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*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities. This announcement does not constitute or form a part of any offer of securities for sale in the United States. The securities referred to herein and the guarantee of the securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state or other jurisdictions of the United States or any other jurisdiction and the securities may not be offered or sold within the United States, or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws.*

***This announcement and the listing document referred to herein have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever.** For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) and the Guarantor (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

***Notice to Hong Kong investors**: The Issuer and the Guarantor confirm that the Notes (as defined in the Offering Circular) are intended for purchase by Professional Investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and the Programme (as defined below) has been listed on The Stock Exchange of Hong Kong Limited on that basis. This announcement is for distribution to Professional Investors only. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF THE OFFERING CIRCULAR

HENDERSON LAND MTN LIMITED

(incorporated in the British Virgin Islands with limited liability)

(the "**Issuer**")

U.S.$7,000,000,000
Medium Term Note Programme

unconditionally and irrevocably guaranteed by

恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock code: 12)

(the "**Guarantor**")

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**").

Please refer to the offering circular dated 6 May 2022 (the "**Offering Circular**") appended herein in relation to the U.S.$7,000,000,000 Medium Term Note Programme (the "**Programme**") of Henderson Land MTN Limited (the "**Issuer**") unconditionally and irrevocably guaranteed by Henderson Land Development Company Limited (the "**Guarantor**"). As disclosed in the Offering Circular, any notes to be issued under the Programme (the "**Notes**") will be intended for purchase by Professional Investors (as defined in Chapter 37 of the Listing Rules) only and the Programme has been listed on the Hong Kong Stock Exchange on that basis.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Circular.

Hong Kong, 10 May 2022

As at the date of this announcement, the Directors of the Issuer are Fung Lee Woon King, Lee King Yue, Dr Lee Ka Shing and Kwok Ping Ho.

As at the date of this announcement, the Directors of the Guarantor are Dr Lee Ka Kit (Chairman and Managing Director), Dr Lee Ka Shing (Chairman and Managing Director), Dr Lam Ko Yin, Colin (Vice Chairman), Dr Lee Shau Kee, Yip Ying Chee, John, Fung Lee Woon King, Kwok Ping Ho, Suen Kwok Lam, Wong Ho Ming, Augustine and Fung Hau Chung, Andrew as Executive Directors; Lee Tat Man and Lee Pui Ling, Angelina as Non-executive Directors; and Kwong Che Keung, Gordon, Professor Ko Ping Keung, Wu King Cheong, Woo Ka Biu, Jackson, Professor Poon Chung Kwong and Au Siu Kee, Alexander as Independent Non-executive Directors.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

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Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must not be located in the United States. This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to us that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person.

The materials relating to the offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, The Hongkong and Shanghai Banking Corporation Limited (the "Arranger"), Bank of China (Hong Kong) Limited, BOCI Asia Limited, BNP Paribas, China Construction Bank (Asia) Corporation Limited, Citigroup Global Markets Limited, Credit Agricole Corporate and Investment Bank, DBS Bank Ltd., The Hongkong and Shanghai Banking Corporation Limited, Mizuho Securities Asia Limited, Morgan Stanley & Co International plc., MUFG Securities EMEA plc, Oversea-Chinese Banking Corporation, SMBC Nikko Securities (Hong Kong) Limited and Standard Chartered Bank (the "Dealers"), any person who controls the Arranger or the Dealers, any director, officer, employee nor agent of the Issuer or the Guarantor or the Arranger or the Dealers, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

HENDERSON LAND MTN LIMITED

(*incorporated in the British Virgin Islands with limited liability*)

(*as Issuer*)

恒基兆業地產有限公司

HENDERSON LAND DEVELOPMENT COMPANY LIMITED

(*incorporated in Hong Kong with limited liability*)

(Stock code: 12)

(*as Guarantor*)

U.S.$7,000,000,000

Medium Term Note Programme

Under the U.S.$7,000,000,000 Guaranteed Medium Term Note Programme described in this Offering Circular (the "Programme"), Henderson Land MTN Limited ("HLMTN") (in such capacity, the "Issuer"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue guaranteed medium term notes (the "Notes") unconditionally and irrevocably guaranteed (the "Guarantee") by Henderson Land Development Company Limited (the "Guarantor" or the "Company"). Notes may be issued in bearer or registered form. The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$7,000,000,000 (or its equivalent in other currencies). The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Programme" and any additional Dealer appointed under the Programme from time to time by the Issuer (each, a "Dealer") (collectively, the "Dealers"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Application has been made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Professional Investors")) only during the 12-month period after the date of this document on the Hong Kong Stock Exchange. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risk involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer, the Guarantor and the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "Terms and Conditions of the Notes and each term therein, a "Condition") of Notes will be set out in a pricing supplement (the "Pricing Supplement") which, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange, on or before the date of issue of the Notes of such Tranche.

The Notes of each Series issued in bearer form ("Bearer Notes") will be represented on issue by a temporary global note in bearer form (each, a "Temporary Global Note") or a permanent global note in bearer form (each, a "Permanent Global Note") (collectively, the "Global Note"). Notes in registered form ("Registered Notes") will be represented by registered certificates (each, an "Certificate"), one Certificate being issued in respect of each Noteholder's entire holding of Notes in registered form of one Series. Global Notes and Certificates may be deposited on the relevant issue date with a common depositary on behalf of Euroclear Bank SA/NV ("Euroclear") and/or Clearstream Banking, S.A. ("Clearstream"), or with a sub-custodian for the Central Moneymarkets Unit Service ("CMU") operated by the Hong Kong Monetary Authority. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Summary of Provisions Relating to the Notes while in Global Form".

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes (as defined herein) that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold, or, in the case of Bearer Notes, delivered within the United States. Registered Notes are subject to certain restrictions on transfer, see "Subscription and Sale".

The Issuer and the Guarantor may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. The principal risk factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations in respect of the Notes are discussed under Risk Factors below.

Arranger

HSBC

Dealers

Bank of China (Hong Kong)	**BOC International**	**BNP PARIBAS**	**China Construction Bank (Asia)**
Citigroup	**Credit Agricole CIB**	**DBS Bank Ltd.**	**HSBC**
Mizuho Securities	**Morgan Stanley**	**MUFG**	**OCBC Bank**
SMBC Nikko	**Standard Chartered Bank**		

The date of this Offering Circular is 6 May 2022.

