Hong Kong and has been actively promoting the development of the financial markets of Hong Kong as well as other regions. She is a former Member of the Financial Infrastructure Sub-Committee of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority. Ms. Fung also serves on a number of public bodies and advisory bodies including a Director of The Hong Kong Mortgage Corporation Limited, a Member of the Museum Advisory Committee and a Member of the Judicial Officers Recommendation Commission, and previously served as an Independent Non-Executive Member of the Board of Airport Authority Hong Kong, a Non-Official Member of Hong Kong Housing Authority and a Member of the Board of West Kowloon Cultural District Authority. She is also a Trustee of Asia Society Hong Kong Center, an Honorary Professor of the School of Economics and Finance of The University of Hong Kong, and a Court Member of The Hong Kong University of Science and Technology and its former Council Member. Ms. Fung is a former Independent Non-Executive Director of Hong Kong Exchanges and Clearing Limited, China Construction Bank Corporation and Westpac Banking Corporation, and a former Non-Executive Director of Bank of Communications Co., Ltd and Hang Seng Bank, Limited. She obtained her Bachelor's degree in Social Science from The University of Hong Kong and Master's degree in Applied Finance from Macquarie University, Australia. Ms. Fung was awarded the Bronze Bauhinia Star in 2013 and appointed Justice of the Peace in 2015.

Mr. Hau Cheong Ho

Chief Financial Officer (Retired on March 1, 2022)

Aged 62, Mr. Ho joined the Group in 2008. He was appointed to the Board of the Company and of its listed holding company, Hang Lung Group Limited, in 2010. Mr. Ho possesses over 30 years of management experience covering a wide range of industries in England, Australia, Hong Kong and mainland China. He qualified as a chartered accountant in England and Wales and Australia and holds an MBA from the University of Melbourne, Australia and a Bachelor of Commerce Degree in Accounting from the University of Birmingham, UK.

Mr. Kenneth Ka Kui Chiu

Chief Financial Officer Designate
(became Chief Financial Officer on March 1, 2022)

Aged 46, Mr. Chiu joined the Boards of the Company and its listed holding company, Hang Lung Group Limited, as Executive Director and Chief Financial Officer Designate in October 2021, and became Chief Financial Officer with effect from March 1, 2022. He has over 24 years of experience in investment management, corporate finance, and accounting in the Asia Pacific region. Mr. Chiu previously served as the Chief Financial Officer of Gaw Capital Partners, where he headed the finance function from 2013 to 2021. Prior to joining Gaw Capital Partners, Mr. Chiu worked at Temasek Holdings as a Director in its Investment Group. He served Temasek Holdings from 2007 to 2013 and oversaw its real estate related investments in the Greater China region. Mr. Chiu also worked at Deutsche Bank AG in mergers & acquisitions advisory, and at PricewaterhouseCoopers and Arthur Andersen in audit and assurance. He is a qualified Certified Public Accountant in Hong Kong, and a Chartered Accountant in England and Wales. Mr. Chiu holds a Bachelor of Business Administration in Accounting from The Hong Kong University of Science and Technology and a Master of Science in Finance from the London Business School.

Profile of Key Executives

Mr. Mikael Jaeraas
Senior Director – Retail

Mr. Jaeraas joined the Group in 2016. He possesses 17 years of experience in international retail business and supply chain development. He holds a Master of Social Science degree in Business Administration from Lund University, Sweden.

Mr. Derek Siu Fai Pang
Senior Director – Mainland Business Operation and Office

Mr. Pang joined the Group in 2012. He possesses over 20 years of experience in property leasing and management. He holds a Bachelor of Science degree from The University of Hong Kong. He is a member of The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors.

Mr. Symon Bridle
Director – Hotel & Residence

Mr. Bridle joined the Group in 2019. He possesses over 40 years of experience in hotel management. He holds a Higher National Diploma in Hotel Management from Westminster Hotel College, United Kingdom.

Mr. Gabriel Kai Wah Cheung
Director – Cost & Controls

Mr. Cheung joined the Group in 2013. He possesses over 35 years of experience in cost & controls management in Hong Kong and on the Mainland. He holds a Master of Construction Management degree from the University of New South Wales, Australia. Mr. Cheung is a Registered Professional Surveyor (Quantity Surveying) of Hong Kong, a Fellow of the Hong Kong Institute of Construction Managers, a Fellow of the Royal Institution of Chartered Surveyors, a Fellow of the Hong Kong Institute of Surveyors, a Member of the Chartered Institute of Arbitrator and a Member of the Association of Cost Engineers. He is also an Honorary Fellow of Shenzhen Cost Engineer Association and holds the qualification for Registered Cost Engineer in mainland China.

Mr. Chuk Fai Kwan
Director – Corporate Communications & Investor Relations

Mr. Kwan joined the Group in 2011. He possesses over 30 years of experience in public relations and corporate affairs. He holds an Executive MBA degree from The University of Western Ontario, Canada, and a Bachelor of Arts degree from The University of Hong Kong. Mr. Kwan will retire on April 1, 2022.

Mr. Peter Ting San Leung
Director – Project Management

Mr. Leung joined the Group in 2014. He possesses over 30 years of experience in developing and managing projects on the Mainland and overseas. He holds a Postgraduate Diploma in Construction Project Management from The University of Hong Kong, a Bachelor of Architecture degree and a Bachelor of Science (Architecture) degree from McGill University, Canada. He is also a Registered Architect in Hong Kong, a Member of The Hong Kong Institute of Architects and holds a PRC Class 1 Registered Architect Qualification.

Mr. Moses Woon Tim Leung
Director – Development & Design

Mr. Leung joined the Group in 2007. He possesses over 25 years of experience in project design with various consultant firms and in exposure to Mainland projects. Mr. Leung holds a Bachelor of Arts degree in Architectural Studies and a Bachelor of Architecture degree from The University of Hong Kong. He is a Registered Architect in Hong Kong, a Member of The Hong Kong Institute of Architects and an Authorized Person under the Buildings Ordinance.

Mr. Adrian Kin Leung Lo
Director – Project Management

Mr. Lo joined the Group in 2013. He possesses over 30 years of experience in architectural design and project management for both Hong Kong and Mainland projects. Mr. Lo holds a Bachelor of Arts degree in Architectural Studies and a Bachelor of Architecture degree from The University of Hong Kong. He is also a Registered Architect in Hong Kong, a Member of The Hong Kong Institute of Architects, and an Authorized Person under Buildings Ordinance.

Mr. Aris Maroulis

Director – Mainland Business Operation

Mr. Maroulis joined the Group in 2018. He possesses over 25 years of experience in brand management and business consulting. He holds a Master of Business Administration degree in Marketing from The Wharton School of the University of Pennsylvania, USA and a Bachelor of Arts degree in Economics from Vassar College, USA.

Mr. Joseph Kar Fai To

Director – Customer Franchise

Mr. To joined the Group in 2015 as Assistant Director – Leasing & Management and was appointed as Director – Customer Franchise in January 2020. He possesses over 25 years of experience in business development. He holds a Master of Arts degree in Marketing from The University of Lancaster, UK and a Bachelor of Commerce degree from The University of Birmingham, UK.

Ms. Winnie Yuen Wah Ma

Director – General Counsel & Company Secretary

Ms. Ma joined the Group in 2021. She possesses over 20 years of legal advisory experience and holds a Postgraduate Certificate in Laws as well as a Bachelor of Laws degree from The University of Hong Kong.

Mr. William Wing Chung Yiu

Director – Mainland Business Operation

Mr. Yiu joined the Group as Assistant Director – Corporate Audit in 2011 and was appointed as Assistant Director – Leasing & Management in 2013. He is currently Director – Mainland Business Operation. He possesses 28 years of experience in finance, internal audit, mainland China taxation, leasing and management. He holds a Master of Business Administration degree from the California State University, Hayward, USA, and a Bachelor of Economics degree from Monash University, Australia. He is a Certified Practising Accountant of the Australian Society of Certified Practising Accountants, an Associate of the Hong Kong Institute of Certified Public Accountants and a Member of the Institute of Internal Auditors.

Mr. Denny Chi Sing Chen

Group Financial Controller

Mr. Chen joined the Group in 2020. He possesses over 20 years of experience in accounting and finance. He holds a Master of Business Administration degree from Simon Fraser University, Canada. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and also a Member of the American Institute of Certified Public Accountants.

Mr. Sammy Kam Hung Chow

Deputy Director (Head of Corporate Audit)

Mr. Chow joined the Group in 2012 and was appointed as Deputy Director (Head of Corporate Audit) in 2020. He possesses over 20 years of experience in auditing and risk management. He holds a Bachelor of Commerce degree in Accounting and Information Systems from The University of New South Wales, Australia. He is a Fellow of Hong Kong Institute of Certified Public Accountants, a Certified Practising Accountant of CPA Australia and a Certified Internal Auditor of the Institute of Internal Auditors.

Mr. Raymond Yuk Ming Ip

Deputy Director – Mainland Business Operation

Mr. Ip joined the Group in 2017 and was appointed as Deputy Director – Leasing & Management in 2020. He is currently Deputy Director – Mainland Business Operation. He possesses over 30 years of experience in property leasing and management. He holds a Master of Business degree from The University of Newcastle, Australia and a Bachelor of Commerce degree in Management & Marketing from Curtin University of Technology, Australia. He is also a Chartered Member of the Chartered Institute of Housing and a Professional Member of The Royal Institution of Chartered Surveyors.

Ms. Helen Lau

Deputy Director

(Head of Hong Kong Business Operation)

Ms. Lau joined the Group in 2015 and was appointed as Deputy Director (Head of Hong Kong Leasing and Management) in 2021. She is currently Deputy Director (Head of Hong Kong Business Operation). She possesses 25 years of experience in leasing and portfolio management and holds a Bachelor of Science degree in Surveying from The University of Hong Kong. She is also a Professional Member of The Royal Institution of Chartered Surveyors.

Mr. Anthony Wai Keung Pau

Deputy Director (Head of Group Service Delivery)

Mr. Pau joined the Group in 2014 and was appointed as Deputy Director (Head of Group Service Delivery) in 2019. He possesses over 35 years of experience in engineering & mechanical management and project management. He holds a Master of Environmental Engineering Management degree and a Master of Engineering Management degree from the University of Technology, Sydney. He is a Chartered Engineer in UK, a Registered Professional Engineer (Building Services) in HK as well as a Master of Science degree in Inter-disciplinary Design and Management from The University of Hong Kong. He is a Fellow Member of the HK Institution of Engineers, a Senior Member of The Chinese Mechanical Engineering Society, a Professional Member of The Royal Institution of Chartered Surveyors, a Full Individual Member of China Green Building (Hong Kong) Council, a Registered RCx Professional of Hong Kong Green Building Council Limited and Property Management Practitioner Licence (Tier 1) holder issued by The Property Management Services Authority.

Ms. Janet Shun Ngar Poon

Deputy Director

(Head of Group HR & Administration)

Ms. Poon joined the Group in 2012. She possesses over 20 years of experience in human resources management in real estate industry. She holds a Master of Science degree in Training and Human Resources Management from the University of Leicester and a Bachelor of Business Administration degree from The Chinese University of Hong Kong.

Mr. Louis Lung Tim Tong

Deputy Director – Project Management

Mr. Tong joined the Group in 2014 as Senior Manager and was appointed as Deputy Director – Project Management in 2020. He possesses over 30 years of experience in project management for both Hong Kong and Mainland projects. He holds a Bachelor of Science in Building degree from The City University of Hong Kong and an Executive MBA degree from the Shanghai Fudan University. He is also a Member of Chartered Institute of Building and a Member of Association of Cost Engineers.

Ms. Vera Wai Ngar Wu

Deputy Director – Mainland Business Operation

Ms. Wu joined the Group in 2002 and was appointed as Deputy Director – Leasing & Management in 2021. She is currently Deputy Director – Mainland Business Operation. She possesses over 20 years of experience in corporate communications, marketing, property leasing and management. She holds a Bachelor of Commence degree from the University of British Columbia, Canada.

Report of the Directors

The Directors of the Board of Hang Lung Properties Limited are pleased to present their report, together with the audited consolidated Financial Statements for the year ended December 31, 2021.

Principal Activities

The principal activities of the Company are investment holding, and through its subsidiaries, property investment for rental income, property development for sales and leasing, car park management and property management.

An analysis of the revenue and trading results of the Company and its subsidiaries (collectively referred to as the Group) by operating segments during the financial year is set out in Note 2 to the Financial Statements.

Principal Subsidiaries and Joint Ventures

A list of principal subsidiaries and joint ventures, their places of incorporation and operations and particulars of their issued share capital/registered capital is set out in Notes 35 and 36 to the Financial Statements.

Financial Results

The results of the Group for the year ended December 31, 2021 are set out in the consolidated Financial Statements on pages 161 to 221.

Dividends

The Board recommends a final dividend of HK60 cents per share which, together with the interim dividend of HK18 cents per share paid on September 29, 2021, makes a total of HK78 cents per share in respect of the year ended December 31, 2021. The proposed final dividend, if approved by the shareholders at the AGM on April 27, 2022, will be paid on May 19, 2022 to shareholders whose names appear on the register of members on May 4, 2022.

The Company aims at providing a stable dividend to shareholders. The dividend reflects the financial performance of the core leasing business. In recommending a dividend, the Company takes into account the return to shareholders and its funding requirements for future business growth.

Business Review

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year, along with the material factors underlying its results and financial position are included in the Review of Operations and Financial Review sections on pages 42 to 81 and pages 82 to 93 respectively. A description of the principal risks and uncertainties facing the Company can be found throughout this annual report, particularly in the Corporate Governance Report on pages 110 to 138. The particulars of important events affecting the Company which have occurred since the end of the financial year 2021, if any, can also be found in the abovementioned sections and the Notes to the Financial Statements. The outlook of the Group's business is discussed in the Review of Operations section on pages 42 to 81.

An analysis of the Group's performance using financial key performance indicators is provided in the Financial Highlights and Financial Review sections on pages 4 to 5 and pages 82 to 93 respectively. A discussion of the Company's sustainability policies and performance, including but not limited to environmental issues across its operations, and an account of the Company's relationships with its key stakeholders are provided in the Sustainability section on pages 96 to 107.

Compliance procedures are in place to ensure adherence to relevant laws and regulations, in particular, those which have a significant impact on the Group. The Audit Committee of the Company is delegated by the Board to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements. Any new enactment of, or changes in, the relevant laws and regulations are communicated through regular legal updates to ensure compliance. The legal updates are circulated to all executive staff to ensure that they are aware of the changes and can disseminate relevant information to their teams. Reminders to relevant staff on compliance are also sent out regularly, where necessary. Training is provided, as needs arise, to build awareness.

The Group has set up systems and policies to ensure compliance with the relevant laws and regulations which have a significant impact on the Group in conducting its business, including but not limited to, the Buildings Ordinance, the Residential Properties (First-hand Sales) Ordinance, the Competition Ordinance, the Personal Data (Privacy) Ordinance, the Minimum Wage Ordinance, the Employment Ordinance, and the Occupational Safety and Health Ordinance in Hong Kong; and the Construction Law, the Fire Safety Law, the Anti-Monopoly Law, the Anti-Unfair Competition Law, the Cyber Security Law, the Labour Law, the Labour Contract Law and the Trade Union Law in the People's Republic of China. At a corporate level, the Company also complies with the Listing Rules, the Companies Ordinance and the SFO.

Ten-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last ten financial years is set out on pages 222 and 223.

Major Suppliers and Customers

During the year, both the percentage of purchases attributable to the Group's five largest suppliers combined and the percentage of revenue from sales of goods or rendering of services attributable to the Group's five largest customers combined were less than 30% of the total purchases and total revenue of the Group respectively.

Distributable Reserves

The Company's reserves available for distribution to shareholders as at December 31, 2021 amounted to HK$23,425 million (2020: HK$23,307 million).