EU MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "EU MiFID II Product Governance" which will outline the target market in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person offering, selling or recommending the Notes (a "distributor") should take into consideration such target market; however, a distributor subject to Directive 2014/65/EU (as amended, "EU MiFID II") is responsible for undertaking its own target market assessment in respect of the Notes and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the EU MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "EU MiFID Product Governance Rules"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the EU MIFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

PRIIPS/IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "EU PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PRIIPS/IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001 (2020 REVISED EDITION) OF SINGAPORE – Unless otherwise notified by the Issuer or the Guarantor to the Dealers, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

The Issuer and the Guarantor, having made all reasonable enquiries, confirms that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and its subsidiaries taken as a whole (the "Group") and the Notes, which is material in the context of the issue and offering of the Notes; (ii) the statements contained herein relating to the Issuer, the Guarantor, the Group and the Notes are in every material respect true and accurate and not misleading; (iii) the statements of intentions, opinions, belief or expectation contained in this Offering Circular with regard to the Issuer, the Guarantor and the Group are honestly and reasonably made or held, have been reached after considering all relevant circumstances; (iv) there are no other facts in relation to the Issuer, the Guarantor, the Group or the Notes, the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKSE Rules") for the purpose of giving information with regard to the Issuer, the Guarantor, the Group, the Notes and the Guarantee of the Notes. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "Terms and Conditions of the Notes" (the "Conditions") as amended and/or supplemented by the Pricing Supplement specific to such Tranche. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, the Arranger and the Dealers to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor, the Arranger or the Dealers represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Arranger or the Dealers which would permit a public offering of any Notes or distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for such purposes is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States of America, the United Kingdom, the European Economic Area, Japan, Singapore, the British Virgin Islands, the Netherlands, the PRC and Hong Kong, and to persons connected therewith. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or, in the case of bearer notes, delivered within the United States. The Notes are being offered and sold outside the United States in reliance on Regulation S under the Securities Act. For a description of certain restrictions on offers, sales and transfers of Notes and on the distribution of this Offering Circular, see "Subscription and Sale".

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

Listing of the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Group, or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering, including the merits and risks involved. See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Notes.

No person has been authorised by the Issuer and the Guarantor to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other document entered into in relation to the Programme and the sale of Notes and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, any Dealer, or the Arranger.

Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer or the Guarantor since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Guarantor, the Arranger, the Dealers, or any director, officer, employee, agent or affiliate of any such person or any of them that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantor.

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed U.S.$7,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into U.S.$ at the date of the agreement to issue such Notes calculated in accordance with the provisions of the Dealer Agreement). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "Subscription and Sale".

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilisation manager(s) (the "Stabilisation Manager") (or persons acting on behalf of any Stabilisation

Manager(s)) in the applicable Pricing Supplement may, to the extent permitted by applicable laws and rules, over allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.

The Arranger and the Dealers have not separately verified the information contained in this Offering Circular. To the fullest extent permitted by law, neither the Arranger nor any of the Dealers, or any director, officer, employee, agent or affiliate of any such person makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. To the fullest extent permitted by law, neither the Arranger nor the Dealers, or any director, officer, employee, agent or affiliate of any such person accept any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by the Arranger, a Dealer, or any director, officer, employee, agent or affiliate of any such person or on its behalf in connection with the Issuer, the Group or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular does not describe all the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisors as to the risks and investment considerations arising from an investment in an issue of Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Arranger or the Dealers, or any director, officer, employee, agent or affiliate of any such person that any recipient, of this Offering Circular or of any such information, should purchase the Notes. Each potential purchaser of Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Group. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. Neither the Arranger nor the Dealers or agent or affiliate of any such person undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arranger or the Dealers or any of them.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to "U.S.$", "USD" and to "U.S. dollars" are to United States dollars; all references to "HK$" and "HKD" are to Hong Kong dollars; all references to "pounds sterling" and "£" are to the currency of the United Kingdom; all references to "euro" and "€" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro as amended; all references to "yen" are to Japanese yen; all references to "Renminbi" and "RMB" are to the currency of the PRC; all references to "United States" or "U.S." are to the United States of America; references to "China", "mainland China" and the "PRC" in this Offering Circular mean the People's Republic of China and for geographical reference only (unless otherwise stated) exclude Taiwan, Macau and Hong Kong; references to "PRC Government" mean the government of the PRC; references to "Hong Kong" are to the Hong Kong Special Administrative Region of the People's Republic of China; references to "Macau" are to the Macao Special Administrative Region of the People's Republic of China; references to "Australia" are to the Commonwealth of Australia; references to the "Philippines" are references to the Republic of the Philippines; and all references to "United Kingdom" are to the United Kingdom of Great Britain and Northern Ireland.

SUPPLEMENTAL OFFERING CIRCULAR

The Issuer has given an undertaking in connection with the listing of the Notes on the Hong Kong Stock Exchange to the effect that, so long as any Notes remain outstanding and listed on the Hong Kong Stock Exchange, the Issuer will prepare a supplement to this Offering Circular or a new Offering Circular upon becoming aware that:

(a) there has been a significant (as defined in the HKSE Rules) change affecting any matter contained in this Offering Circular; or

(b) a significant (as defined in the HKSE Rules) new matter has arisen, the inclusion of information in respect of which would have been required to be in this Offering Circular if it had arisen before this Offering Circular was issued.

FORWARD LOOKING STATEMENTS

Certain statements under "Risk Factors", "Description of the Group" and elsewhere in this Offering Circular constitute "forward-looking statements". The words including "believe", "expect", "plan", "anticipate", "schedule", "estimate" and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Each of the Issuer and the Guarantor expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer's, the Guarantor's or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "Risk Factors" and elsewhere, important factors that could cause actual results to differ materially from the Issuer's or the Guarantor's expectations. All subsequent written and forward-looking statements attributable to the Issuer or the Guarantor or persons acting on behalf of the Issuer or the Guarantor are expressly qualified in their entirety by such cautionary statements.

INFORMATION INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement, the two most recently published audited annual financial statements and any interim financial statements published subsequently to such annual financial statements of the Issuer and the Guarantor from time to time (if any) and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified offices of the Paying Agents and the principal office in Hong Kong of the Fiscal Agent (as defined under "Summary of the Programme") (or such other Paying Agent for the time being in Hong Kong) set out at the end of this Offering Circular.

As at the date of this Offering Circular the Issuer has not published, and the Issuer does not propose to publish, any financial statements. The Guarantor has prepared the audited consolidated financial statements at and for the year ended 31 December 2021. See "Index to Financial Statements". These financial statements of the Guarantor were prepared in conformity with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. See "General Information" for a description of the financial statements currently published by the Guarantor.

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SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this summary.

Issuer	Henderson Land MTN Limited.
Guarantor	Henderson Land Development Company Limited.
Programme Size	Up to U.S.$7,000,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement) outstanding at any time. The Issuer and Guarantor may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Risk Factors	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations in respect of the Notes are discussed under the section "Risk Factors" below.
Arranger	The Hongkong and Shanghai Banking Corporation Limited.
Dealers	Bank of China (Hong Kong) Limited, BOCI Asia Limited, BNP Paribas, China Construction Bank (Asia) Corporation Limited, Citigroup Global Markets Limited, Credit Agricole Corporate and Investment Bank, DBS Bank Ltd., The Hongkong and Shanghai Banking Corporation Limited, Mizuho Securities Asia Limited, Morgan Stanley & Co International plc., MUFG Securities EMEA plc, Oversea-Chinese Banking Corporation, SMBC Nikko Securities (Hong Kong) Limited and Standard Chartered Bank and any other Dealer appointed from time to time by the Issuer and the Guarantor either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Fiscal Agent, Paying Agent and Transfer Agent	The Bank of New York Mellon, London Branch.
Registrar	The Bank of New York Mellon SA/NV, Luxembourg Branch (in respect of Notes other than CMU Notes) and The Bank of New York Mellon, Hong Kong Branch (in respect of CMU Notes).
CMU Lodging and Paying Agent	The Bank of New York Mellon, Hong Kong Branch.
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each, a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each, a "Tranche") on the same or different issue dates. The specific terms of each Tranche (which will be completed,

	where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment date of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.
Clearing Systems	Clearstream, Euroclear and/or the CMU and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Guarantor, the Fiscal Agent (or, the CMU Lodging and Paying Agent, as the case may be), and the relevant Dealer.
Form of Notes	Notes may be issued in bearer form ("Bearer Notes") or in registered form ("Registered Notes"). Registered Notes will not be exchangeable for Bearer Notes and vice versa. Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Global Note will be deposited on or around the date with a common depositary or sub-custodian for Clearstream, Euroclear and/or as the case may be, the CMU and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Registered Notes will initially be represented by Registered Global Notes. Registered Global Notes representing Registered Notes will be registered in the name of a nominee for one or more of Euroclear, Clearstream and the CMU.
Currencies	Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Status of the Notes	The Notes constitute direct, unsubordinated, unconditional, and (subject to the provisions of Condition *5* (*Negative Pledge*)) unsecured obligations of the Issuer and shall at all times rank *pan passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be

	provided by applicable legislation and subject to Condition 5, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations as described in "Terms and Conditions of the Notes — Status and Guarantee".
Status of the Guarantee	The Guarantee of the Notes constitutes a direct, unsubordinated, unconditional and (subject to the provisions of Condition *5* (*Negative Pledge*)) unsecured obligation of the Guarantor. The payment obligations of the Guarantor under the Guarantee of the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 5 at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations as described in "Terms and Conditions of the Notes — Status and Guarantee".
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Maturities	Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Redemption	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Pricing Supplement. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Pricing Supplement. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement.
Tax Redemption	Except as described in "Optional Redemption" above, early redemption will only be permitted for tax reasons as described in Condition 10(b) (*Redemption and Purchase — Redemption for tax reasons*).
Interest	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate

	or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. All such information will be set out in the relevant Pricing Supplement.
Denominations	Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Negative Pledge	The Notes will contain a negative pledge provision as further described in Condition 5 (*Negative Pledge*).
Cross Default	The Notes will contain a cross default provision as further described in Condition 14 (*Events of Default*).
Withholding Tax	All payments in respect of Notes and the Guarantee will be made free and clear of withholding taxes of the British Virgin Islands and Hong Kong, as the case may be, unless the withholding is required by law. In that event, the Issuer or (as the case may be) the Guarantor will (subject to certain customary exceptions as described in Condition 13 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes or, as the case may be, the Guarantee of the Notes, had no such withholding been required.
Listing and Trading	Application has been made to the Hong Kong Stock Exchange for the listing of the Programme for the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only. However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange (or listed, traded or quoted on or by any other competent authority, exchange or quotation system). Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies).
Governing Law	The Notes, the Guarantee of the Notes and any non-contractual obligations arising out of or in connection with the Notes and the Guarantee of the Notes will be governed by, and construed in accordance with, English law.
Enforcement of Notes in Global Form	In the case of Global Notes, individual investors' rights against the Issuer will be governed by a Deed of Covenant dated 30

	August 2011, a copy of which will be available for inspection at the specified office of the Fiscal Agent.
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, the PRC, Hong Kong, Japan, Singapore, the British Virgin Islands and the Netherlands, see "Subscription and Sale" below.
Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream or deposited with a sub-custodian for the CMU or any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealers. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee or a sub-custodian for, such clearing systems.
Legal Entity Identifier	25490062URZHNZQBTW39.

SUMMARY OF FINANCIAL INFORMATION OF THE GUARANTOR

The summary of financial information set forth below has been extracted from the Guarantor's audited consolidated financial statements at and for the year ended 31 December 2021 and should be read in conjunction with the information incorporated into this Offering Circular.

Consolidated Statement of Profit or Loss

	For the year ended 31 December	
	2021	**2020**
	(in HK$ million)	
Revenue	23,527	25,020
Direct costs	(11,445)	(9,717)
	12,082	15,303
Other net income/(loss)	3,127	(98)
Selling and marketing expenses	(1,038)	(1,053)
Administrative expenses	(2,181)	(1,981)
Profit from operations before changes in fair value of investment properties and investment properties under development	11,990	12,171
Increase/(decrease) in fair value of investment properties and investment properties under development	59	(2,413)
Profit from operations after changes in fair value of investment properties and investment properties under development	12,049	9,758
Finance costs	(600)	(558)
Bank interest income	109	354
Net finance costs	(491)	(204)
Share of profits less losses of associates	2,193	2,524
Share of profits less losses of joint ventures	1,627	636
Profit before taxation	15,378	12,714
Income tax	(2,018)	(2,431)
Profit for the year	13,360	10,283
Attributable to:		
Equity shareholders of the Company	13,195	10,192
Non-controlling interests	165	91
Profit for the year	13,360	10,283

	For the year ended 31 December	
	2021	**2020**
Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)		
Basic and diluted	HK$2.73	HK$2.11
Earnings per share excluding the effects of the Group's aggregate attributable share of changes in fair value of investment properties and investment properties under development (net of deferred tax) (underlying earnings per share)		
Basic and diluted	HK$2.81	HK$3.08