Donations

Donations made by the Group during the year amounted to HK$17 million (2020: HK$25 million).

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at December 31, 2021 are set out in Note 18 to the Financial Statements.

Borrowing Costs Capitalization

Borrowing costs capitalized by the Group during the year amounted to HK$1,000 million (2020: HK$1,296 million).

Major Group Properties

Details of major properties of the Group as at December 31, 2021 are set out on pages 78 to 81.

Share Capital

During the year, as a result of the exercise of share options under the Company's share option scheme, 1,461,000 fully paid shares (2020: 81,000 shares), were issued for a total consideration of HK$29,099,780 (2020: HK$1,618,380).

Details of the movement in the share capital of the Company during the year are set out in Note 21 to the Financial Statements.

Equity-Linked Agreements

Other than the share option schemes of the Company as disclosed, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

Particulars of the share option schemes are set out in Note 26 to the Financial Statements and the paragraphs below.

Directors

The Directors of the Board of Hang Lung Properties Limited during the year and up to the date of this report are:

Mr. Ronnie C. Chan
Mr. Adriel Chan
Mr. Weber W.P. Lo
Mr. Ronald J. Arculli (retired on April 30, 2021)
Mr. Nelson W.L. Yuen
Mr. Dominic C.F. Ho
Mr. Philip N.L. Chen
Dr. Andrew K.C. Chan
Prof. H.K. Chang
Ms. Anita Y.M. Fung
Mr. H.C. Ho
Mr. Kenneth K.K. Chiu (appointed on October 6, 2021)

Mr. H.C. Ho will retire with effect from March 1, 2022.

The biographical details of the Directors of the Board are set out on pages 139 to 144. Details of their remuneration are set out in Note 6 to the Financial Statements.

Mr. Kenneth K.K. Chiu, being Executive Board Member newly appointed on October 6, 2021, will retire from the Board at the forthcoming AGM in accordance with article 94 of the Articles of Association and, being eligible, offer himself for re-election.

In accordance with article 103 of the Articles of Association, Mr. Dominic C.F. Ho, Mr. Philip N.L. Chen and Ms. Anita Y.M. Fung will retire from the Board by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election.

The list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is available on the Company's website at http://www.hanglung.com under "Constitutional Document & Directors of Subsidiaries" in the "Corporate Governance" subsection of the "Investor Relations" section.

Directors' Service Contracts

No Director of the Board proposed for re-election at the forthcoming AGM has a service contract with the Company, its holding company or any of their respective subsidiaries which is not determinable within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Transaction, Arrangement or Contract

Save as disclosed, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding company or any of their respective subsidiaries was a party, and in which a Director of the Board or his/her connected entity was materially interested, whether directly or indirectly, subsisted at any time during or at the end of the year.

Permitted Indemnity

Pursuant to the Articles of Association, every Director of the Board or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto subject to the Companies Ordinance. Such permitted indemnity provision for the benefit of the Directors of the Board was in force during the year and remained in force as of the date of this report.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at December 31, 2021, the interests or short positions of each Director of the Board in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which were recorded in the register required to be kept by the Company under section 352 of the SFO are as follows:

		The Company (Long Position)			Hang Lung Group Limited (Long Position)	
Name	**Capacity**	**Number of Shares**	**% of Number of Issued Shares**	**Number of Shares under Option** (Note 3)	**Number of Shares**	**% of Number of Issued Shares**
Ronnie C. Chan	Personal & Other	17,155,000	0.38	15,500,000	27,713,500 (Note 1)	2.04
Adriel Chan	Personal & Other	2,670,248,340 (Note 2)	59.35	7,400,000	538,345,080 (Notes 1 & 2)	39.54
Weber W.P. Lo	Personal	600,000	0.01	15,750,000	200,000	0.01
Nelson W.L. Yuen	Personal	8,000,000	0.18	–	–	–
Dominic C.F. Ho	–	–	–	–	–	–
Philip N.L. Chen	Personal	–	–	9,500,000	–	–
Andrew K.C. Chan	–	–	–	–	–	–
H.K. Chang	–	–	–	–	–	–
Anita Y.M. Fung	–	–	–	–	–	–
H.C. Ho	Personal	–	–	10,700,000	78,000	0.01
Kenneth K.K. Chiu	Personal	–	–	2,000,000	–	–

Notes

1. Other interests included 15,923,500 shares of HLG held by a trust of which Mr. Ronnie C. Chan was a discretionary beneficiary, and Mr. Adriel Chan was a settlor and discretionary beneficiary. Accordingly, Mr. Ronnie C. Chan and Mr. Adriel Chan were deemed to be interested in such shares under the SFO.
2. Other interests included 2,670,248,340 shares of the Company and 522,421,580 shares of HLG held/deemed to be held by another trust of which Mr. Adriel Chan was a discretionary beneficiary. Accordingly, Mr. Adriel Chan was deemed to be interested in such shares under the SFO.

3. Movements of Options under the Share Option Schemes of the Company

(i) Share Option Scheme adopted on November 22, 2002

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option: As at Jan 1, 2021	Lapsed during the Year	As at Dec 31, 2021	Exercise Price per Share (HK$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
06/13/2011	Ronnie C. Chan	4,500,000	4,500,000	–	$30.79	06/13/2013 : 10%	06/12/2021
	Philip N.L. Chen	4,500,000	4,500,000	–		06/13/2014 : 20%	
	H.C. Ho	3,000,000	3,000,000	–		06/13/2015 : 30%	
						06/13/2016 : 40%	

(ii) Share Option Scheme adopted on April 18, 2012

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option: As at Jan 1, 2021	Granted during the Year	Exercised during the Year	As at Dec 31, 2021	Exercise Price per Share (HK$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
06/04/2013	Ronnie C. Chan	4,500,000	–	–	4,500,000	$28.20	06/04/2015 : 10%	06/03/2023
	Adriel Chan	200,000	–	–	200,000		06/04/2016 : 20%	
	Philip N.L. Chen	4,500,000	–	–	4,500,000		06/04/2017 : 30%	
	H.C. Ho	3,000,000	–	–	3,000,000		06/04/2018 : 40%	
12/05/2014	Ronnie C. Chan	2,750,000	–	–	2,750,000	$22.60	12/05/2016 : 10%	12/04/2024
	Adriel Chan	150,000	–	–	150,000		12/05/2017 : 20%	
	Philip N.L. Chen	2,500,000	–	–	2,500,000		12/05/2018 : 30%	
	H.C. Ho	1,850,000	–	–	1,850,000		12/05/2019 : 40%	
08/10/2017	Ronnie C. Chan	2,750,000	–	825,000	1,925,000	$19.98	08/10/2019 : 10%	08/09/2027
	Adriel Chan	1,850,000	–	–	1,850,000		08/10/2020 : 20%	
	Philip N.L. Chen	2,500,000	–	–	2,500,000		08/10/2021 : 30%	
	H.C. Ho	1,850,000	–	–	1,850,000		08/10/2022 : 40%	
05/16/2018	Weber W.P. Lo	10,000,000	–	–	10,000,000	$18.98	05/16/2020 : 10%	05/15/2028
							05/16/2021 : 20%	
							05/16/2022 : 30%	
							05/16/2023 : 40%	
06/28/2019	Ronnie C. Chan	3,025,000	–	–	3,025,000	$18.58	06/28/2021 : 10%	06/27/2029
	Adriel Chan	2,200,000	–	–	2,200,000		06/28/2022 : 20%	
	Weber W.P. Lo	2,750,000	–	–	2,750,000		06/28/2023 : 30%	
	H.C. Ho	1,900,000	–	–	1,900,000		06/28/2024 : 40%	
05/12/2021	Ronnie C. Chan	–	3,300,000	–	3,300,000	$19.95	05/12/2023 : 10%	05/11/2031
	Adriel Chan	–	3,000,000	–	3,000,000		05/12/2024 : 20%	
	Weber W.P. Lo	–	3,000,000	–	3,000,000		05/12/2025 : 30%	
	H.C. Ho	–	2,100,000	–	2,100,000		05/12/2026 : 40%	
10/06/2021	Kenneth K.K. Chiu	–	2,000,000	–	2,000,000	$17.65	10/06/2023 : 10%	10/05/2031
							10/06/2024 : 20%	
							10/06/2025 : 30%	
							10/06/2026 : 40%	

Save as disclosed above, none of the Directors of the Board had, as at December 31, 2021, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations.

Other than as stated above, at no time during the year was the Company, its holding company or any of their respective subsidiaries a party to any arrangement to enable the Directors of the Board to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at December 31, 2021, details of substantial shareholders' and other persons' (who are required to disclose their interests pursuant to Part XV of the SFO) interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name	Note	Number of Shares or Underlying Shares Held (Long Position)	% of Number of Issued Shares (Long Position)
Chan Tan Ching Fen	1	2,670,248,340	59.35
Cole Enterprises Holdings (PTC) Limited	1	2,670,248,340	59.35
Merssion Limited	1	2,670,248,340	59.35
Adriel Chan	1	2,670,248,340	59.35
Hang Lung Group Limited	2	2,641,915,240	58.72
Prosperland Housing Limited	3	1,267,608,690	30.60
Purotat Limited	3	354,227,500	8.55
APG Asset Management N.V.	4	226,060,000	5.02
APG Groep N.V.	4	226,060,000	5.02
Stichting Pensioenfonds ABP	4	226,060,000	5.02
APG Investments Asia Limited	4	225,456,000	5.01

Notes

1. These shares were the same parcel of shares held by controlled corporations of Merssion Limited which was held under a trust. As Ms. Chan Tan Ching Fen was the founder, Cole Enterprises Holdings (PTC) Limited was the trustee and Mr. Adriel Chan was a discretionary beneficiary of the trust, they were deemed to be interested in such shares under the SFO.

   The controlled corporations included HLG, in which Merssion Limited had 38.37% interests. Accordingly, the 2,641,915,240 shares held by HLG through its subsidiaries were included in the 2,670,248,340 shares.

2. These shares were held by the wholly-owned subsidiaries of HLG.
3. These companies were wholly-owned subsidiaries of HLG. Their interests were included in the 2,641,915,240 shares held by HLG.
4. These shares were held in the capacity of investment managers.

Save as disclosed above, as at December 31, 2021, no other interests or short positions in the shares or underlying shares of the Company required to be recorded in the register kept under section 336 of the SFO has been notified to the Company.

Related Party Transactions

Details of the material related party transactions undertaken in the usual course of business are set out in Note 27 to the Financial Statements. None of these related party transactions constitutes a discloseable connected transaction under the Listing Rules.

Management Contracts

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Purchase, Sale or Redemption of Listed Securities

HLP Finance Limited, a wholly owned subsidiary of the Company, fully redeemed the US$500 million 4.45% guaranteed notes due in 2021 (stock code: 5726) at principal amount upon maturity on April 16, 2021.

Saved as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the year.

Corporate Governance

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 110 to 138.

Auditor

The consolidated Financial Statements for the year ended December 31, 2021 have been audited by KPMG. A resolution for the re-appointment of KPMG as auditor of the Company until the conclusion of the next AGM will be proposed at the forthcoming AGM.

By Order of the Board
Winnie Ma
Company Secretary
Hong Kong, January 27, 2022

Independent Auditor's Report

Independent auditor's report to the members of Hang Lung Properties Limited
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Hang Lung Properties Limited ("the Company") and its subsidiaries ("the Group") set out on pages 161 to 221, which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties and investment properties under development

(Refer to note 10 (property, plant and equipment) and note 1(e) (accounting policy))

The Key Audit Matter	How the matter was addressed in our audit
The aggregate fair values of the Group's investment properties and investment properties under development as at December 31, 2021 amounted to HK$199,855 million, representing 89% of the Group's total assets as at that date. The net increase in fair values of the Group's investment properties and investment properties under development recorded in the consolidated statement of profit or loss for the year ended December 31, 2021 amounted to HK$889 million. The Group's investment properties, which are located in Hong Kong and Mainland China, mainly comprise shopping malls, office premises, industrial premises, residential premises and car parking bays. The fair values of the Group's investment properties and investment properties under development were assessed by management based on independent valuations prepared by an external property valuer. We identified valuation of the Group's investment properties and investment properties under development as a key audit matter because of the significance of investment properties and investment properties under development to the Group's consolidated financial statements and because the determination of the fair values involves significant judgement and estimation, including selecting the appropriate valuation methodology, capitalization rates and market rents and, for investment properties under development, an estimation of costs to complete each property development project.	Our audit procedures to assess the valuation of investment properties and investment properties under development included the following: • assessing the competence, capability, experience of the locations and types of properties subject to valuation and objectivity of the external property valuer; • evaluating the valuation methodology used by the external property valuer based on our knowledge of other property valuers for similar types of properties; • on a sample basis, comparing the tenancy information included in the valuation models, which included committed rents and occupancy rates, with underlying contracts and related documentation; • discussing the valuations with the external property valuer in a separate private session and challenging key estimates adopted in the valuations, including those relating to market selling prices, market rents and capitalization rates, by comparing them with historical rates and available market data, taking into consideration comparability and other local market factors, with the assistance of our internal property valuation specialists; and • for investment properties under development, comparing the estimated construction costs to complete each property development project with the Group's updated budgets (see further details set out in the key audit matter below).

Assessing the development costs of investment properties under development

(Refer to note 10 (property, plant and equipment) and note 1(e) (accounting policy))

The Key Audit Matter

The fair value of the Group's investment properties under development is determined using the direct comparison valuation methodology, with reference to comparable market transactions, to derive the fair value of the property and, where appropriate, after deducting (1) the estimated development costs to be expended to complete each property development project and (2) the estimated profit margin.

Therefore, any increase in the estimated development costs to be expended to complete each property development project compared with the original management approved budgets could have a significant negative impact on the fair value of the Group's investment properties under development and, hence, the results for the year.

The Group's investment properties under development comprise shopping malls, office premises and residential premises.

We identified the assessing of development costs of the Group's investment properties under development as a key audit matter because the determination of estimated development costs involves significant management judgement and estimation, in particular in relation to project feasibility studies, estimating future development costs to be expended to complete each property development project and the estimated profit margin.