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 December	
	2021	**2020**
	(in HK$ million)	
Profit for the year	13,360	10,283
Other comprehensive income for the year-net, after tax and reclassification adjustments:		
Items that will not be reclassified to profit or loss:		
- Investments in equity securities designated as financial assets at fair value through other comprehensive income	(7)	(29)
- Share of other comprehensive income of associates and joint ventures	(49)	(172)
Items that may be reclassified subsequently to profit or loss:		
- Exchange differences	1,569	3,484
- Cash flow hedges	103	(156)
- Share of other comprehensive income of associates and joint ventures	1,149	2,144
Other comprehensive income for the year	2,765	5,271
Total comprehensive income for the year	16,125	15,554
Attributable to:		
Equity shareholders of the Company	15,937	15,454
Non-controlling interests	188	100
Total comprehensive income for the year	16,125	15,554

Consolidated Statement of Financial Position

	At 31 December 2021	At 31 December 2020
	(in HK$ million)	
Non-current assets		
Investment properties	260,241	186,593
Other property, plant and equipment	4,599	400
Right-of-use assets	507	750
Goodwill	262	262
Trademarks	106	-
Interest in associates	53,955	64,838
Interest in joint ventures	80,887	70,043
Derivative financial instruments	769	1,319
Other financial assets	9,103	11,186
Deferred tax assets	698	633
	411,127	336,024
Current assets		
Deposits for acquisition of properties	801	1,052
Inventories	109,180	101,059
Trade and other receivables	16,844	15,864
Cash held by stakeholders	1,405	1,281
Cash and bank balances	10,947	5,807
	139,177	125,063
Current liabilities		
Trade and other payables	28,480	22,304
Amounts due to related companies	111	-
Lease liabilities	290	338
Bank loans	30,207	26,254
Guaranteed notes	1,577	3,078
Tax payable	2,582	2,762
	63,247	54,736
Net current assets	75,930	70,327
Total assets less current liabilities	487,057	406,351

	At 31 December	
	2021	2020
	(in HK$ million)	
Non-current liabilities		
Bank loans	44,151	42,412
Guaranteed notes	23,804	15,675
Amount due to a fellow subsidiary	53,710	4,389
Amounts due to related companies	3,065	2,137
Derivative financial instruments	720	1,190
Lease liabilities	251	435
Provisions for reinstatement costs	5	17
Deferred tax liabilities	9,172	7,904
	134,878	74,159
Net assets	352,179	332,192
Capital and Reserves		
Share capital	52,345	52,345
Other reserves	282,675	275,262
Total equity attributable to equity shareholders of the Company	335,020	327,607
Non-controlling interests	17,159	4,585
Total equity	352,179	332,192

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including but not limited to the risks and uncertainties described below. The following factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. Any of the risks or uncertainties described below, as well as additional risks or uncertainties, including those which are not currently known to the Issuer or the Guarantor or which the Issuer or the Guarantor currently deems to be immaterial, may affect the Guarantor's business, financial condition or results of operations or its ability to fulfil its obligations under the Notes.

Risk relating to the Issuer

The Issuer is a finance vehicle for the Group

The Issuer was established specifically for the purpose of raising finance for the purposes of the Programme and will use the net proceeds from the issue of any Notes to on-lend to the Guarantor and/or its subsidiaries for general corporate purposes. The Issuer does not and will not have any business activities other than the issue of debt securities, and its ability to make payments under the Notes will depend on its receipt of timely remittance of funds from the Guarantor and/or its subsidiaries and other members of the Group.

Risks relating to the Group and its Business

Measures adopted from time to time by the PRC and Hong Kong governments to restrict the real estate market could slow the industry's rate of growth or cause the real estate market to decline

The real estate market in the PRC is highly regulated, and the Hong Kong real estate market is also subject to significant regulations.

The supply of substantially all of the land in the PRC is controlled and regulated by the PRC Government. The land supply policies adopted by the PRC Government directly impact the Group's ability to acquire land use rights for development and the costs of such acquisitions. Property developers must comply with various national and local regulatory requirements promulgated by different tiers of regulators. From time to time, the PRC Government adjusts its macroeconomic policies to encourage or restrict property development which may have a direct impact on the Group's business. During 2017, the PRC Government maintained its regulatory stance towards the mainland property sector. In the implementation of differentiated policies, each city was obligated to initiate appropriate modifications to its housing policies according to local property market conditions. To prevent a further surge in home prices in the major cities and certain popular second-tier cities, four tightening measures, namely restrictions on pricing, purchasing, lending and re-selling, were implemented so as to curb demand from both investors and speculators.

In addition to strictly regulating the lending criteria and loan purpose, more residential sites were released to the market. As a result, residential markets in the major cities experienced steady performance in sales volume and prices, whilst "destocking" policies continued for the other cities. At the 19th National Congress of the Communist Party, the PRC Government set an important directive that "housing was for living in, not for speculation. They would speed up to put in place a housing system that ensures supply through multiple sources, provides housing support through multiple channels, and encourages both housing purchase and renting".

In the first half of 2018, a number of PRC cities continued to implement the four tightening measures. In addition, credit towards the real estate sector was tightened, causing interest rates for housing loans to rise continuously. Starting from the third quarter of 2018, price corrections appeared in certain cities. In the last quarter of 2018, some cities relaxed price restrictions and lowered mortgage interest rates. These had a negative impact on housing prices across a number of cities in the PRC.

In Hong Kong, the Hong Kong Monetary Authority has implemented regulatory measures in recent years to control the rate of growth of the real estate market. On 12 May 2017, it issued the Circular on Risk Management for Lending to Property Developers, requiring licensed banks to lower their land loan lending ratio from 50 per cent. to 40 per cent. of the value of the property site and lower their construction loan ratio from 100 per cent. to 80 per cent. of construction cost, with the overall cap lowered from 60 per cent. to 50 per cent. of the expected value of the completed property. In respect of property mortgage lending, the Hong Kong Monetary Authority has tightened counter cyclical measures to strengthen banks' risk management and resilience, including lowering loan-to-value ratio caps for mortgages on both high-end and low-end properties and mortgages involving borrowers and/or guarantors with pre-existing mortgages, raising the risk-weight for new residential mortgage loans and lowering the debt servicing ratio limit for mortgage loans to certain types of borrowers. These measures have had or may have a negative impact on property values and market demand in Hong Kong.

In addition, the Hong Kong government may introduce cooling measures on the Hong Kong property market from time to time, which may have a significant impact on the supply and demand in the property market. For example, on 26 October 2012 the Financial Secretary of the Hong Kong government announced amendments to the Stamp Duty Ordinance to adjust the rates and to extend the holding period in respect of the Special Stamp Duty ("SSD") imposed by the Stamp Duty (Amendment) Ordinance 2011. Under the adjusted regime, any residential property acquired on or after 27 October 2012, either by an individual or a company (regardless of where it is incorporated) and resold within 36 months, is subject to the revised SSD rates. The Financial Secretary also introduced a Buyer's Stamp Duty ("BSD"), effective from 27 October 2012, on residential properties acquired by any person (including a company incorporated) except a Hong Kong permanent resident. BSD is charged at a flat rate of 15 per cent. on all residential properties, on top of the existing stamp duty and the SSD, if applicable. On 4 November 2016, the Hong Kong government announced further cooling measures in the form of an increase to stamp duty payable on property transactions to 15 per cent., effective from 5 November 2016 and applying to all residential property acquisitions by individuals or companies with the exception of first-time home buyers with Hong Kong permanent resident status. On 12 April 2017, this increased stamp duty was extended to apply to first-time Hong Kong permanent resident property buyers acquiring multiple properties under a single contract.

On 16 October 2019, the Hong Kong government expanded eligibility under the Mortgage Insurance Programme of the Hong Kong Mortgage Corporation Limited (the "**Mortgage Insurance Programme**"). For a first-time home buyer, the cap on the value of property eligible for a mortgage loan with a maximum cover of 90 per cent loan-to-value ratio will be raised from HK$4 million to HK$8 million. The cap on the value of property eligible for a mortgage loan with a maximum cover of 80 per cent. loan-to-value ratio will also be raised from HK$6 million to HK$10 million. On 23 February 2022, HKMC Insurance Limited, a wholly-owned subsidiary of the Hong Kong Mortgage Corporation Limited, announced plans to further expand eligibility under the Mortgage Insurance Programme. For a first-time home buyer, the cap on the value of property eligible for a mortgage loan with a maximum cover of 90 per cent loan-to-value ratio will be raised from HK$8 million to HK$10 million. The cap on the value of property eligible for a mortgage loan with a maximum cover of 80 per cent. loan-to-value ratio will also be raised from HK$10 million to HK$12 million (if the loan-to-value ratio is progressively adjusted to 50%, the maximum eligible property value is up to HK$19.2 million). There can be no assurance that the Hong Kong government will not implement further cooling measures or extend the scope, application and rate level of the existing measures. These and any further measures may adversely impact the Hong Kong property market which may in turn adversely impact the Group's business and operating results.

The PRC and Hong Kong governments' restrictive measures to control the property development industry's rate of growth could limit the Group's access to capital resources, reduce market demand and increase the

Group's operating costs. The PRC and/or Hong Kong governments may adopt additional and more stringent measures in the future, which may further slow the development of the industry and materially and adversely affect the Group's business and result of operations. In particular, any additional or more stringent measures imposed by the PRC or Hong Kong government in the future to curb high-end residential real estate projects may materially and adversely affect the Group's business and results of operations.

Further, in relation to the PRC the Group may, under certain land clearance agreements with relevant land authorities, be required to assist local governments with clearing land and relocating original residents with respect to some of its property developments in accordance with the relevant PRC laws and regulations. The complicated administrative process and possibility of unfavourable settlement regarding the amount of compensation may increase the cost of the development and materially and adversely affect the Group's cash flow, the progress of PRC development projects, business operations and financial condition. Under PRC law, if a developer fails to develop land according to the terms of the land grant contract (including those relating to payment of fees, land use or the time for commencement and completion of the development of the land), the relevant local government authority may give a warning to or impose a penalty on the developer or forfeit the land granted to the developer. There can be no assurance that circumstances leading to possible forfeiture of land or delays in the completion of a project may not arise in the future. The Group must obtain various permits, certificates, relevant approvals from the relevant administrative authorities at various stages of development, including land use rights document, planning permits, construction permits and confirmation of completion and acceptance. Each approval is dependent on the satisfactory compliance with certain requirements or conditions. There can be no assurance that the Group will not encounter material delays or other impediments in fulfilling the conditions precedent to obtain these approvals.

The Group is dependent on the performance of the Hong Kong and mainland China property markets

The Group currently has interests in a number of properties including investment properties and development properties which are situated in Hong Kong and mainland China. The Group's financial condition and results of operations are largely dependent on these properties. See "Description of the Group — Business Overview". The property interests of the Group are subject to certain risks inherent generally in the ownership of, investment in and development of property. These risks include the cyclical nature of property markets, changes in general economic, business and credit conditions, the illiquidity of land and other real property, changes in governmental policies or regulations, building material shortages and increases in the costs of labour and materials. The Group's property interests are also affected by the strength of the local economy.

Approximately 54% and 28% of the Group's revenue was derived from its property development and property leasing segments, respectively, for the twelve months ended 31 December 2021. Accordingly, the Group continues to be dependent, to a significant extent, on the overall state of the property sector and a decline in the performance of these business segments could adversely affect the Group's revenue.

Historically, the Hong Kong and mainland China property markets have been cyclical. For example, Hong Kong residential property prices, after reaching record highs in the mid-1990s, fell significantly as a result of the Asian economic downturn but have generally followed an upward trend since 2003. In the PRC, the rapid expansion of the property market in certain major cities, including Shanghai and Beijing, in the early 1990s culminated in oversupply by the mid-1990s and a corresponding decrease in property values and rentals in the second half of the decade. Since the late 1990s, private residential property prices and the number of residential property development projects have gradually increased in major cities in the PRC as a result of an increase in demand driven by domestic economic growth. In particular, prices of residential properties in certain major PRC cities such as Beijing, Shanghai, Guangzhou and Shenzhen have experienced rapid and significant growth. In recent years however, certain major cities have seen cyclical changes in their property markets, with individual cities continuing to implement differentiated policies in accordance with local conditions along with other controlling measures so as to ensure steady housing prices. The PRC government, at both the central and local levels, has in recent years been imposing and may continue to impose various economic measures with an aim of cooling the overheated real estate market in the PRC, including home purchase restrictions and strengthened supervision over PRC real estate developers, some of which have experienced tightened cashflow, difficulty in refinancing or even default in their own loan obligations, which would affect relevant segments of the economy and may in turn affect the Group's business and operation. In the event of actual or perceived real estate over-supply in the PRC, together with the effect of government policies to dampen the real estate market, real estate prices may fall significantly which would adversely affect the Group's revenue and results of operations. There can be no assurance that the Group's continued exposure to the PRC will not have a negative impact on the Group's earnings or an adverse effect on the Group's business, financial condition or results of operations or that the economic and political environment in the PRC will remain favourable to the Group's business in the PRC in the future.