How the matter was addressed in our audit

Our audit procedures to assess the development costs of investment properties under development included the following:

- assessing the design, implementation and operating effectiveness of management's key internal controls over the preparation and monitoring of management budgets and forecasts of construction costs for each investment property under development;
- discussing the valuations of investment properties under development with the external property valuer in a separate private session and challenging key estimates adopted in the valuations including those relating to market selling prices, by comparing them with available market data, taking into consideration comparability and other local market factors;
- performing a retrospective review for all investment properties under development by comparing the actual construction costs incurred during the current year with those included in the prior year's forecasts in order to assess the accuracy of the Group's budgeting process;
- conducting site visits to all investment properties under development and discussing with management and the in-house quantity surveyor the development progress and the development budgets reflected in the latest forecasts for each property development project; and
- comparing, on a sample basis, the quantity surveyor's reports for the construction costs incurred for property development projects with the underlying payment records and other documentation relevant to the construction cost accruals and/or payments.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. We obtained all of the other information prior to the date of this auditor's report apart from "Chair's Letter to Shareholders" and "Vice Chair's Notes". The remaining information is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Wing Han, Ivy.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

January 27, 2022

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Consolidated Statement of Profit or Loss

For the year ended December 31, 2021

	Note	2021 HK$ Million	2020 HK$ Million	2021 RMB Million	2020 RMB Million
				For information purpose only	
Revenue	2(a)	**10,321**	8,973	**8,563**	7,970
Direct costs and operating expenses		**(2,950)**	(2,492)	**(2,447)**	(2,210)
		7,371	6,481	**6,116**	5,760
Other net income	3	**55**	50	**46**	44
Administrative expenses		**(592)**	(531)	**(491)**	(476)
Profit from operations before changes in fair value of properties		**6,834**	6,000	**5,671**	5,328
Net increase/(decrease) in fair value of properties	2(b)	**460**	(6,664)	**382**	(5,947)
Profit/(loss) from operations after changes in fair value of properties		**7,294**	(664)	**6,053**	(619)
Interest income		**73**	63	**61**	55
Finance costs		**(487)**	(174)	**(404)**	(152)
Net interest expense	4	**(414)**	(111)	**(343)**	(97)
Share of profits/(losses) of joint ventures	12	**8**	(88)	**7**	(76)
Profit/(loss) before taxation	5	**6,888**	(863)	**5,717**	(792)
Taxation	7(a)	**(2,083)**	(1,193)	**(1,723)**	(1,050)
Profit/(loss) for the year	2(b)	**4,805**	(2,056)	**3,994**	(1,842)
Attributable to:					
Shareholders	22(a)	**3,868**	(2,571)	**3,217**	(2,297)
Non-controlling interests		**937**	515	**777**	455
Profit/(loss) for the year		**4,805**	(2,056)	**3,994**	(1,842)
Earnings/(loss) per share	9(a)				
Basic		**HK$0.86**	(HK$0.57)	**RMB0.72**	(RMB0.51)
Diluted		**HK$0.86**	(HK$0.57)	**RMB0.72**	(RMB0.51)

The accompanying notes form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2021

	Note	2021 HK$ Million	2020 HK$ Million	*For information purpose only* 2021 RMB Million	*For information purpose only* 2020 RMB Million
Profit/(loss) for the year		**4,805**	(2,056)	**3,994**	(1,842)
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Movement in exchange reserve:					
Exchange difference arising from translation to presentation currency		**3,182**	6,313	**(879)**	(2,469)
Net investment hedge – net loss	28(d)	**(9)**	(80)	**(8)**	(69)
Movement in hedging reserve:					
Effective portion of changes in fair value		**51**	(132)	**42**	(117)
Net amount transferred to profit or loss		**6**	62	**5**	55
Deferred tax		**(7)**	10	**(6)**	9
Item that will not be reclassified to profit or loss:					
Net change in fair value of equity investments		**1**	(10)	**1**	(8)
Other comprehensive income for the year, net of tax		**3,224**	6,163	**(845)**	(2,599)
Total comprehensive income for the year		**8,029**	4,107	**3,149**	(4,441)
Attributable to:					
Shareholders		**6,792**	2,988	**2,368**	(4,899)
Non-controlling interests		**1,237**	1,119	**781**	458
Total comprehensive income for the year		**8,029**	4,107	**3,149**	(4,441)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

At December 31, 2021

	Note	2021 HK$ Million	2020 HK$ Million	*For information purpose only* 2021 RMB Million	*For information purpose only* 2020 RMB Million
Non-current assets					
Property, plant and equipment					
Investment properties		**177,456**	164,322	**145,088**	138,157
Investment properties under development		**22,399**	27,544	**18,313**	23,181
Other property, plant and equipment		**290**	253	**237**	213
	10	**200,145**	192,119	**163,638**	161,551
Interests in joint ventures	12	**1,131**	1,161	**925**	974
Other assets	13	**78**	77	**64**	65
Deferred tax assets	20(b)	**77**	84	**63**	70
		201,431	193,441	**164,690**	162,660
Current assets					
Cash and deposits with banks	14	**8,515**	6,319	**6,962**	5,307
Trade and other receivables	15	**3,499**	3,499	**2,861**	2,942
Properties for sale	16	**10,790**	7,988	**8,822**	6,713
Assets held for sale	17	**–**	69	**–**	58
		22,804	17,875	**18,645**	15,020
Current liabilities					
Bank loans and other borrowings	18	**8,079**	7,464	**6,605**	6,269
Trade and other payables	19	**10,895**	10,978	**8,908**	9,233
Lease liabilities	11(a)	**31**	26	**25**	22
Current tax payable	20(a)	**497**	606	**406**	510
		19,502	19,074	**15,944**	16,034
Net current assets/(liabilities)		**3,302**	(1,199)	**2,701**	(1,014)
Total assets less current liabilities		**204,733**	192,242	**167,391**	161,646
Non-current liabilities					
Bank loans and other borrowings	18	**37,616**	30,453	**30,755**	25,582
Lease liabilities	11(a)	**305**	302	**249**	254
Deferred tax liabilities	20(b)	**14,428**	13,299	**11,796**	11,192
		52,349	44,054	**42,800**	37,028
NET ASSETS		**152,384**	148,188	**124,591**	124,618
Capital and reserves					
Share capital	21	**39,950**	39,916	**37,462**	37,434
Reserves	22	**101,769**	98,379	**78,409**	78,858
Shareholders' equity		**141,719**	138,295	**115,871**	116,292
Non-controlling interests		**10,665**	9,893	**8,720**	8,326
TOTAL EQUITY		**152,384**	148,188	**124,591**	124,618

Weber W.P. Lo
Chief Executive Officer

H.C. Ho
Chief Financial Officer

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

HK$ Million	Shareholders' equity				Non-controlling interests	Total equity
	Share capital (Note 21)	Other reserves (Note 22)	Retained profits (Note 22)	Total		
At January 1, 2020	39,915	(2,844)	101,598	138,669	9,143	147,812
Loss for the year	–	–	(2,571)	(2,571)	515	(2,056)
Exchange difference arising from translation to presentation currency	–	5,709	–	5,709	604	6,313
Net investment hedge – net loss	–	(80)	–	(80)	–	(80)
Cash flow hedges: net movement in hedging reserve	–	(60)	–	(60)	–	(60)
Net change in fair value of equity investments	–	(10)	–	(10)	–	(10)
Total comprehensive income for the year	–	5,559	(2,571)	2,988	1,119	4,107
Final dividend in respect of previous year	–	–	(2,653)	(2,653)	–	(2,653)
Interim dividend in respect of current year	–	–	(765)	(765)	–	(765)
Issue of shares	1	–	–	1	–	1
Employee share-based payments	–	(134)	189	55	–	55
Dividends paid to non-controlling interests	–	–	–	–	(369)	(369)
At December 31, 2020 and January 1, 2021	39,916	2,581	95,798	138,295	9,893	148,188
Profit for the year	–	–	3,868	3,868	937	4,805
Exchange difference arising from translation to presentation currency	–	2,882	–	2,882	300	3,182
Net investment hedge – net loss	–	(9)	–	(9)	–	(9)
Cash flow hedges: net movement in hedging reserve	–	50	–	50	–	50
Net change in fair value of equity investments	–	1	–	1	–	1
Total comprehensive income for the year	–	2,924	3,868	6,792	1,237	8,029
Final dividend in respect of previous year	–	–	(2,653)	(2,653)	–	(2,653)
Interim dividend in respect of current year	–	–	(810)	(810)	–	(810)
Issue of shares	34	(5)	–	29	–	29
Employee share-based payments	–	(132)	198	66	–	66
Dividends paid to non-controlling interests	–	–	–	–	(465)	(465)
At December 31, 2021	**39,950**	**5,368**	**96,401**	**141,719**	**10,665**	**152,384**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

For information purpose only

RMB Million	Shareholders' equity				Non-controlling interests	Total equity
	Share capital	Other reserves	Retained profits	Total		
At January 1, 2020	37,433	1,596	85,224	124,253	8,190	132,443
Loss for the year	–	–	(2,297)	(2,297)	455	(1,842)
Exchange difference arising from translation to presentation currency	–	(2,472)	–	(2,472)	3	(2,469)
Net investment hedge – net loss	–	(69)	–	(69)	–	(69)
Cash flow hedges: net movement in hedging reserve	–	(53)	–	(53)	–	(53)
Net change in fair value of equity investments	–	(8)	–	(8)	–	(8)
Total comprehensive income for the year	–	(2,602)	(2,297)	(4,899)	458	(4,441)
Final dividend in respect of previous year	–	–	(2,440)	(2,440)	–	(2,440)
Interim dividend in respect of current year	–	–	(672)	(672)	–	(672)
Issue of shares	1	–	–	1	–	1
Employee share-based payments	–	(118)	167	49	–	49
Dividends paid to non-controlling interests	–	–	–	–	(322)	(322)
At December 31, 2020 and January 1, 2021	37,434	(1,124)	79,982	116,292	8,326	124,618
Profit for the year	**–**	**–**	**3,217**	**3,217**	**777**	**3,994**
Exchange difference arising from translation to presentation currency	**–**	**(883)**	**–**	**(883)**	**4**	**(879)**
Net investment hedge – net loss	**–**	**(8)**	**–**	**(8)**	**–**	**(8)**
Cash flow hedges: net movement in hedging reserve	**–**	**41**	**–**	**41**	**–**	**41**
Net change in fair value of equity investments	**–**	**1**	**–**	**1**	**–**	**1**
Total comprehensive income for the year	**–**	**(849)**	**3,217**	**2,368**	**781**	**3,149**
Final dividend in respect of previous year	**–**	**–**	**(2,195)**	**(2,195)**	**–**	**(2,195)**
Interim dividend in respect of current year	**–**	**–**	**(673)**	**(673)**	**–**	**(673)**
Issue of shares	**28**	**(4)**	**–**	**24**	**–**	**24**
Employee share-based payments	**–**	**(109)**	**164**	**55**	**–**	**55**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**(387)**	**(387)**
At December 31, 2021	**37,462**	**(2,086)**	**80,495**	**115,871**	**8,720**	**124,591**

Consolidated Cash Flow Statement

For the year ended December 31, 2021

	Note	2021 HK$ Million	2020 HK$ Million	*For information purpose only* 2021 RMB Million	*For information purpose only* 2020 RMB Million
Operating activities					
Cash generated from operations	23	**4,201**	4,822	**3,474**	4,248
Tax paid					
Hong Kong Profits Tax paid		**(346)**	(887)	**(287)**	(789)
Mainland China Income Tax paid		**(1,123)**	(522)	**(931)**	(474)
Net cash generated from operating activities		**2,732**	3,413	**2,256**	2,985
Investing activities					
Payment for property, plant and equipment		**(2,855)**	(3,107)	**(2,359)**	(2,763)
Net sale proceeds from disposal of property, plant and equipment		**70**	6	**58**	5
Net sale proceeds from disposal of assets held for sale		**69**	–	**58**	–
Interest received		**78**	142	**65**	126
Dividend received from a joint venture		**38**	47	**32**	42
Decrease in bank deposits with maturity greater than 3 months		**1,176**	716	**976**	636
Net cash used in investing activities		**(1,424)**	(2,196)	**(1,170)**	(1,954)
Financing activities					
Proceeds from new bank loans and other borrowings	24	**25,402**	17,861	**21,078**	15,885
Repayment of bank loans and other borrowings	24	**(18,088)**	(10,406)	**(15,014)**	(9,254)
Capital element of lease rentals paid	24	**(12)**	(8)	**(10)**	(7)
Proceeds from exercise of share options		**29**	1	**24**	1
Interest and other borrowing costs paid		**(1,411)**	(1,341)	**(1,170)**	(1,190)
Interest element of lease rentals paid	24	**(16)**	(15)	**(13)**	(14)
Dividends paid		**(3,463)**	(3,418)	**(2,868)**	(3,112)
Dividends paid to non-controlling interests		**(465)**	(369)	**(387)**	(322)
Net cash generated from financing activities		**1,976**	2,305	**1,640**	1,987
Increase in cash and cash equivalents		**3,284**	3,522	**2,726**	3,018
Effect of foreign exchange rate changes		**73**	139	**(94)**	(20)
Cash and cash equivalents at January 1		**5,034**	1,373	**4,228**	1,230
Cash and cash equivalents at December 31	14	**8,391**	5,034	**6,860**	4,228

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1 Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Group are set out below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) Basis of preparation of the financial statements

The consolidated financial statements comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interests in joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as otherwise stated in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 29.

The presentation currency of these consolidated financial statements is Hong Kong dollar. In view of the Group's significant business operations in mainland China, management has included additional financial information prepared in Renminbi in the consolidated financial statements. Such supplementary information is prepared according to note 1(x) as if the presentation currency is Renminbi.

1 Significant Accounting Policies (Continued)

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (Note 1(m)).

1 Significant Accounting Policies (Continued)

(d) Joint ventures

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

The Group's interests in joint ventures are accounted for in the consolidated financial statements under the equity method and are initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the joint ventures' net assets. The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. The consolidated statement of profit or loss includes the Group's share of the post-acquisition, post-tax results of the joint ventures for the year, whereas the Group's share of the post-acquisition, post-tax items of the joint ventures' other comprehensive income is recognized in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. For this purpose, the Group's interest in the joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interest that in substance form part of the Group's net investment in the joint venture.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

Unrealized profits and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

1 Significant Accounting Policies (Continued)

(e) Investment properties and investment properties under development

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in profit or loss.

(f) Properties for sale

1. Properties under development for sale

Properties under development for sale are classified under current assets and stated at the lower of cost and net realizable value. Costs include the acquisition cost of land, aggregate cost of development, borrowing costs capitalized (Note 1(s)) and other direct expenses. Net realizable value represents the estimated selling price as determined by reference to management estimates based on prevailing market conditions less estimated costs of completion and costs to be incurred in selling the property.

2. Completed properties for sale

Completed properties for sale are classified under current assets and stated at the lower of cost and net realizable value. Cost is determined by apportionment of the total development costs, including borrowing costs capitalized (Note 1(s)), attributable to unsold properties. Net realizable value represents the estimated selling price as determined by reference to management estimates based on prevailing market conditions less costs to be incurred in selling the property.

(g) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (Note 1(m)). Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

(h) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

1 Significant Accounting Policies (Continued)

(h) Leases (Continued)

1. As a lessee

At lease commencement date, the Group recognizes a right-of-use asset and a corresponding lease liability with respect to all leases, except for short-term leases (with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as expenses on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and the interest expense is calculated using the effective interest method.

The right-of-use asset recognized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred.

The right-of-use assets that meet the definition of investment property are subsequently stated at fair value in accordance with note 1(e). Otherwise, they are subsequently stated at cost less accumulated depreciation (Note 1(g)) and impairment losses (Note 1(m)).

Lease payments included in the measurement of the lease liability comprise the fixed payments (including in-substance fixed payments) less any lease incentives. Variable lease payments that do not depend on an index or rate are charged to profit or loss in the accounting period in which they are incurred.

2. As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

Rental income from operating leases is recognized in accordance with note 1(v)(2).

1 Significant Accounting Policies (Continued)

(i) Depreciation

1. Investment properties

No depreciation is provided for investment properties and investment properties under development.

2. Other property, plant and equipment

Depreciation on other property, plant and equipment is calculated to write off the cost, less their estimated residual value, if any, on a straight-line basis over their estimated useful lives as follows:

Buildings	50 years or unexpired lease term, whichever is shorter
Furniture and equipment	4 – 20 years
Motor vehicles	5 years

(j) Investments in equity instruments

Investments in equity instruments are classified and measured at fair value through profit or loss (FVTPL) except when the equity investment is not held for trading and an election is made to present the fair value changes in other comprehensive income (FVTOCI). This election is made on an investment-by-investment basis on initial recognition and is irrevocable. The gains or losses (both on subsequent measurement and derecognition) of investments that are measured at FVTPL are recognized in profit or loss. If the equity investment is designated as at FVTOCI, all gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, except for dividend income that is generally recognized in profit or loss in accordance with the policy set out in note 1(v)(5).

Investments are recognized/derecognized on the date the Group commits to purchase/ sell the investments.

(k) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting (Note 1(l)(1)).

(l) Hedging

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates, and non-derivative financial liabilities as hedging instruments to hedge the foreign exchange risk on net investments in foreign operations.