In the event of economic decline, the Group may also experience market pressures that affect Hong Kong and mainland China property companies, such as pressures from tenants or prospective tenants to provide rent reductions or reduced market prices for sale properties. Rental values are also affected by factors such as political developments, governmental regulations and changes in planning or tax laws, interest rate levels and inflation. Additional supply of new residential and office properties is also scheduled for completion over the next few years and such additional supply may also adversely affect residential and office rents and occupancy rates as well as sale prices for new residential units. In addition, from time to time during economic downturns, the Group has experienced pressure from existing and prospective commercial tenants to provide rent reductions or longer rent-free periods than usually given. For instance, the Group had granted rent concession for selective clients and distressed tenants over specified periods on a monthly review basis as a result of restrictive movement ordered by the government with a view to curb the spread of coronavirus ("COVID-19"). Restrictions including the closure of restaurants and shops have temporarily impacted and suspended tenants' income. Such incidents have had and will continue to have an impact on the Group's rental income from its commercial property investments and the recurrence of such market conditions in the future may have an adverse effect on the Group's business, operating results and financial condition. See "Risks relating to the Group and its Business – The Group's Business may be affected by global economic factors" and "Risks relating to the Group and its Business – The occurrence of a contagious disease in Asia could affect the Group's business, financial condition, results of operations and/or growth prospects" for further details.

There is also no assurance that the problems of oversupply, falling property prices and tightening of credit provided by lenders will not recur or that the recurrence of such problems with respect to the Hong Kong or PRC property markets will not adversely affect the business, financial condition and results of operations of the Group. Any slowdown in the economies of the United States, the European Union and certain Asian countries may adversely affect economic growth in Hong Kong, the PRC and elsewhere.

The inherent volatility of the property market impacts the best timing for both the acquisition of sites and the sale of completed development properties. This volatility, combined with the lead time required for completion of projects as well as the sale of existing properties, means that the Group's results from its property development activities may be susceptible to significant fluctuations from year to year. Furthermore, fluctuations in the Hong Kong and mainland China property market will impact on the Group's statement of financial position since the Group revalues its investment properties on a semi-annual basis. See also "Risk relating to the Group and its Business - Property revaluations may have a material impact on the Group's accounts" for further details.

Civil unrest could have an adverse impact on the Group's business, financial condition or operating results

Civil unrest occurring in close proximity to the Group's shopping malls and hotels in various districts in Hong Kong may disrupt the Group's business. Protests, demonstrations or rioting causing mass disruption to businesses and transportation may result in a decrease in consumer spending. Consumers may avoid areas affected by social upheaval or may be unable to reach these areas due to a disruption in transportation or an outbreak of violence, and local businesses may be affected. There is no assurance that there will not be any unforeseeable interruptions to the business and operations of the Group's shopping malls, department stores and hotels, and affect the potential access to the Group's property sales activities therein, including, without limitation, any protests occurring in close proximity to the Group's properties similar to the anti-extradition bill protests that took place between 2019 and 2020 or the Occupy Central Movement that took place during the latter half of 2014. Moreover, inbound tourism may be affected, with less tourists travelling to Hong Kong which in turn may negatively affect the Hong Kong retail market and hospitality industry. Furthermore, there is no assurance that prolonged civil unrest will not have an adverse impact on residential and commercial property prices. Civil unrest is outside the control of the Group and any such demonstrations, protests or riots occurring in close proximity to the Group's properties or over a prolonged period could adversely impact the Group's business, financial condition and results of operations.

Measures proposed by the Hong Kong government to expedite the supply of first-hand private residential units may have a negative impact on the Group

On 29 June 2018, the Hong Kong government proposed introducing a tax on vacant first-hand private residential units at two times the annual rateable value of the units (the "Vacancy Tax") to encourage developers to release residential units more quickly into the market. Under the proposal, developers of first-hand private residential units with an occupation permit issued for 12 months or more will be required to make annual returns disclosing the occupancy status of their units. Units that have not been occupied or rented out for more than six of the past 12 months will be considered vacant and subject to the Vacancy Tax, which will be collected annually. On 13 September 2019, the Hong Kong government gazetted an amendment bill to implement the proposed Vacancy Tax at the Legislative Council. The amendment bill to implement the proposed Vacancy Tax passed the first reading at the Legislative Council in October 2019. Although Hong Kong lawmakers have decided to shelve the proposal to introduce the Vacancy Tax on property developers in June 2020 due to the lack of time to vet the proposal, there is no assurance that the Hong Kong government will not re-introduce the amendment bill in the future. If implemented, the Vacancy Tax may present a financial burden to the Group that may have an adverse effect on its business, operating results and financial condition.

The Group's business may be affected by global economic factors

Economic developments outside Hong Kong and mainland China could also adversely affect the property markets in Hong Kong and mainland China. Volatility in the global credit markets in recent years has affected, and may continue to affect, the availability of credit and the confidence of the financial markets, globally as well as in Hong Kong and mainland China. There remains a concern that a return of the debt crisis in Europe, the political unrest in the Middle East and Eastern Europe as well as rumours or threats or actual terrorist attacks or conflicts in the Middle East, Southeast Asia, Eastern Europe or other regions will have a detrimental effect on the global financial system. Recent events, including military conflicts in Europe and resulting sanctions imposed by the US and Europe against Russia and Russian entities, may adversely affect global trade, commodity prices and oil supply. The global credit markets have experienced, and may continue to experience, volatility and liquidity disruptions, which have resulted in the consolidation, failure or near failure of a number of institutions in the banking and insurance industries. The global economic downturn has in the past led to an increased level of consumer delinquencies, lack of consumer confidence, decreased market valuations and liquidity, increased market volatility and a widespread reduction of business activity generally. On 23 June 2016, the UK voted in a national referendum to withdraw from the European Union and on 29 March 2017, invoked Article 50 of the Treaty on European Union requiring it to withdraw within two years. On 17 October 2019, the UK and the European Union agreed on a withdrawal agreement for the UK to exit the European Union and a trade and cooperation agreement was reached between the UK and the European Union in December 2020. The UK's exit from the European Union, which took effect on 1 January 2021, could have a material adverse effect on the global economic conditions and the stability of global financial markets. The long-term impact of the UK's decision to leave the European Union is not known and there is considerable uncertainty as to the impact of the UK leaving the European Union on the general economic conditions in the UK or globally.

In addition, trade tensions between the US and China have created uncertainties in the world economy and global financial market. Although the US and the Chinese governments entered into a "phase one" trade agreement in early 2020, the effect of previously imposed tariffs on the economy of China and the US may result in long-term structural changes to the economies of both countries. There are also uncertainties as to when and whether "phase two" negotiations will begin and whether the two governments will fulfil their respective obligations under the "phase one" agreement. Sustained or escalating tension between the US and China over trade policies could significantly undermine the stability of the global economy. Besides, the European Union and the US have recently taken economic measures in response to the current economic situation to address the economic and social impact of the COVID-19 pandemic. For instance, the US' Senate passed a U.S.$1.9 trillion economic stimulus plan in early March 2021. The effect of such economic measures remains to be seen.

Any volatility or deterioration in economic conditions in the US, Europe, China and elsewhere has had and may continue to have a negative impact on the economies of Hong Kong and mainland China. For example, difficulties faced by business enterprises during the COVID-19 pandemic, inflationary pressure triggered by the resumption of economic activities, challenges of supply chain shortages and surging energy prices, amplified geopolitical tensions over trade and technology may continue to cause volatility in the financial markets in Hong Kong, the PRC and other markets globally. While the Hong Kong and mainland China economies have remained generally stable in recent years, they are facing mounting downward pressure, especially due to the outbreak of COVID-19 pandemic that began in December 2019. The Group's business is highly dependent on economic conditions in Hong Kong and mainland China. Any slowdown or perceived slowdown in the economy of Hong Kong and mainland China could materially and adversely affect the Group's business, financial condition, results of operations and prospects, especially if such a slowdown were to be continued and prolonged. One of the effects of a slowdown in economic growth could be higher interest rates in the future, which could negatively impact access to financing for property developers and potential customers and result in higher financing costs and increased counterparty risk. Some central banks have reacted to the rise of inflation by raising their policy interest rates. In the U.S. for example, while investors generally look ahead to the Federal Reserve's tapering and interest rate hikes, the pace and efficacy of these monetary policies remain uncertain. A slowdown in economic growth, along with reduced availability of credit could adversely impact potential customers, which could, in turn, lead to lower demand for commercial and residential properties as well as declining property prices and rents, as consumers and businesses will generally be more cautious when making decisions to purchase property or enter into or renew leases. In addition, an economic slowdown can cause insolvency of contractors resulting in construction delays.

No assurance can be given that any slowdown in the economies of the United States, the European Union and elsewhere in Asia, will not adversely affect the businesses of the Group or that the effects of global economic events may not otherwise adversely affect the Group.

The property investment business of the Group is affected by local, regional and international economic conditions and changes in market conditions

The Group's property investment business is affected by local, regional and international economic conditions including changes to monetary policy, fiscal policy, interest rates, stock market indices, exchange rates, taxation rates and inflation. It may also be affected by changes in market conditions and is exposed to economic cycles and market volatility.

Changes to these economic and financial market conditions may have an effect on the level of activity and demand for the leasing of office and retail properties of the Group. This may result in the Group not being able to negotiate rental lease extensions with some existing tenants as lease terms expire or replace expiring leases with leases on equivalent terms. The occurrence of such events may have a material adverse effect on the income of the Group, the value of its property portfolio, its financial performance and condition.

The Group's lease renewals will be affected by timing and the condition of the rental market

The leases of the Group are typically entered into for three years for office and two to three years for retail tenants occupying relatively small floor space and up to five or six years for tenants occupying relatively large floor space generally. These long-term leases are usually subject to pre-determined rental escalation or rent review every two to three years. As a result, some of the Group's leases are up for renewal each year and the rents charged are typically adjusted based upon prevailing market rates. Accordingly, it is possible to have a concentration of renewal of leases or rent adjustments in a given year, and that a slowdown in the rental market in a given year could adversely affect the rental income of the Group.

Changes to local, regional and global economic conditions, particularly following the COVID-19 pandemic, may cause market participants to downsize and even close their operations. Demand for, and rental rates of, office buildings and retail spaces may greatly reduce. Should the economic environment weaken, a more cautious view may be taken by tenants towards the size of leased space and the rental rates upon renewal of commercial tenancies, which could have an adverse effect on the Group's business, operating results, financial condition and prospects.

The Group faces contractual risks relating to the pre-sale of properties, including the risk that property developments cannot be completed, or cannot be completed on time

The Group faces contractual risks relating to the pre-sales of properties. Failure to timely complete and/or deliver a pre-sold property may cause the Group to be liable to the relevant purchasers for losses suffered by them. The Group's failure to complete property developments in the time required by pre-sale contracts may entitle purchasers to claim damages under the pre-sale contracts, and in the event that such failure causes a delay that extends beyond any grace period stipulated in the pre-sale contracts, purchasers may be entitled to terminate the pre-sale contracts, claim damages and request a refund of their purchase amount together with interest. The Group may experience delays in completion or delivery of its properties which could have an adverse effect on the income of the Group.

The Group is subject to risks incidental to the ownership and development of real estate properties

Investment in property is generally illiquid, limiting the ability of an owner or a developer to convert property assets into cash at short notice or requiring a substantial reduction in the price that might otherwise be sought for such assets to ensure a quick sale, especially if there is weak sentiment in the property market.

The Group is subject to risks incidental to the ownership and operation of residential, industrial, office and retail properties including, among other things, competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, inability to dispose of major investment properties for the values at which they are recorded in the financial statements, increased operating costs and the need to renovate, repair and re-let space periodically and to pay the associated costs.

The Group's property development business involves significant risks distinct from those involved in the ownership and operation of established properties, among other things, the risks that financing for development may not be available on favourable terms, that construction may not be completed on schedule or within budget (for reasons including shortages of equipment, material and labour, work stoppages, interruptions resulting from inclement weather, unforeseen engineering, environmental and geological problems, labour industrial action and unanticipated cost increases), that development may be affected by governmental regulations (including changes in building and planning regulations and delays or failure to obtain the requisite construction and occupancy approvals), and that developed properties may not be leased or sold on profitable terms and the risk that purchasers and/or tenants may default.

The Group's core property businesses require substantial capital investment

The Group has historically required and expects that it will require in the future additional financing to fund its capital expenditures, to support future growth of its business, particularly with respect to its property development and investment activities, and/or to refinance its existing debt obligations. The Group's ability to arrange for external financing and the cost of such financing is dependent on numerous factors, including, but not limited to, general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in the Group, success of the Group's businesses, provisions of tax and securities laws that may be applicable to the Group's efforts to raise capital, and the political and economic conditions in the PRC and Hong Kong. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to the Group.

The Group may face risks associated with debt financing

The Group uses a combination of debt and equity financing to support its operational and investment strategies. The Group may, from time to time, require renewal or additional debt financing to achieve its operational and investment objectives.

The Group will be subject to risks normally associated with debt financing including, but not limited to, the ability and the willingness of commercial banks to continue with their lending operations. It may also be subject to risks normally associated with changes in the conditions of the financial markets at different points in time and at different parts of economic cycles. The presence of adverse conditions in financial markets may result in the inability of the Group to obtain renewal or additional debt arrangement on attractive terms or delays in obtaining finance.