1. Cash flow hedges

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge of a recognized asset or liability or a highly probable forecast transaction, the effective portion of changes in fair value of the hedging instruments is recognized in other comprehensive income and accumulated in a hedging reserve as a separate component of equity. Any ineffective portion of changes in fair value is recognized immediately in profit or loss. The amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

1 Significant Accounting Policies (Continued)

(l) Hedging (Continued)

2. Hedge of net investments in foreign operations

When a non-derivative financial liability is designated as the hedging instrument in a hedge of net investment in a foreign operation, the effective portion of any foreign exchange gain or loss on the non-derivative financial liabilities is recognized in other comprehensive income and accumulated in the exchange reserve within equity until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Any ineffective portion is recognized immediately in profit or loss.

(m) Impairment of assets

- For other property, plant and equipment, investments in joint ventures and investments in subsidiaries in the Company's statement of financial position, an assessment is carried out at the end of each reporting period to determine whether there is objective evidence that these assets are impaired. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized in profit or loss if the carrying amount exceeds the recoverable amount. An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

- For trade and other receivables and other financial assets measured at amortized cost (including cash and deposits with banks and advances to unlisted investee companies), the Group recognizes a loss allowance which is equal to 12-month expected credit losses unless the balance is a trade receivable or there has been a significant increase in credit risk of the financial asset since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime expected credit losses.

  Expected credit losses are a probability-weighted estimate of credit losses measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), unless the balances are credit-impaired at the end of the reporting period where expected credit losses are measured as the difference between the gross carrying amount and the present value of estimated future cash flows.

  At the end of each reporting period, the Group assesses whether the balances are credit-impaired (i.e. when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred, such as significant financial difficulty of the debtor).

  The allowance for expected credit losses is presented in the statement of financial position as a deduction from the gross carrying amount of the assets. The adjustment to the allowance for credit losses is recognized in profit or loss, as an impairment or reversal of impairment.

1 Significant Accounting Policies (Continued)

(m) Impairment of assets (Continued)

The gross carrying amount is written off to the extent that there is no realistic prospect of recovery. Subsequent recoveries that were previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(n) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for credit losses (Note 1(m)), except where the receivables are interest-free loans without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for credit losses (Note 1(m)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses in accordance with the policy set out in note 1(m).

(p) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell, except that financial assets, deferred tax assets and investment properties continue to be measured in accordance with the Group's accounting policies.

(q) Trade and other payables (including contract liabilities)

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the revenue arising from contract with customers within the scope of HKFRS 15, *Revenue from contracts with customers*. A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized.

1 Significant Accounting Policies (Continued)

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (Note 1(s)).

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying assets for its intended use or sale are interrupted or complete.

(t) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognized at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss.

Subsequent to initial recognition, the amount initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognizes a provision when expected credit losses on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees (i.e. the amount initially recognized, less accumulated amortization).

1 Significant Accounting Policies (Continued)

(t) Financial guarantees issued (Continued)

To determine expected credit losses, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month expected credit loss is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime expected credit loss is measured.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an expected credit loss is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(u) Provisions and contingent liabilities

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of the money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognized for any expected reimbursement that would be virtually certain. The amount recognized for the reimbursement is limited to the carrying amount of the provision.

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of properties, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

1. Sale of properties

Revenue arising from the sale of properties is recognized when legal assignment is completed, which is the point in time when the buyer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

1 Significant Accounting Policies (Continued)

(v) Revenue and other income (Continued)

2. Rental income

Rental income under operating leases is recognized on a straight-line basis over the terms of the respective leases, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payment receivable. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are earned.

3. Building management fees and other income from property leasing

Building management fees and other income from property leasing are recognized when the related services are rendered.

4. Interest income

Interest income is recognized as it accrues using the effective interest method.

5. Dividends

Dividends are recognized when the right to receive payment is established.

(w) Taxation

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profits, and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

1 Significant Accounting Policies (Continued)

(w) Taxation (Continued)

When investment properties and investment properties under development are carried at fair value in accordance with the accounting policy set out in note 1(e), the amount of deferred tax recognized is measured using the tax rates that would apply on the sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

(x) Translation of foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (functional currency).

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss, except those arising from the translation of non-derivative financial liabilities designated as the hedging instruments to hedge the foreign exchange risk on net investments in foreign operations. Such exchange gains or losses to the extent that the hedge is effective are recognized in other comprehensive income (Note 1(l)(2)).

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rate ruling at the transaction dates. The transaction date is the date on which the Group initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair values are translated using the foreign exchange rates ruling at the dates the fair value was determined.

1 Significant Accounting Policies (Continued)

(x) Translation of foreign currencies (Continued)

The results and financial position of all operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. assets and liabilities are translated at the closing exchange rates at the end of the reporting period;
2. income and expenses are translated at the exchange rates approximating the exchange rates ruling at the dates of the transactions; and
3. all resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(y) Related parties

1. A person, or a close member of that person's family, is related to the Group if that person:
   - (i) has control or joint control over the Group;
   - (ii) has significant influence over the Group; or
   - (iii) is a member of the key management personnel of the Group or the Group's parent.
2. An entity is related to the Group if any of the following conditions applies:
   - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   - (iii) Both entities are joint ventures of the same third party.
   - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
   - (vi) The entity is controlled or jointly controlled by a person identified in (1).
   - (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
   - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 Significant Accounting Policies (Continued)

(z) Segment reporting

Operating segments are reported in a manner consistent with the Group's internal financial reporting to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations. For disclosure purpose, a reportable segment comprises either one or more operating segments which can be aggregated together because they share similar economic characteristics and nature of the regulatory environment, or single operating segments which are disclosable separately because they cannot be aggregated or they exceed quantitative thresholds.

(aa) Employee benefits

1. Short term employee benefits and contributions to defined contribution retirement schemes

Salaries, annual bonuses, paid annual leave, the cost of non-monetary benefits and obligation for contributions to defined contribution retirement schemes, including those payables in mainland China and Hong Kong under relevant legislation, are accrued in the year in which the associated services are rendered by employees of the Group.

2. Share-based payments

The fair value of share options granted to employees is measured at grant date, taking into account the terms and conditions upon which the options were granted, and is expensed on a straight-line basis over the vesting period taking into account the probability that the options will vest, with a corresponding increase in equity (employee share-based compensation reserve).

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the employee share-based compensation reserve).

At the time when the share options are exercised, the related employee share-based compensation reserve is transferred to share capital. If the options expire or lapse after the vesting period, the related employee share-based compensation reserve is transferred directly to retained profits.

2 Revenue and Segment Information

The Group manages businesses according to the nature of services and products provided. Management has determined property leasing and property sales to be the reportable operating segments for the measurement of performance and the allocation of resources.

Segment assets principally comprise all non-current assets and current assets directly attributable to each segment with the exception of interests in joint ventures, other assets, deferred tax assets and cash and deposits with banks.

(a) Disaggregation of revenue

Revenue for the year is analyzed as follows:

HK$ Million	**2021**	2020
Under the scope of HKFRS 16, *Leases*:		
Rental income (Note 11(b))	**9,217**	7,990
Under the scope of HKFRS 15, *Revenue from contracts with customers*:		
Sales of completed properties	**–**	62
Building management fees and other income from property leasing	**1,104**	921
	1,104	983
	10,321	8,973

As of December 31, 2021, the aggregate amount of revenue expected to be recognized in the future arising from signed property pre-sale agreements amounted to HK$1,083 million (2020: Nil), which is expected to be recognized in second half of 2023 when the legal assignment to buyers is completed.

The Group has applied practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date to:

– building management fees and other income from property leasing, as the Group recognizes revenue at the amount to which it has a right to invoice, which corresponds directly with the value to the customer of the Group's performance completed to date; and

– revenue from sales of completed properties, as the performance obligation is part of a contract that has an original expected duration of one year or less.

2 Revenue and Segment Information (Continued)

(b) Revenue and results by segments

HK$ Million	2021			2020		
	Property Leasing	Property Sales	Total	Property Leasing	Property Sales	Total
Revenue						
– Mainland China	6,939	–	6,939	5,277	–	5,277
– Hong Kong	3,382	–	3,382	3,634	62	3,696
	10,321	–	10,321	8,911	62	8,973
Profit/(loss) from operations before changes in fair value of properties						
– Mainland China	4,349	(38)	4,311	3,202	(8)	3,194
– Hong Kong	2,559	(36)	2,523	2,752	54	2,806
	6,908	(74)	6,834	5,954	46	6,000
Net increase/(decrease) in fair value of properties	460	–	460	(6,664)	–	(6,664)
– Mainland China	1,750	–	1,750	(2,529)	–	(2,529)
– Hong Kong	(1,290)	–	(1,290)	(4,135)	–	(4,135)
Net interest expense	(414)	–	(414)	(111)	–	(111)
– Interest income	73	–	73	63	–	63
– Finance costs	(487)	–	(487)	(174)	–	(174)
Share of profits/(losses) of joint ventures	8	–	8	(88)	–	(88)
Profit/(loss) before taxation	6,962	(74)	6,888	(909)	46	(863)
Taxation	(2,092)	9	(2,083)	(1,184)	(9)	(1,193)
Profit/(loss) for the year	4,870	(65)	4,805	(2,093)	37	(2,056)
Net profit/(loss) attributable to shareholders	3,933	(65)	3,868	(2,608)	37	(2,571)

2 Revenue and Segment Information (Continued)

(c) Total segment assets

HK$ Million	2021			2020		
	Property Leasing	Property Sales	Total	Property Leasing	Property Sales	Total
Mainland China	141,263	4,883	146,146	133,028	3,735	136,763
Hong Kong	62,351	5,937	68,288	62,589	4,323	66,912
	203,614	10,820	214,434	195,617	8,058	203,675
Interests in joint ventures			1,131			1,161
Other assets			78			77
Deferred tax assets			77			84
Cash and deposits with banks			8,515			6,319
			224,235			211,316

3 Other Net Income

HK$ Million	2021	2020
Government grants	29	21
Gain on disposal of investment properties	17	2
Ineffectiveness on cash flow hedges	–	1
Dividend income from equity investments measured at FVTOCI	1	–
Others	8	26
	55	50

4 Net Interest Expense

HK$ Million	2021	2020
Interest income on bank deposits	73	63
Interest expense on bank loans and other borrowings	1,410	1,403
Interest on lease liabilities	16	15
Other borrowing costs	61	52
Total borrowing costs	1,487	1,470
Less: Borrowing costs capitalized (Note)	(1,000)	(1,296)
Finance costs	487	174
Net interest expense	(414)	(111)

Note:

The borrowing costs were capitalized at an average rate of 3.7% (2020: 4.5%) per annum to properties under development.

5 Profit/(Loss) Before Taxation

HK$ Million	2021	2020
Profit/(loss) before taxation is arrived at after charging:		
Cost of properties sold	–	5
Staff costs (Note)	1,485	1,272
Depreciation	61	48
Auditors' remuneration		
– audit services	10	9
– non-audit services	3	2
and after crediting:		
Rental and related income from investment properties less direct outgoings of HK$2,859 million (2020: HK$2,474 million)	7,462	6,437

Note:

The staff costs included employee share-based payments of HK$66 million (2020: HK$55 million). If the amounts not recognized in the statement of profit or loss, including amounts capitalized, were accounted for, staff costs would have been HK$1,793 million (2020: HK$1,559 million).

6 Emoluments of Directors and Senior Management

The Nomination and Remuneration Committee consists of three Independent Non-Executive Directors. The Committee makes recommendation to the Board on the Non-Executive Director's and Independent Non-Executive Directors' remuneration packages and determines the remuneration package of individual Executive Directors. The emoluments of Executive Directors are determined by their scope of responsibility and accountability, and performance, taking into consideration of the Group's performance and profitability, market practice and prevailing business conditions, etc.

6 Emoluments of Directors and Senior Management (Continued)

(a) Directors' emoluments

Details of directors' emoluments are summarized below:

HK$ Million Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	The Group's contributions to retirement schemes	2021	2020
Executive Directors						
Ronnie C. Chan	1.1	28.6	10.8	2.9	43.4	42.8
Adriel Chan	0.8	12.3	6.1	1.2	20.4	12.0
Weber W.P. Lo	0.8	19.2	14.2	1.0	35.2	34.7
H.C. Ho	0.8	5.5	4.3	0.5	11.1	10.8
Kenneth K.K. Chiu (Appointed on October 6, 2021)	0.2	1.2	2.8	0.1	4.3	–
Non-Executive Director						
Philip N.L. Chen	0.8	–	–	–	0.8	0.7
Independent Non-Executive Directors						
Nelson W.L. Yuen	0.9	–	–	–	0.9	0.7
Dominic C.F. Ho	1.2	–	–	–	1.2	1.2
Andrew K.C. Chan	1.0	–	–	–	1.0	0.9
H.K. Chang	1.1	–	–	–	1.1	1.1
Anita Y.M. Fung	1.0	–	–	–	1.0	0.9
Ex-Director						
Ronald J. Arculli (Retired as independent non-executive director on April 30, 2021)	0.3	–	–	–	0.3	0.9
2021	10.0	66.8	38.2	5.7	120.7	106.7
2020	9.5	60.6	31.7	4.9	106.7	

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, four (2020: four) are existing directors of the Company whose emoluments are disclosed in note 6(a). The emoluments in respect of the remaining one (2020: one) individual are as follows:

HK$ Million	2021	2020
Salaries, allowances and benefits in kind	3.1	5.8
Discretionary bonuses	6.6	3.1
The Group's contributions to retirement schemes	0.2	0.4
	9.9	9.3

(c) In addition to the above emoluments, certain directors of the Company were granted share options under the share option schemes of the Company, details of which are disclosed in note 26(b).

7 Taxation in the Consolidated Statement of Profit or Loss

(a) Taxation in the consolidated statement of profit or loss represents:

HK$ Million	2021	2020
Current tax		
Hong Kong Profits Tax	303	394
Under-provision in prior years	2	2
	305	396
Mainland China Income Tax	1,041	797
Total current tax	1,346	1,193
Deferred tax		
Changes in fair value of properties	621	(42)
Other origination and reversal of temporary differences	116	42
Total deferred tax (Note 20(b))	737	–
Total income tax expense	2,083	1,193

Provision for Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year. Mainland China Income Tax represents mainland China Corporate Income Tax calculated at 25% (2020: 25%) and mainland China withholding income tax calculated at the applicable rates. The withholding tax rate applicable to Hong Kong companies in respect of dividend distributions from foreign investment enterprises in mainland China was 5% (2020: 5%).

(b) Share of joint ventures' taxation for the year ended December 31, 2021 of HK$7 million (2020: HK$8 million) is included in the "share of profits/(losses) of joint ventures".

(c) Reconciliation between actual tax expense and profit/(loss) before taxation at applicable tax rates is as follows:

HK$ Million	2021	2020
Profit/(loss) before taxation	6,888	(863)
Notional tax on profit/(loss) before taxation at applicable rates	1,421	(38)
Tax effect of non-taxable income	(31)	(244)
Tax effect of non-deductible expenses	412	769
Tax effect of unrecognized temporary differences	(20)	283
Tax effect of unrecognized tax losses	299	421
Under-provision in prior years	2	2
Actual tax expense	2,083	1,193

8 Dividends

(a) Dividends attributable to the year

HK$ Million	2021	2020
Interim dividend declared and paid of HK18 cents (2020: HK17 cents) per share	810	765
Final dividend of HK60 cents (2020: HK59 cents) per share proposed after the end of the reporting period	2,699	2,653
	3,509	3,418

The dividend proposed after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

(b) The final dividend of HK$2,653 million (calculated based on HK59 cents per share and the total number of issued shares as of the dividend pay-out date) for the year ended December 31, 2020 were approved and paid in the year ended December 31, 2021 (2020: HK$2,653 million).

9 Earnings/(Loss) Per Share

(a) The calculation of basic and diluted earnings/(loss) per share is based on the following data:

HK$ Million	2021	2020
Net profit/(loss) attributable to shareholders	3,868	(2,571)

	Number of shares	
	2021	2020
Weighted average number of shares used in calculating basic earnings/(loss) per share	4,498,743,158	4,497,730,513
Effect of dilutive potential ordinary shares – share options	59,576	–
Weighted average number of shares used in calculating diluted earnings/(loss) per share	4,498,802,734	4,497,730,513

(b) The underlying net profit attributable to shareholders, which excluded changes in fair value of properties net of related income tax and non-controlling interests, is calculated as follows:

HK$ Million	2021	2020
Net profit/(loss) attributable to shareholders	3,868	(2,571)
Effect of changes in fair value of properties	(460)	6,664
Effect of corresponding income tax	621	(42)
Effect of changes in fair value of investment properties of joint ventures	28	129
	189	6,751
Non-controlling interests	308	21
	497	6,772
Underlying net profit attributable to shareholders	4,365	4,201

The earnings per share based on underlying net profit attributable to shareholders was:

	2021	2020
Basic	HK$0.97	HK$0.93
Diluted	HK$0.97	HK$0.93

10 Property, Plant and Equipment

HK$ Million	Investment properties	Investment properties under development	Others	Total
Cost or valuation:				
At January 1, 2020	159,534	27,602	611	187,747
Exchange adjustment	6,034	1,789	25	7,848
Additions	544	4,691	56	5,291
Disposals	(4)	–	(5)	(9)
Net decrease in fair value	(4,714)	(1,950)	–	(6,664)
Transfer in/(out)	2,997	(2,997)	–	–
Transfer to properties for sale (Note 16)	–	(1,591)	–	(1,591)
Transfer to assets held for sale (Note 17)	(69)	–	–	(69)
At December 31, 2020 and January 1, 2021	164,322	27,544	687	192,553
Exchange adjustment	**3,341**	**558**	**27**	**3,926**
Additions	**376**	**1,878**	**94**	**2,348**
Disposals	**(53)**	**–**	**(8)**	**(61)**
Net increase/(decrease) in fair value	**1,665**	**(776)**	**–**	**889**
Transfer in/(out)	**7,805**	**(7,805)**	**–**	**–**
Transfer from properties for sale (Note 16)	**–**	**1,000**	**–**	**1,000**
At December 31, 2021	**177,456**	**22,399**	**800**	**200,655**
Accumulated depreciation:				
At January 1, 2020	–	–	377	377
Exchange adjustment	–	–	13	13
Charge for the year	–	–	48	48
Written back on disposals	–	–	(4)	(4)
At December 31, 2020 and January 1, 2021	–	–	434	434
Exchange adjustment	**–**	**–**	**22**	**22**
Charge for the year	**–**	**–**	**61**	**61**
Written back on disposals	**–**	**–**	**(7)**	**(7)**
At December 31, 2021	**–**	**–**	**510**	**510**
Net book value:				
At December 31, 2021	**177,456**	**22,399**	**290**	**200,145**
At December 31, 2020	164,322	27,544	253	192,119

Cost or valuation of the property, plant and equipment is made up as follows:

	Investment properties	Investment properties under development	Others	Total
December 31, 2021				
Valuation	**177,456**	**22,399**	**–**	**199,855**
Cost	**–**	**–**	**800**	**800**
	177,456	**22,399**	**800**	**200,655**
December 31, 2020				
Valuation	164,322	27,544	–	191,866
Cost	–	–	687	687
	164,322	27,544	687	192,553

10 Property, Plant and Equipment (Continued)

(a) The investment properties include right-of-use assets.

(b) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties and investment properties under development measured at the end of the reporting period on a recurring basis, categorized into a three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique is as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs

HK$ Million	Fair value measurement at 2021		
	Level 1	Level 2	Level 3
Investment properties	–	177,456	–
Investment properties under development	–	–	22,399

HK$ Million	Fair value measurement at 2020		
	Level 1	Level 2	Level 3
Investment properties	–	164,322	–
Investment properties under development	–	–	27,544

The Group's policy is to recognize transfers between levels of fair value hierarchy at the time at which they occur. During the year, other than the transfers from investment properties under development to investment properties upon their completion, there were no transfers between levels of fair value hierarchy.

The Group's investment properties and investment properties under development were revalued as of December 31, 2021 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, on a market value basis. Management has discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

10 Property, Plant and Equipment (Continued)

(b) Fair value measurement of properties (Continued)

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the Group's investment properties is determined by using income capitalization approach with reference to current market rents and capitalization rates using market data.

(iii) Information about Level 3 fair value measurements

The fair value of investment properties under development is determined by using direct comparison approach, with reference to comparable market transactions as available in the market to derive the fair value of the property and, where appropriate, after deducting the following items:

- Estimated development costs to be expended to complete the properties that would be incurred by a market participant; and
- Estimated profit margin that a market participant would require to hold and develop the property to completion.

The higher the estimated development costs or profit margin, the lower the fair value of investment properties under development.

The main Level 3 unobservable inputs used by the Group are as follows:

The total estimated development costs to be incurred for each of the Group's investment properties under development ranged from HK$0.2 billion to HK$11.2 billion (2020: HK$0.2 billion to HK$11.1 billion). The estimates are largely consistent with the budgets developed internally by the Group based on management experience and knowledge of market conditions.

The movements in the investment properties under development during the year represent the movements in the balances of these Level 3 fair value measurements.

Fair value adjustments of investment properties and investment properties under development is recognized in "net increase/(decrease) in fair value of properties" in the consolidated statement of profit or loss.

10 Property, Plant and Equipment (Continued)

(c) An analysis of net book value of investment properties and investment properties under development is as follows:

HK$ Million	Investment properties		Investment properties under development	
	2021	2020	**2021**	2020
In Hong Kong				
– long-term leases (over 50 years)	**39,304**	39,956	**–**	–
– medium-term leases (10 to 50 years)	**20,503**	20,658	**1,500**	483
Outside Hong Kong				
– long-term leases (over 50 years)	**–**	–	**28**	23
– medium-term leases (10 to 50 years)	**117,649**	103,708	**20,871**	27,038
	177,456	164,322	**22,399**	27,544

(d) The net book value of other property, plant and equipment of the Group included long-term leases of HK$13 million (2020: HK$14 million) in respect of land and buildings held in Hong Kong, medium-term leases of HK$4 million (2020: HK$4 million) and long-term leases of HK$29 million (2020: HK$30 million) in respect of land and buildings held outside Hong Kong.

11 Leases

(a) As a lessee

The Group leases properties for property leasing business and administrative use.

Most of the Group's leased properties meet the definition of investment properties and are presented in the consolidated statement of financial position as investment properties. The Group did not recognize right-of-use assets and lease liabilities for other leases that are of short-term or of low-value assets.

Amounts recognized in profit or loss:

HK$ Million	**2021**	2020
Interest on lease liabilities	**16**	15
Expenses relating to short-term leases	**8**	10
	24	25

Lease liabilities recognized in the consolidated statement of financial position:

HK$ Million	**2021**	2020
Current liabilities	**31**	26
Non-current liabilities	**305**	302
	336	328

A maturity analysis of lease liabilities is disclosed in note 28(b).

11 Leases (Continued)

(a) As a lessee (Continued)

Amounts included in the cash flow statement:

HK$ Million	2021	2020
Within operating cash flows	(8)	(10)
Within financing cash flows	(28)	(23)
	(36)	(33)

(b) As a lessor

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to five years, with an option to renew the lease after that date, at which time all terms are renegotiated. Certain long-term leases contain rent review or adjustment clauses and the Group has a regular proportion of leases up for renewal each year. Certain leases include variable lease payments calculated with reference to the revenue of tenants.

Lease income from lease contracts in which the Group acts as a lessor is as below:

HK$ Million	2021	2020
Operating leases		
Fixed or variable depending on an index or rate	7,561	6,966
Variable not depending on an index or rate	1,656	1,024
	9,217	7,990

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments under non-cancellable operating leases to be received after the reporting date.

HK$ Million	2021	2020
Within 1 year	6,799	6,012
After 1 year but within 2 years	4,833	3,893
After 2 years but within 3 years	3,003	2,297
After 3 years but within 4 years	1,720	1,360
After 4 years but within 5 years	959	805
After 5 years	744	882
	18,058	15,249

12 Interests in Joint Ventures

HK$ Million	2021	2020
Share of net assets	**1,131**	1,161

Details of principal joint ventures are set out in note 36. The aggregate financial information related to the Group's share of joint ventures that are not individually material are as follows:

HK$ Million	2021	2020
Non-current assets	**1,158**	1,182
Current assets	**7**	10
Non-current liabilities	**(10)**	(9)
Current liabilities	**(24)**	(22)
Net assets	**1,131**	1,161

HK$ Million	2021	2020
Revenue	**54**	59
Profits/(losses) and total comprehensive income for the year	**8**	(88)

13 Other Assets

As of December 31, 2021, other assets comprised investments in unlisted equity instruments of HK$78 million (2020: HK$77 million), which were measured at fair value through other comprehensive income. These equity instruments are of Ever Light Limited, a company engaged in property leasing, and are expected to be held for long-term strategic purposes.

14 Cash and Deposits with Banks

HK$ Million	2021	2020
Cash at banks	**4,021**	1,324
Time deposits	**4,494**	4,995
Cash and deposits with banks in the consolidated statement of financial position	**8,515**	6,319
Less: Bank deposits with maturity greater than 3 months	**(124)**	(1,285)
Cash and cash equivalents in the consolidated cash flow statement	**8,391**	5,034

During the year, the Group's cash and deposits with banks were interest-bearing at an average rate of 1.9% (2020: 1.7%) per annum. The currencies of cash and deposits with banks at the year end date were as follows:

HK$ Million	2021	2020
Hong Kong Dollars	**5,484**	2,584
Hong Kong Dollar equivalent of:		
Renminbi	**2,885**	3,602
United States Dollars	**146**	133
	8,515	6,319

After deducting cash and deposits with banks from bank loans and other borrowings, the net debt position of the Group at the end of the reporting period was as follows:

HK$ Million	2021	2020
Bank loans and other borrowings (Note 18)	**45,695**	37,917
Less: Cash and deposits with banks	**(8,515)**	(6,319)
Net debt	**37,180**	31,598

15 Trade and Other Receivables

(a) Included in trade and other receivables are trade receivables (based on the due date) with the following aging analysis:

HK$ Million	2021	2020
Not past due or less than 1 month past due	117	115
1 – 3 months past due	7	25
More than 3 months past due	4	11
	128	151

Provision for expected credit losses was assessed and adequately made on a tenant-by- tenant basis, based on the historical default experience and forward-looking information that may impact the tenants' ability to repay the outstanding balances. The details on the Group's credit policy are set out in note 28(c).

(b) Included in "other receivables" of the Group is a deposit of land acquisition in mainland China of HK$306 million (2020: HK$297 million).

16 Properties for Sale

HK$ Million	2021	2020
In mainland China		
– Properties under development for sale	4,883	3,735
In Hong Kong		
– Completed properties for sale	1,025	966
– Properties under development for sale	4,882	3,287
	5,907	4,253
	10,790	7,988

During the year ended December 31, 2021, one of the properties under development for sale in Hong Kong with a carrying amount of HK$1,429 million (2020: Nil) were transferred to investment properties under development upon the change in intended use. The fair value of these properties at the date of transfer was HK$1,000 million (Note 10). The difference between the fair value and carrying amount was included in "net increase/(decrease) in fair value of properties" in the consolidated statement of profit or loss.

During the year ended December 31, 2020, investment properties under development with a carrying amount of HK$1,591 million were transferred to properties for sale upon the change in intended use (Note 10).

All properties under development for sale are expected to be recovered after more than one year.

17 Assets Held for Sale

The balance at December 31, 2020 represented 44 car parking spaces at AquaMarine and The Long Beach in Hong Kong which were disposed of in the first half of 2021.

The investment properties were stated at fair value with reference to the agreed selling prices as stated in the sale and purchase agreements and the fair value measurement of the properties was classified as Level 2 valuation (Note 10(b)(i)) as there was no significant unobservable input.

18 Bank Loans and Other Borrowings

At the end of the reporting period, bank loans and other borrowings were unsecured and repayable as follows:

HK$ Million	2021	2020
Bank loans (Note 18(a))		
Within 1 year or on demand	2,262	1,794
After 1 year but within 2 years	6,898	2,804
After 2 years but within 5 years	17,563	12,574
Over 5 years	1,654	1,627
	28,377	18,799
Other borrowings (Note 18(b))		
Within 1 year or on demand	5,822	5,673
After 1 year but within 2 years	680	5,800
After 2 years but within 5 years	6,420	6,185
Over 5 years	4,550	1,600
	17,472	19,258
	45,849	38,057
Less: unamortized front end fees	(154)	(140)
Total bank loans and other borrowings	45,695	37,917
Amount due within 1 year included under current liabilities	(8,079)	(7,464)
	37,616	30,453

18 Bank Loans and Other Borrowings (Continued)

(a) All bank loans are interest-bearing at rates ranging from 0.7% to 5.5% (2020: 0.7% to 5.5%) per annum.

Certain of the Group's borrowings are attached with financial covenants which require that at any time, the Group's consolidated tangible net worth is not less than and the ratio of borrowings to consolidated tangible net worth is not more than certain required levels. During the year, all these covenants have been complied with by the Group.

At December 31, 2021, the Group had HK$14,645 million (2020: HK$12,563 million) of undrawn committed banking facilities.

(b) Other borrowings represent bonds issued at coupon rates ranging from 2.00% to 4.75% (2020: 2.20% to 5.00%) per annum.

At December 31, 2021, the available balances of the Group's USD4 billion (2020: USD4 billion) Medium Term Note Program amounted to USD1,760 million (2020: USD1,670 million), equivalent to HK$13,722 million (2020: HK$12,945 million).

19 Trade and Other Payables

HK$ Million	2021	2020
Creditors and accrued expenses (Note 19(a))	7,797	8,255
Contract liabilities (Note 19(b))	180	61
Deposits received (Note 19(c))	2,918	2,662
	10,895	10,978

(a) Creditors and accrued expenses include retention money payable of HK$387 million (2020: HK$304 million) which is not expected to be settled within one year.

Included in trade and other payables is an amount of HK$601 million (2020: HK$601 million) due to a fellow subsidiary, which is the joint developer of a project in which the Group and the fellow subsidiary hold respective interests of 66.67% and 33.33%. The amount represents the contribution by the fellow subsidiary in proportion to its interest to finance the project, and is unsecured, non-interest bearing and has no fixed terms of repayment.

19 Trade and Other Payables (Continued)

(b) Contract liabilities

(i) Building management fees and other income from property leasing received in advance of HK$91 million (2020: HK$61 million)

Building management fees and other rental related charges are due for payment on the first day of the service period. The fees and charges received before the payment due date are classified as contract liabilities and recognized as revenue when the services are rendered.

(ii) Property sales proceeds received in advance of HK$89 million (2020: Nil)

Typically, the Group receives 10% of the consideration from buyers shortly after signing the preliminary sale and purchase agreement (S&P) of residential properties. The prevailing terms require buyers to pay the remaining balance within 120 or 300 days after signing the S&P, or upon legal assignment of completed properties. Proceeds received in advance are recognized as contract liabilities until the legal title is transferred to the buyer, at which time the contract liabilities are recognized as revenue.

The above balance included HK$55 million (2020: Nil) which are expected to be recognized as revenue after one year.

(c) In the amount of deposits received, HK$1,552 million (2020: HK$1,493 million) are not expected to be settled within one year.

Included in trade and other payables are trade creditors with the following aging analysis:

HK$ Million	2021	2020
Due within 3 months	1,666	4,339
Due after 3 months	3,141	2,021
	4,807	6,360

20 Taxation in the Consolidated Statement of Financial Position

(a) Current taxation

HK$ Million	2021	2020
Hong Kong Profits Tax	83	124
Mainland China Income Tax	414	482
	497	606

(b) Deferred taxation

HK$ Million	2021	2020
Deferred tax liabilities	14,428	13,299
Deferred tax assets	(77)	(84)
	14,351	13,215

20 Taxation in the Consolidated Statement of Financial Position (Continued)

(b) Deferred taxation (Continued)

The components of deferred tax liabilities/(assets) recognized in the consolidated statement of financial position and the movements during the year are as follows:

HK$ Million	Depreciation allowances in excess of related depreciation	Revaluation of properties	Future benefit of tax losses	Others	Total
At January 1, 2020	1,655	10,782	(71)	93	12,459
Exchange adjustments	77	687	–	2	766
Charged/(credited) to					
– profit or loss (Note 7(a))	106	(42)	(3)	(61)	–
– other comprehensive income	–	–	–	(10)	(10)
At December 31, 2020 and January 1, 2021	1,838	11,427	(74)	24	13,215
Exchange adjustments	**39**	**343**	**–**	**10**	**392**
Charged/(credited) to					
– profit or loss (Note 7(a))	**166**	**621**	**(72)**	**22**	**737**
– other comprehensive income	**–**	**–**	**–**	**7**	**7**
At December 31, 2021	**2,043**	**12,391**	**(146)**	**63**	**14,351**

(c) Deferred tax assets not recognized

The Group has not recognized deferred tax assets in respect of tax losses of HK$7,846 million (2020: HK$8,136 million) sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilized is not probable at December 31, 2021. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from the operations in mainland China expire five years after the relevant accounting year end date.

21 Share Capital

	2021		2020	
	Number of shares Million	**Amount of share capital HK$ Million**	Number of shares Million	Amount of share capital HK$ Million
Ordinary shares, issued and fully paid:				
At January 1	**4,498**	**39,916**	4,498	39,915
Shares issued under share option scheme	**1**	**34**	–	1
At December 31	**4,499**	**39,950**	4,498	39,916

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

22 Reserves

(a) The Group

HK$ Million	Other reserves						
	Exchange reserve	Hedging reserve	Investment revaluation reserve	Employee share-based compensation reserve	Total	Retained profits	Total reserves
At January 1, 2020	(3,688)	(7)	87	764	(2,844)	101,598	98,754
Loss for the year	–	–	–	–	–	(2,571)	(2,571)
Exchange difference arising from translation to presentation currency	5,709	–	–	–	5,709	–	5,709
Net investment hedge – net loss	(80)	–	–	–	(80)	–	(80)
Cash flow hedges: net movement in hedging reserve	–	(60)	–	–	(60)	–	(60)
Net change in fair value of equity investments	–	–	(10)	–	(10)	–	(10)
Total comprehensive income for the year	5,629	(60)	(10)	–	5,559	(2,571)	2,988
Final dividend in respect of previous year	–	–	–	–	–	(2,653)	(2,653)
Interim dividend in respect of current year	–	–	–	–	–	(765)	(765)
Employee share-based payments	–	–	–	(134)	(134)	189	55
At December 31, 2020 and January 1, 2021	1,941	(67)	77	630	2,581	95,798	98,379
Profit for the year	–	–	–	–	–	3,868	3,868
Exchange difference arising from translation to presentation currency	2,882	–	–	–	2,882	–	2,882
Net investment hedge – net loss	(9)	–	–	–	(9)	–	(9)
Cash flow hedges: net movement in hedging reserve	–	50	–	–	50	–	50
Net change in fair value of equity investments	–	–	1	–	1	–	1
Total comprehensive income for the year	2,873	50	1	–	2,924	3,868	6,792
Final dividend in respect of previous year	–	–	–	–	–	(2,653)	(2,653)
Interim dividend in respect of current year	–	–	–	–	–	(810)	(810)
Issue of shares	–	–	–	(5)	(5)	–	(5)
Employee share-based payments	–	–	–	(132)	(132)	198	66
At December 31, 2021	**4,814**	**(17)**	**78**	**493**	**5,368**	**96,401**	**101,769**

22 Reserves (Continued)

(a) The Group (Continued)

The retained profits of the Group at December 31, 2021 included HK$922 million (2020: HK$921 million) in respect of statutory reserves of the subsidiaries in mainland China.

The exchange reserve of the Group comprises exchange differences arising from the translation of the Group's operations in mainland China and the effective portion of any foreign exchange differences arising from hedging of net investments in foreign operations (Note 1(l)(2)).

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss (Note 1(l)(1)).

The table below provides a reconciliation of the hedging reserve in respect of interest rate risk (Note 28(a)) and currency risk (Note 28(d)):

HK$ Million	Interest rate risk	Currency risk	Total
At January 1, 2020	–	(7)	(7)
Effective portion of cash flow hedge recognized in other comprehensive income	(69)	(63)	(132)
Amount reclassified to profit or loss	10	52	62
Related tax	10	–	10
At December 31, 2020 and January 1, 2021	(49)	(18)	(67)
Effective portion of cash flow hedge recognized in other comprehensive income	**14**	**37**	**51**
Amount reclassified to profit or loss	**30**	**(24)**	**6**
Related tax	**(7)**	**–**	**(7)**
At December 31, 2021	**(12)**	**(5)**	**(17)**

The investment revaluation reserve comprises the cumulative net change in the fair value of equity investments measured at FVTOCI (Note 1(j)).

The employee share-based compensation reserve comprises the fair value of share options granted which are not yet exercised, as explained in note 1(aa).

22 Reserves (Continued)

(b) The Company

HK$ Million	Employee share-based compensation reserve	Retained profits	Total reserves
At January 1, 2020	764	22,796	23,560
Profit and total comprehensive income for the year	–	3,740	3,740
Final dividend in respect of previous year	–	(2,653)	(2,653)
Interim dividend in respect of current year	–	(765)	(765)
Employee share-based payments	(134)	189	55
At December 31, 2020 and January 1, 2021	630	23,307	23,937
Profit and total comprehensive income for the year	**–**	**3,383**	**3,383**
Final dividend in respect of previous year	**–**	**(2,653)**	**(2,653)**
Interim dividend in respect of current year	**–**	**(810)**	**(810)**
Issue of shares	**(5)**	**–**	**(5)**
Employee share-based payments	**(132)**	**198**	**66**
At December 31, 2021	**493**	**23,425**	**23,918**

The aggregate amount of the Company's reserves available for distribution to equity shareholders of the Company at December 31, 2021 was HK$23,425 million (2020: HK$23,307 million).

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders, and to secure access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in the light of changes in the Group's business portfolio and economic conditions.

The Group monitors its capital structure by reviewing its leveraging ratio (net debt to equity ratio and debt to equity ratio) and cash flow requirements, taking into account future financial obligations and commitments. Net debt represents bank loans and other borrowings less cash and deposits with banks. Equity comprises shareholders' equity and non-controlling interests.

The Group has a net debt position as of December 31, 2021 (Note 14). Net debt to equity ratio and debt to equity ratio as of December 31, 2021 were 24.4% (2020: 21.3%) and 30.0% (2020: 25.6%), respectively. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

23 Cash Generated from Operations

HK$ Million	2021	2020
Profit/(loss) before taxation	**6,888**	(863)
Adjustments for:		
Gain on disposal of investment properties	**(17)**	(2)
Dividend income from equity investments measured at FVTOCI	**(1)**	–
Loss on disposal of other property, plant and equipment	**1**	1
Ineffectiveness on cash flow hedges	**–**	(1)
Employee share-based payments	**66**	55
Depreciation	**61**	48
Net (increase)/decrease in fair value of properties	**(460)**	6,664
Interest income on bank deposits	**(73)**	(63)
Finance costs	**487**	174
Share of (profits)/losses of joint ventures	**(8)**	88
Increase in properties for sale	**(3,408)**	(318)
Increase in trade and other receivables	**(243)**	(1,218)
Increase in creditors and accrued expenses and contract liabilities	**704**	219
Increase in deposits received	**204**	38
Cash generated from operations	**4,201**	4,822

24 Reconciliation of Liabilities Arising from Financing Activities

HK$ Million	Bank loans and other borrowings (Note 18)	Lease liabilities (Note 11)	Total
At January 1, 2020	29,673	316	29,989
Cash flows	7,455	(23)	7,432
Non-cash changes:			
Unwind of discount and amortization of transaction costs	49	15	64
Exchange adjustment	740	20	760
At December 31, 2020 and January 1, 2021	37,917	328	38,245
Cash flows	**7,314**	**(28)**	**7,286**
Non-cash changes:			
Entering into new leases	**–**	**10**	**10**
Unwind of discount and amortization of transaction costs	**86**	**16**	**102**
Exchange adjustment	**378**	**10**	**388**
At December 31, 2021	**45,695**	**336**	**46,031**

25 Commitments

At the end of the reporting period, capital commitments not provided for in the financial statements were as follows:

HK$ Million	**2021**	2020
Contracted for	**5,975**	4,304
Authorized but not contracted for	**13,162**	15,045
	19,137	19,349

The above commitments include mainly the construction related costs to be incurred in respect of the Group's development of investment properties in various cities in mainland China.

26 Employee Benefits

(a) Retirement benefits

Staff of the Group's entities operating in Hong Kong are offered either an MPF Exempted Occupational Retirement Scheme (the "ORSO Scheme") or a master trust Mandatory Provident Fund Scheme (the "MPF Scheme"). The eligibility for membership of the ORSO and MPF schemes is identical for new employees.

The ORSO Scheme is a defined contribution provident fund scheme, the assets of which are held separately from those of the Group by an independent corporate trustee and managed by professional fund managers. Contributions are made by both the employer and the employees at a certain percentage of employees' basic salaries, the percentage varying with their length of service. When an employee leaves the scheme prior to his or her interest in the Group's contributions being fully vested, forfeited contributions are refunded to the Group. Total contributions made by the Group for the year amounted to HK$34 million (2020: HK$35 million) and forfeited sums refunded to the Group amounted to HK$4 million (2020: HK$7 million).

The MPF Scheme is operated by an independent service provider. Mandatory contributions are made by both the employer and the employees at 5% of the employees' monthly relevant income, up to a limit of HK$30,000. The Group's contributions will be fully and immediately vested in the employees' accounts as their accrued benefits in the scheme. Total MPF contributions made by the Group for the year amounted to HK$7 million (2020: HK$8 million).

Staff of the Group's mainland China subsidiaries are members of a retirement benefits scheme (the "Mainland RB Scheme") operated by the local municipal government in mainland China. The only obligation of the subsidiaries in mainland China is to contribute a certain percentage of their payroll to Mainland RB Scheme to fund the retirement benefits. The local municipal government in mainland China undertakes to assume the retirement benefits obligations of all existing and future retired employees of subsidiaries in mainland China. Total contributions made by subsidiaries in mainland China for the year amounted to HK$62 million (2020: HK$12 million).

26 Employee Benefits (Continued)

(b) Equity compensation benefits

The share option scheme adopted by the Company on November 22, 2002 (the "2002 Share Option Scheme") was terminated upon the adoption of a new share option scheme on April 18, 2012 (the "2012 Share Option Scheme", together with the 2002 Share Option Scheme are referred to as the "Schemes"). No further options shall be offered under the 2002 Share Option Scheme, but in all other respects the provisions of the 2002 Share Option Scheme shall remain in full force and effect and all options granted prior to such termination and not exercised at the date of termination shall remain valid. The 2012 Share Option Scheme remains in force for a period of 10 years commencing on its adoption date and expiring on the tenth anniversary thereof.

The purposes of the Schemes are to enable the Company to grant options to selected participants as incentives or rewards for their contributions to the Group, to attract skilled and experienced personnel, to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interest in the Company.

Under the Schemes, the board of directors of the Company (the "Board") is authorized to grant options to selected participants, including employees and directors of any company in the Group, subject to the terms and conditions such as performance targets as the Board may specify on a case-by-case basis or generally. The exercise price of the options is determined by the Board at the time of grant, and shall not be less than the higher of the nominal value of the shares, the closing price of the shares at the date of grant and the average closing price of the shares for the five business days immediately preceding the date of grant. The period open for acceptance of the option and amount payable thereon, the vesting period, the exercisable period and the number of shares subject to each option are determined by the Board at the time of grant.

As of the date of this report, the total number of shares available for issue under the 2012 Share Option Scheme is 143,791,553 shares, representing 3.20% of the total number of issued shares of the Company. The total number of shares issued and to be issued upon exercise of options (including both exercised and outstanding) granted to each participant in any 12-month period shall not exceed 1% of the shares of the Company in issue.

26 Employee Benefits (Continued)

(b) Equity compensation benefits (Continued)

The movements of share options during the year are as follows:

(i) 2002 Share Option Scheme

Date granted	Number of share options Outstanding on January 1, 2021	Forfeited/ Lapsed	**Outstanding on December 31, 2021**	Period during which options are exercisable	Exercise price (HK$)
June 13, 2011	17,620,000	(17,620,000)	**–**	June 13, 2013 to June 12, 2021	30.79

All the above options may vest after two to five years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No options were exercised or cancelled during the year.

During the year, 600,000 options (2020: 720,000 options) were forfeited upon cessations of a grantee's employment and 17,020,000 options (2020: 25,380,000 options) lapsed due to the expiry of the period for exercising the options.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2021		2020	
	Weighted average exercise price (HK$)	**Number of options**	Weighted average exercise price (HK$)	Number of options
Outstanding at January 1	**30.79**	**17,620,000**	30.27	43,720,000
Forfeited	**30.79**	**(600,000)**	30.79	(720,000)
Lapsed	**30.79**	**(17,020,000)**	29.89	(25,380,000)
Outstanding at December 31	**–**	**–**	30.79	17,620,000
Exercisable at December 31	**–**	**–**	30.79	17,620,000

26 Employee Benefits (Continued)

(b) Equity compensation benefits (Continued)

(ii) 2012 Share Option Scheme

Date granted	Number of share options: Outstanding on January 1, 2021	Granted	Exercised	Forfeited/ Lapsed	Outstanding on December 31, 2021	Period during which options are exercisable	Exercise price (HK$)
June 4, 2013	24,220,000	–	–	(1,380,000)	**22,840,000**	June 4, 2015 to June 3, 2023	28.20
December 5, 2014	20,820,000	–	–	(1,000,000)	**19,820,000**	December 5, 2016 to December 4, 2024	22.60
August 10, 2017	32,931,000	–	(1,396,000)	(1,352,000)	**30,183,000**	August 10, 2019 to August 9, 2027	19.98
May 16, 2018	10,000,000	–	–	–	**10,000,000**	May 16, 2020 to May 15, 2028	18.98
June 28, 2019	48,819,000	–	(65,000)	(3,792,100)	**44,961,900**	June 28, 2021 to June 27, 2029	18.58
May 12, 2021	–	65,505,000	–	(2,400,000)	**63,105,000**	May 12, 2023 to May 11, 2031	19.95
October 6, 2021	–	2,000,000	–	–	**2,000,000**	October 6, 2023 to October 5, 2031	17.65
Total	136,790,000	67,505,000	(1,461,000)	(9,924,100)	**192,909,900**		

All the above options may vest after two to five years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No options were cancelled during the year.

In respect of options granted during the year, the closing share prices immediately before the dates of grant ranged from HK$17.44 to HK$19.48.

During the year, 9,924,100 options (2020: 10,407,500 options) were forfeited upon cessations of the grantees' employments.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2021		2020	
	Weighted average exercise price (HK$)	**Number of options**	Weighted average exercise price (HK$)	Number of options
Outstanding at January 1	**21.26**	**136,790,000**	21.26	147,278,500
Granted	**19.88**	**67,505,000**	–	–
Exercised	**19.92**	**(1,461,000)**	19.98	(81,000)
Forfeited	**20.84**	**(9,924,100)**	21.25	(10,407,500)
Outstanding at December 31	**20.81**	**192,909,900**	21.26	136,790,000
Exercisable at December 31	**23.35**	**68,265,990**	24.50	55,919,300

26 Employee Benefits (Continued)

(b) Equity compensation benefits (Continued)

(ii) 2012 Share Option Scheme (Continued)

The weighted average closing share prices immediately before the dates of exercise by the director and employees during the year were HK$19.46 and HK$21.17 respectively.

The weighted average closing share price at the dates of exercise for share options exercised during the year was HK$20.53.

The weighted average remaining contractual life of options outstanding at the end of the reporting period was 6.6 years (2020: 6.2 years).

The weighted average fair value of share options granted was estimated at the date of grant using the Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted. In respect of the share options granted during the year, the fair value, terms and conditions, and assumptions, in weighted average, are as follows:

Fair value at grant date	HK$2.65
Share price at grant date	HK$19.54
Exercise price	HK$19.88
Risk-free interest rate	0.73%
Expected life (in years)	6
Expected volatility	25.34%
Expected dividends per share	HK$0.76

The expected volatility is based on the historical volatility and the expected dividends per share are based on historical dividends. Changes in the above assumptions could materially affect the fair value estimate.

(iii) In respect of share options granted to the directors, the related charge recognized for the year ended December 31, 2021, estimated in accordance with the Group's accounting policy in note 1(aa)(2) was as follows:

(1) Mr. Ronnie C. Chan, HK$4.4 million (2020: HK$3.7 million);
(2) Mr. Adriel Chan, HK$3.4 million (2020: HK$2.6 million);
(3) Mr. Weber W.P. Lo, HK$8.1 million (2020: HK$8.7 million);
(4) Mr. H.C. Ho, HK$2.8 million (2020: HK$2.4 million);
(5) Mr. Kenneth K.K. Chiu, HK$0.3 million (2020: Nil); and
(6) Mr. Philip N.L. Chen, HK$1.0 million (2020: HK$1.5 million).

27 Material Related Party Transactions

Except for the emoluments to directors and key management personnel disclosed in notes 6 and 26(b) and the transactions and balances already disclosed elsewhere in the financial statements, the Group did not have any material related party transactions in the ordinary course of business.

None of the above related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

28 Financial Risk Management Objectives and Policies

Exposure to interest rate, liquidity, credit and currency risks arises in the normal course of the Group's business. The Group has policies and practices approved by management as described below in managing these risks.

(a) Interest rate risk

The Group's interest rate risk arises primarily from deposits with banks and floating rate bank borrowings. Interest rate trends and movements are closely monitored and, if appropriate, existing borrowings will be replaced with new bank facilities when favorable pricing opportunities arise.

The Group enters into floating-for-fixed interest rate swaps to manage its exposure to interest rate risk. In addition, the Group maintains the Medium Term Note Program which facilitates the Group to mitigate future interest rate volatility and re-financing risks.

The Group has designated the interest rate swaps in their entirety as the hedging instruments of the interest rate risk on variability in cash flows arising from certain floating rate bank loans. The table below summarizes the details of hedging instruments as of the end of the reporting period and the effect of the hedge accounting during the year:

HK$ Million	**2021**	2020
Notional amount of hedging instruments	**4,500**	4,500
Carrying amount of hedging instruments		
– Trade and other payables	**(15)**	(59)
Change in fair value used for measuring hedge ineffectiveness		
– Hedging instruments	**14**	(69)
– Hedged items	**(14)**	69
Change in fair value of hedging instruments recognized in other comprehensive income	**14**	(69)
Amount reclassified from hedging reserve to profit or loss that are charged to finance costs	**30**	10

These interest rate swaps will mature in 2023, of which the Group receives Hong Kong Interbank Offered Rate and pays fixed rates ranging from 0.7% to 0.79%. The hedge ratio is determined to be 1:1 as the Group uses interest rate swaps to match the critical terms of the bank loans, including the notional amounts, benchmark interest rates, interest repricing dates and interest payment/receipt dates. Hedge ineffectiveness is expected to be insignificant.

After taking into account the effect of interest rate swaps, the interest rate risk profile of the Group's borrowings at the end of the reporting period is as follows:

HK$ Million	**2021**	2020
Fixed	**21,998**	23,772
Floating	**23,697**	14,145
Total borrowings	**45,695**	37,917

28 Financial Risk Management Objectives and Policies (Continued)

(a) Interest rate risk (Continued)

Based on the simulations performed at year end in relation to the Group's bank deposits as disclosed in note 14 and floating rate borrowings as listed above, it was estimated that the impact of a 100 basis-point increase in market interest rates from the rates applicable at the year end date, with all other variables held constant, would increase the Group's annual net interest payments by approximately HK$153 million (2020: HK$79 million).

This analysis is based on a hypothetical situation, as in practice market interest rates rarely change in isolation, and should not be considered a projection of likely future profits or losses. The analysis assumes the following:

– changes in market interest rates affect the interest income and interest expense of floating rate financial instruments and bank loans (after taking into account the effect of interest rate swaps); and

– all other financial assets and liabilities are held constant.

The analysis was performed on the same basis for 2020.

(b) Liquidity risk

The Group manages surplus cash centrally and the liquidity risk of the Company and subsidiaries at the corporate level. The Group maintains adequate amount of cash and undrawn committed bank facilities to meet all funding requirements. Significant flexibility is achieved through diverse sources of committed credit lines for capturing future expansion opportunities.

HK$ Million		Contractual undiscounted cash flow				
	Carrying amount	**Total**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**
Bank loans and other borrowings	**45,695**	**50,164**	**9,272**	**8,548**	**25,397**	**6,947**
Trade and other payables	**10,895**	**10,895**	**8,956**	**914**	**872**	**153**
Lease liabilities	**336**	**487**	**31**	**29**	**83**	**344**
At December 31, 2021	**56,926**	**61,546**	**18,259**	**9,491**	**26,352**	**7,444**

HK$ Million		Contractual undiscounted cash flow				
	Carrying amount	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Bank loans and other borrowings	37,917	42,519	8,711	9,532	20,299	3,977
Trade and other payables	10,978	10,978	9,181	966	749	82
Lease liabilities	328	491	26	26	79	360
At December 31, 2020	49,223	53,988	17,918	10,524	21,127	4,419

28 Financial Risk Management Objectives and Policies (Continued)

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables with tenants and deposits held with reputable banks and financial institutions.

The Group maintains a defined credit policy including stringent credit evaluation on and payment of a rental deposit from tenants. In addition to the payment of rental deposits, tenants are required to pay monthly rents in respect of leased properties in advance. Receivables are regularly reviewed and closely monitored to minimize any associated credit risk.

Surplus cash is placed with reputable banks and financial institutions in accordance with pre-determined limits based on credit ratings and other factors to minimize concentration risk.

The Group does not provide any financial guarantee which would expose the Group to material credit risk.

There are no significant concentrations of credit risk within the Group.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

The Group measures loss allowances for trade receivables with tenants in accordance with note 1(m).

(d) Currency risk

The Group adopts a conservative risk management policy to manage foreign currency exposure. The level of hedge is decided through cost and benefit analysis with reference to prevailing market situation. If appropriate, the Group may use derivative financial instruments solely for hedging purposes. These derivatives reduce the uncertainty of interest payments and principal repayments of foreign currency debts and can be entered into on or after the issuance of a foreign currency debt.

Currency risk arises from assets and liabilities denominated in a currency other than the functional currency of the Group's entities to which they related. The Group has bonds outstanding amounting to USD550 million (2020: USD1,000 million). The currency risk arising from the USD denominated bonds is hedged by back-to-back USD/HKD cross currency swaps, at exchange rate of 7.75 HKD/USD and fixed interest rates ranging from 2.03% to 4.715% per annum. These swaps will mature in 2022 and 2028.

28 Financial Risk Management Objectives and Policies (Continued)

(d) Currency risk (Continued)

The Group has designated the cross currency swaps in their entirety as the hedging instruments of the foreign currency risk arising from the USD denominated bonds. The table below summarizes the details of hedging instruments as of the end of the reporting period and the effect of the hedge accounting during the year:

HK$ Million	2021	2020
Notional amount of hedging instruments	4,263	7,750
Carrying amount of hedging instruments		
– Trade and other receivables	26	2
– Trade and other payables	–	(1)
Change in fair value used for measuring hedge ineffectiveness		
– Hedging instruments	37	(62)
– Hedged items	(37)	63
Hedge ineffectiveness* recognized in profit or loss		
– Other net income	–	1
Change in fair value of hedging instruments recognized in other comprehensive income	37	(63)
Amount reclassified from hedging reserve to profit or loss that are charged/(credited) to		
– Finance costs	9	15
– Other net income	(33)	37

* The hedge ratio is determined to be 1:1 as all critical terms were matched. However, as certain cross currency swaps were entered into before the date they were designated as the hedging instruments, ineffectiveness arose as the terms of these cross currency swaps were not exactly the same as the market position of the bonds.

The Group engages in property development and investments in mainland China through local subsidiaries whose net carrying values are exposed to currency risk. In addition, the Group has Renminbi deposits of RMB2,359 million (2020: RMB3,026 million), for which there are currency risks but which are held to meet ongoing Renminbi payment obligations in relation to development projects in mainland China. Where appropriate, the Group seeks to minimize the exposure to currency risk in mainland China through borrowings denominated in Renminbi.

The Group has designated its Renminbi denominated borrowings outside mainland China as a hedging instrument for the changes in the value of the net investment in mainland China attributable to changes in the HKD/RMB spot rate. It is the Group's policy to monitor the currency risk arising from the net investment in mainland China and to adjust the hedging strategy when necessary. The risk management policy and hedging strategy are reviewed in light of the changes in the value of the Group's total net investment in mainland China.

The carrying amount of the Renminbi denominated borrowings designated as hedging instruments at December 31, 2021 was HK$98 million (2020: HK$1,287 million). The hedge was determined to be fully effective as the carrying value of the hedged item did not drop below the carrying amount of the hedging instrument throughout the hedging period. A foreign exchange loss of HK$9 million (2020: loss of HK$80 million) was recognized in the Group's other comprehensive income for the year on translation of the Renminbi denominated borrowings to Hong Kong dollars.

28 Financial Risk Management Objectives and Policies (Continued)

(d) Currency risk (Continued)

Management estimated that a 5% (2020: 5%) appreciation/depreciation of Renminbi against Hong Kong dollar would increase/decrease the Group's equity attributable to shareholders by HK$5,083 million (2020: HK$4,731 million).

The above analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2020.

(e) Fair value

The fair value of the Group's financial instruments are measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique is as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

(i) Financial assets and liabilities measured at fair value

(1) The level of fair value hierarchy within which the fair value measurements are categorized and analyzed below:

HK$ Million	Fair value		Fair value measurements categorized into
	2021	2020	
Financial assets			
Trade and other receivables			
Cross currency swaps (cash flow hedges)	**26**	2	Level 2
Other assets			
Investment in equity instruments	**78**	77	Level 3
Financial liabilities			
Trade and other payables			
Cross currency swaps (cash flow hedges)	**–**	(1)	Level 2
Interest rate swaps (cash flow hedges)	**(15)**	(59)	Level 2

28 Financial Risk Management Objectives and Policies (Continued)

(e) Fair value (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

The fair value of the cross currency swaps and interest rate swaps is determined based on the amount that the Group would receive or pay to terminate the swaps at the end of the reporting period taking into account current interest rates and current creditworthiness of the swap counter-parties.

The fair value of non-publicly traded equity investments is determined by reference to the net asset value of these investments.

(2) Transfers of instruments between the three-level fair value hierarchy

During the year, there were no transfers of instruments between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as of the end of the reporting period in which they occur.

(ii) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortized cost were not materially different from their fair values as of December 31, 2020 and 2021.

29 Significant Accounting Estimates and Judgments

Key sources of estimation uncertainty

Note 10(b) contains information about the assumptions and the risk relating to valuation of investment properties and investment properties under development.

Besides, the Group determines the net realizable value of properties for sale based on estimation of future selling price less estimated costs of completion and costs to be incurred in relation to the sale, with reference to the prevailing market data and market survey reports available from independent property valuers.

30 Company-Level Statement of Financial Position

At December 31, 2021

HK$ Million	Note	2021	2020
Non-current assets			
Interests in subsidiaries	31	**64,971**	67,022
Current assets			
Cash and deposits with banks		**1**	1
Trade and other receivables		**5**	4
Amount due from a subsidiary	31(b)	**–**	1,188
		6	1,193
Current liabilities			
Trade and other payables		**23**	51
Borrowings		**–**	1,191
		23	1,242
Net current liabilities		**17**	49
Total assets less current liabilities		**64,954**	66,973
Non-current liabilities			
Amounts due to subsidiaries	31(c)	**1,086**	3,120
NET ASSETS		**63,868**	63,853
Capital and reserves			
Share capital	21	**39,950**	39,916
Reserves	22(b)	**23,918**	23,937
TOTAL EQUITY		**63,868**	63,853

Weber W.P. Lo
Chief Executive Officer

H.C. Ho
Chief Financial Officer

31 Interests in Subsidiaries and Amount due from a Subsidiary

HK$ Million	2021	2020
Non-current assets		
Unlisted shares, at cost	8	8
Amounts due from subsidiaries (Note 31(b))	64,963	67,014
	64,971	67,022
Current asset		
Amount due from a subsidiary (Note 31(b))	–	1,188

(a) Details of principal subsidiaries are set out in note 35.

(b) Amounts due from subsidiaries are unsecured, interest-free with no fixed terms of repayment and classified as non-current assets as they are not expected to be recoverable within the next 12 months (2020: except for an amount of HK$1,188 million under current assets which was interest bearing at 5.25% per annum).

(c) Amounts due to subsidiaries are unsecured, interest-free with no fixed terms of repayment and classified as non-current liabilities as they are not expected to be repaid within the next 12 months.

32 Ultimate Holding Company

The ultimate holding company is Hang Lung Group Limited, a company incorporated in Hong Kong.

33 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended December 31, 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended December 31, 2021 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's financial statements.

34 Approval Of Financial Statements

The financial statements were approved and authorized for issue by the Board of Directors on January 27, 2022.

35 Principal Subsidiaries

At December 31, 2021

Company	Issued Share Capital (HK$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Antonis Limited*	10,000	100	100	Property leasing	Hong Kong
AP City Limited	2	100	–	Property leasing	Hong Kong
AP Joy Limited	2	100	–	Property leasing	Hong Kong
AP Properties Limited				Property leasing	Hong Kong
'A' shares	34	100	–		
'B' shares	6	100	–		
AP Star Limited*	2	100	–	Investment holding	Hong Kong
AP Success Limited	2	100	–	Property leasing	Hong Kong
AP Universal Limited*	2	100	–	Property leasing	Hong Kong
AP Win Limited*	1,000,000	100	–	Property leasing	Hong Kong
AP World Limited	2	100	100	Property leasing	Hong Kong
Bonna Estates Company Limited	1,000,000	100	100	Property leasing	Hong Kong
Caddo Enterprises, Limited*	4,000,000	100	–	Property leasing	Hong Kong
Country Bond Development Limited				Investment holding	Hong Kong
'A' shares	990	79.8	–		
'B' share	1	100	–		
Dokay Limited*	2	100	–	Property leasing	Hong Kong
Easegood Enterprises Limited	2	100	–	Investment holding	Hong Kong
Fu Yik Company Limited*	3	100	–	Property leasing	Hong Kong
Gala Ruby Limited*	2	100	100	Investment holding	Hong Kong
Grand Centre Limited	4	100	–	Property leasing	Hong Kong
Grand Hotel Group Limited	10,200	100	–	Apartment operating & management	Hong Kong
Grand Hotel Holdings Limited				Investment holding	Hong Kong
'A' shares	1,004,834,694	100	–		
'B' shares	6,000,000	100	–		
Hang Chui Company Limited	2	100	–	Property leasing	Hong Kong
Hang Far Company Limited*	2	100	–	Investment holding	Hong Kong
Hang Fine Company Limited	200	100	–	Property leasing	Hong Kong
Hang Kwok Company Limited*	10,000	100	–	Property leasing	Hong Kong
Hang Lung (Administration) Limited	10,000	100	100	Management services	Hong Kong
Hang Lung (Dalian) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung (Jiangsu) Limited	1	100	–	Investment holding	Hong Kong

35 Principal Subsidiaries (Continued)

At December 31, 2021

Company	Issued Share Capital (HK$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Hang Lung (Jinan) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung (Kunming) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung (Liaoning) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung (Shenyang) Limited	2	100	–	Investment holding	Hong Kong
Hang Lung (Tianjin) Limited	2	100	–	Investment holding	Hong Kong
Hang Lung (Wuhan) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung (Wuxi) Limited	1	100	–	Investment holding	Hong Kong
Hang Lung Gala Place Limited	2	100	–	Property leasing	Hong Kong
Hang Lung Project Management Limited*	10,000	100	100	Project management	Hong Kong
Hang Lung Property Management Limited*	100,000	100	–	Property management	Hong Kong
Hang Lung Real Estate Agency Limited*	2	100	100	Property agencies	Hong Kong
Hang Top Limited*	3	66.7	–	Investment holding	Hong Kong
Hang Wise Company Limited*	200	66.7	–	Property development	Hong Kong
HLP (China) Administrative Limited	1	100	–	Management services	Hong Kong
HLP (China) Limited	2	100	100	Investment holding	Hong Kong
HLP Finance Limited#	US$1	100	100	Financial services	British Virgin Islands
HLP Financial Services Limited	RMB1	100	–	Financial services	Hong Kong
HLP Treasury Limited	2	100	100	Financial services	Hong Kong
HLP Treasury Services Limited*	2	100	–	Financial services	Hong Kong
Hoi Sang Limited*	2	100	–	Investment holding	Hong Kong
Lockoo Limited*	1,000,002	100	–	Property development	Hong Kong
Mansita Limited*	2	100	–	Property leasing	Hong Kong
Modalton Limited	2	100	–	Property leasing	Hong Kong
Palex Limited*	2	100	–	Property leasing	Hong Kong
Passion Success Limited*	1	100	–	Investment holding	Hong Kong
Pocaliton Limited	2	100	–	Property leasing	Hong Kong
Rago Star Limited	2	100	–	Property leasing	Hong Kong
Stooket Limited	2	100	100	Property leasing	Hong Kong
Superlane Development Limited	1,000	66.7	–	Property development	Hong Kong
Tegraton Limited	2	100	–	Property leasing	Hong Kong
Total Select Limited	1	100	–	Property development	Hong Kong
Wai Luen Investment Company, Limited*	100,000	100	–	Property leasing	Hong Kong
Yangli Limited*	2	100	–	Property leasing	Hong Kong

35 Principal Subsidiaries (Continued)

At December 31, 2021

Wholly Foreign Owned Enterprises in Mainland China	Registered Capital	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Dalian Hang Lung Properties Ltd.	RMB5,586,877,355	100	–	Property development & leasing	Mainland China
Hangzhou Hang Lung Properties Ltd.	RMB11,767,500,000	100	–	Property development	Mainland China
Hubei Hang Lung Property Development Co., Ltd.	RMB7,900,000,000	100	–	Property development & leasing	Mainland China
Kunming Hang Ying Properties Ltd.	RMB8,055,634,575	100	–	Property development & leasing	Mainland China
Liaoning Hang Lung Properties Ltd.	RMB8,040,096,324	100	–	Property development & leasing	Mainland China
Shandong Hang Lung Properties Ltd.	US$385,000,000	100	–	Property development & leasing	Mainland China
Shenyang Hang Lung Properties Ltd.	US$349,990,000	100	–	Property development & leasing	Mainland China
Tianjin Hang Lung Properties Ltd.	HK$5,329,600,000	100	–	Property development & leasing	Mainland China
Wuxi Hang Lung Properties Ltd.	RMB4,691,746,261	100	–	Property development & leasing	Mainland China
Wuxi Hang Ying Properties Ltd.	RMB960,716,180	100	–	Property development	Mainland China

Equity Joint Ventures in Mainland China	Registered Capital (US$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Shanghai Hang Bond Property Development Co., Ltd.	167,004,736	82	–	Property development & leasing	Mainland China
Shanghai Kong Hui Property Development Co., Ltd.	165,000,000	69.3^	–	Property development & leasing	Mainland China

Operated in Hong Kong

* Not audited by KPMG

^ Represents the Group's attributable interest in the commercial portion of the properties held either directly or indirectly by the subsidiary

The above list gives the principal subsidiaries of the Group which in the opinion of the directors, principally affect the profit and assets of the Group.

36 Joint Ventures

At December 31, 2021

Company	Issued Share Capital (HK$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Country Link Enterprises Limited	5,000,000	36.8	–	Investment holding	Hong Kong
Ease Smart Development Limited				Investment holding	Hong Kong
'A' share	1	–	–		
'B' share	1	100	–		
Star Play Development Limited*	3	33.3	–	Property leasing	Hong Kong

* Not audited by KPMG

Ten-Year Financial Summary

in HK$ million (unless otherwise stated)	2021	2020	2019
CONSOLIDATED STATEMENT OF PROFIT OR LOSS			
Revenue			
Property leasing	10,321	8,911	8,556
Property sales	–	62	296
	10,321	8,973	8,852
Operating profit/(loss)			
Property leasing	7,462	6,437	6,325
Property sales	(91)	44	162
	7,371	6,481	6,487
Underlying net profit attributable to shareholders	4,365	4,201	4,474
Effect of changes in fair value of properties	(497)	(6,772)	1,698
Net profit/(loss) attributable to shareholders	3,868	(2,571)	6,172
Dividends for the year	(3,509)	(3,418)	(3,418)
	359	(5,989)	2,754
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Net assets employed (Note 1)			
Investment properties	177,456	164,322	159,534
Investment properties under development	22,399	27,544	27,602
Properties for sale	10,790	7,988	5,642
Other assets	5,075	5,143	3,896
	215,720	204,997	196,674
Other liabilities	(26,156)	(25,211)	(22,495)
	189,564	179,786	174,179
Financed by			
Shareholders' equity	141,719	138,295	138,669
Non-controlling interests	10,665	9,893	9,143
Net debt/(cash)	37,180	31,598	26,367
	189,564	179,786	174,179
Number of shares issued (in million)	4,499	4,498	4,498
PER SHARE DATA			
Basic earnings/(loss) (HK$)	$0.86	($0.57)	$1.37
Dividends (HK cents)	78¢	76¢	76¢
Interim	18¢	17¢	17¢
Final	60¢	59¢	59¢
Net assets attributable to shareholders (HK$)	$31.5	$30.7	$30.8
FINANCIAL INDICATORS			
Dividend payout ratio	91%	N/A	55%
Underlying dividend payout ratio	80%	81%	76%
Net debt to equity	24.4%	21.3%	17.8%
Debt to equity	30.0%	25.6%	20.1%
Interest cover (times)	5	4	4
Return on average shareholders' equity	2.8%	N/A	4.5%

Note:

1. Net assets employed are presented by excluding net debt/cash.

2018	2017	2016	2015	2014	2013	2012
8,181	7,779	7,737	7,751	7,216	6,638	6,098
1,227	3,420	5,322	1,197	9,814	2,500	1,274
9,408	**11,199**	**13,059**	**8,948**	**17,030**	**9,138**	**7,372**
6,060	5,672	5,710	5,704	5,589	5,326	4,896
762	2,238	3,209	844	7,419	1,511	846
6,822	**7,910**	**8,919**	**6,548**	**13,008**	**6,837**	**5,742**
4,093	**5,530**	**6,341**	**4,387**	**10,022**	**5,050**	**6,178**
3,985	2,594	(146)	705	1,682	2,162	2,217
8,078	**8,124**	**6,195**	**5,092**	**11,704**	**7,212**	**8,395**
(3,374)	(3,374)	(3,373)	(3,373)	(3,409)	(3,359)	(3,313)
4,704	**4,750**	**2,822**	**1,719**	**8,295**	**3,853**	**5,082**
136,676	134,444	125,421	129,425	120,137	107,587	98,223
31,186	21,592	17,282	16,709	25,611	30,478	24,482
2,442	1,612	2,352	3,830	4,046	5,695	6,109
3,786	3,832	5,527	2,765	3,439	4,199	3,025
174,090	161,480	150,582	152,729	153,233	147,959	131,839
(15,606)	(16,521)	(15,680)	(16,355)	(19,078)	(16,134)	(14,150)
158,484	**144,959**	**134,902**	**136,374**	**134,155**	**131,825**	**117,689**
137,561	136,158	126,565	128,989	132,327	124,534	117,928
6,033	6,087	5,580	5,903	6,676	6,633	6,050
14,890	2,714	2,757	1,482	(4,848)	658	(6,289)
158,484	144,959	134,902	136,374	134,155	131,825	117,689
4,498	4,498	4,498	4,497	4,485	4,479	4,477
$1.80	$1.81	$1.38	$1.13	$2.61	$1.61	$1.88
75¢	75¢	75¢	75¢	76¢	75¢	74¢
17¢	17¢	17¢	17¢	17¢	17¢	17¢
58¢	58¢	58¢	58¢	59¢	58¢	57¢
$30.6	$30.3	$28.1	$28.7	$29.5	$27.8	$26.3
42%	42%	54%	66%	29%	47%	39%
82%	61%	53%	77%	34%	66%	54%
10.4%	1.9%	2.1%	1.1%	0.0%	0.5%	0.0%
19.0%	17.4%	20.5%	24.3%	25.2%	26.7%	24.0%
7	11	16	16	24	19	61
5.9%	6.2%	4.8%	3.9%	9.1%	5.9%	7.3%

Glossary

Financial Terms

Finance costs	Total of interest expense on total borrowings and other borrowing costs, net of amount capitalized
Total borrowings	Total of bank loans & other borrowings, net of unamortized other borrowing costs
Net debt	Total borrowings net of cash and deposits with banks
Net profit/(loss) attributable to shareholders	Profit/(loss) for the year (after tax) less amounts attributable to non-controlling interests
Underlying net profit attributable to shareholders	Net profit/(loss) attributable to shareholders excluding changes in fair value of properties net of related income tax and non-controlling interests

Financial Ratios

$$\text{Basic earnings/(loss) per share} = \frac{\text{Net profit/(loss) attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Debt to equity} = \frac{\text{Total borrowings}}{\text{Total equity}}$$

$$\text{Net assets attributable to shareholders per share} = \frac{\text{Shareholders' equity}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Net debt to equity} = \frac{\text{Net debt}}{\text{Total equity}}$$

$$\text{Interest cover} = \frac{\text{Profit from operations before changes in fair value of properties}}{\text{Finance costs before capitalization less interest income}}$$

$$\text{Payout ratio} = \frac{\text{Dividends attributable to the year}}{\text{Net profit attributable to shareholders}}$$

General Terms

AGM	annual general meeting of the Company
Articles of Association	the articles of association of the Company
Board	board of Directors
Board Member(s)	Director(s) of the Board
CEO	chief executive officer
CFO	chief financial officer
CG Code	Corporate Governance Code contained in Appendix 14 to the Listing Rules
Companies Ordinance	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company	Hang Lung Properties Limited
CRM	customer relationship management
Director(s)	director(s) of the Company
ERM	enterprise risk management
ESG	environmental, social and governance
ESG Guide	Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Listing Rules
Executive Board Member(s)	executive Director(s) of the Board
Group	the Company and its subsidiaries
HKEX	Hong Kong Exchanges and Clearing Limited
HKSAR	the Hong Kong Special Administrative Region of the People's Republic of China
HLG	Hang Lung Group Limited (the ultimate listed holding company of the Company)
INED(s)	independent non-executive Director(s)
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
NED	non-executive Director
RMB	Renminbi
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Stock Exchange	The Stock Exchange of Hong Kong Limited

Corporate Information

Directors

Ronnie C. Chan *GBM (Chair)*
Adriel Chan *(Vice Chair)*
Weber W.P. Lo *(Chief Executive Officer)*
Nelson W.L. Yuen*
Dominic C.F. Ho*
Philip N.L. Chen#
Andrew K.C. Chan *BBS, JP**
H.K. Chang *GBS, JP**
Anita Y.M. Fung *BBS, JP**
H.C. Ho *(Chief Financial Officer, retired on March 1, 2022)*
Kenneth K.K. Chiu *(Chief Financial Officer Designate, became Chief Financial Officer on March 1, 2022)*

\# *Non-Executive Director*
* *Independent Non-Executive Director*

Audit Committee

Dominic C.F. Ho *(Chair)*
Andrew K.C. Chan *BBS, JP*
H.K. Chang *GBS, JP*
Anita Y.M. Fung *BBS, JP*

Nomination and Remuneration Committee

Nelson W.L. Yuen *(Chair)*
Dominic C.F. Ho
H.K. Chang *GBS, JP*

Authorized Representatives

Weber W.P. Lo
Winnie Ma

Company Secretary

Winnie Ma

Registered Office

28th Floor, Standard Chartered Bank Building
4 Des Voeux Road Central, Hong Kong
Tel: 2879 0111
Fax: 2868 6086
Website: http://www.hanglung.com
Email: HLProperties@hanglung.com

Auditor

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

Financial Calendar

2021

July

Announcement of interim results	July 29, 2021

September

Interim dividend paid	September 29, 2021

2022

January

Announcement of annual results	January 27, 2022

April

Latest time for lodging transfers (for attending and voting at annual general meeting)	4:30 p.m. on April 21, 2022
Closure of share register (for attending and voting at annual general meeting)	April 22 to 27, 2022 (both days inclusive)
Annual general meeting (Details are set out in the notice of annual general meeting accompanying this annual report)	10:00 a.m. on April 27, 2022

May

Latest time for lodging transfers (for final dividend)	4:30 p.m. on May 3, 2022
Closure of share register (for final dividend)	May 4, 2022
Proposed final dividend payable	May 19, 2022

Listing Information

At December 31, 2021

4,499,260,670 shares listed on The Stock Exchange of Hong Kong Limited

Stock Code

Hong Kong Stock Exchange: 00101
Reuters: 0101.HK
Bloomberg: 101 HK

Board Lot Size (Share)

1,000

American Depositary Receipt (ADR)

Sponsored Level-1 (Over the Counter)
CUSIP Number/Ticker Symbol: 41043M104/HLPPY
ADR to Underlying Share Ratio: 1:5
Depositary Bank: The Bank of New York Mellon
Website: http://www.adrbnymellon.com

Share Registrar

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Tel: 2862 8555
Fax: 2865 0990

Investor Relations Contact

Joyce Kwock
Email: ir@hanglung.com

Share Information

	Share Price High HK$	Share Price Low HK$	Total Trading Volume Number of Shares ('000)
2021			
First quarter	22.60	18.88	309,878
Second quarter	22.25	18.84	211,057
Third quarter	22.00	16.80	273,429
Fourth quarter	18.68	15.08	267,139
Share Price as at December 31, 2021:			**HK$16.04**
Market Capitalization as at December 31, 2021:			**HK$72.17 billion**

	Share Price High HK$	Share Price Low HK$	Total Trading Volume Number of Shares ('000)
2020			
First quarter	19.38	13.78	507,557
Second quarter	18.60	14.90	456,296
Third quarter	22.55	18.14	369,947
Fourth quarter	21.80	18.36	253,172
Share Price as at December 31, 2020:			**HK$20.45**
Market Capitalization as at December 31, 2020:			**HK$91.98 billion**

If there is any discrepancy or inconsistency between the English and the Chinese versions, the English version shall prevail.

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