Property revaluations may have a material impact on the Group's financial statements

The Group values its investment properties and investment properties under development semi-annually in its statement of financial position at their open market value on the basis of an external professional valuation. Any fair value gain or loss on an investment property or an investment property under development attributable to the Group is credited or charged, as the case may be, to the Group's statement of profit and loss. A major or extended decline in property values could therefore result in an accounting loss for the Group and would increase the Group's leverage due to a decrease in the Group's total equity, and which in turn may limit its ability to obtain additional financing in the future.

The Group relies on independent contractors and sub-contractors for the provision of certain services

The Group engages independent third-party contractors and sub-contractors to provide various services including construction, piling and foundation, building and property fitting-out work, interior decoration, installation of air conditioning units and elevators, involving transportation of materials by air, sea and road. There is no assurance that the services rendered by any independent third-party contractor or sub-contractor engaged by the Group will be satisfactory. The Group is also exposed to the risk that its contractors and sub-contractors may require additional capital to complete an engagement in excess of the price originally tendered and the Group may have to bear additional costs as a result. Furthermore, there is a risk that the Group's major contractors and sub-contractors may experience financial or other difficulties which may affect their ability to discharge their obligations, thus delaying the completion of the Group's development projects or resulting in additional costs for the Group. The timely performance by these contractors and sub-contractors may also be affected by natural and human factors such as natural disasters, strikes and other industrial or labour disturbances, terrorisms, restraints of government, civil disturbances, accidents or breakages of machinery or equipment, failure of suppliers, interruption of delays in transportation, all of which are beyond the control of the Group. Any of these factors could adversely affect the business, financial condition and results of operations of the Group.

The Group's profit margin is sensitive to fluctuations in the cost of construction materials

Construction costs comprise one of the predominant components of the Group's cost of sales. Construction costs encompass all costs for the design and construction of a project, including payments to third-party contractors, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Historically, construction material costs have been the principal driver of the construction costs of the Group's property development projects, with the cost of third-party contractors remaining relatively stable. A general trend in the economy of increased inflationary risk may also have an impact on the construction costs and a wider impact on other costs as well.

Construction costs may fluctuate as a result of the volatile price movement of construction materials such as steel and cement. The Group manages the cost of outsourced construction work through a process of tenders which, among other things, takes into account procurement of supplies of principal construction materials such as steel and cement of the Group's property development projects at fixed prices. In line with industry practice, if there is a significant price fluctuation (depending on the specific terms of each contract), the Group will be required to re-negotiate, top up or refund, depending on the price movement, existing construction contracts. Additionally, should existing contractors fail to perform under their contracts, the Group may be required to pay more to contractors under replacement contracts. Therefore, the Group's profit margin is sensitive to changes in the market prices for construction materials and these profit margins will be adversely affected if the Group cannot pass all of the increased costs onto its customers.

The Group is subject to risks relating to accidents or other hazards which may not be covered by insurance

The Group maintains insurance coverage on all of its properties under construction, third-party liabilities and employer's liabilities in accordance with what it believes to be industry standards. However, the Group may become subject to liability for hazards which it cannot insure against or which it may elect not to insure against because of high premium costs or other reasons. In particular, the Group's insurance policies generally do not cover certain types of losses incurred due to hazards such as war, civil disorder, acts of terrorism, and other natural disasters. Any losses may significantly affect the Group's business operation and the Group may not have sufficient funds to replace any property destroyed as a result of such hazards. In addition, any payments the Group makes to cover any losses, damages or liabilities could have a material adverse effect on its business, financial condition and results of operations. Further, notwithstanding the Group's insurance coverage, any damage to the Group's buildings, facilities, equipment, or other properties as a result of occurrences such as fires, floods, water damage, explosions, power losses, typhoons and other natural disasters may have a material adverse effect on the Group's business, financial condition and results of operations.

Furthermore, whilst every care is taken by the Group and its employees in the selection and supervision of its independent contractors, accidents and other incidents, such as theft, may occur from time to time. Such accidents or incidents may expose the Group to liability or other claims by its customers and other third parties. Although the Group believes that it has adequate insurance arrangements in place to cover such eventualities, it is possible that accidents or incidents could occur which are not covered by these arrangements. The occurrence of any such accidents or incidents which are not covered by insurance could adversely affect the business, financial condition and results of operations of the Group. It is also possible that litigants may seek to hold the Group responsible for the actions of its independent contractors.

The Group's business is subject to various laws and regulations

The operations of the Group are subject to various laws and regulations of Hong Kong and mainland China. The Group's activities on its investment and development properties are limited by zoning ordinances and other regulations enacted by the authorities in Hong Kong and mainland China. Developing properties, refurbishment and other re-development projects require government permits, some of which may take longer to obtain than others. From time to time, the authorities in Hong Kong and mainland China may impose new regulations on landlords such as mandatory retrofitting of upgraded safety and fire systems in all buildings. The Group's properties are subject to routine inspections by the authorities in Hong Kong and mainland China with regard to various safety and environmental issues.

From time to time, changes in laws and regulations or the implementation thereof may require the Group to obtain additional approvals and licences from the relevant authorities for the conduct of its operations in Hong Kong or the PRC. In such event, the Group may incur additional expenses to comply with such requirements. This will in turn affect the Group's financial performance as its business costs will increase. Furthermore, there can be no assurance that such approvals or licences will be granted to the Group promptly or at all. If the Group experiences delays in obtaining, or is unable to obtain, such required approvals or licences, it may have a material adverse impact on the business, financial condition or results of operations of the Group.

The occurrence of a contagious disease in Asia could affect the Group's business, financial condition, results of operations and/or growth prospects

The business of the Group is subject to general economic and social conditions in Asia. The outbreak of an infectious disease such as the Influenza A (H1N1-2009), human avian influenza, Severe Acute Respiratory Syndrome, Ebola or Middle East Respiratory Syndrome, the COVID-19 pandemic, and more recently, the COVID-19 variants (including the Delta and Omicron variants), may adversely affect the economy and infrastructure of the Asian countries. For instance, various lockdowns and restrictions imposed as a result of COVID-19 have greatly hindered the business activities in many regions including Asia. As a result of the pandemic, some of the Group's construction, marketing and sales activities have from time to time been suspended in response to the temporary regulations implemented by governments with a view to containing the outbreak. Given the highly uncertain and evolving situation, it is difficult to predict when the pandemic will end and if it continues, how this may have a lasting impact on the performance of the Group, particularly on the property development section. In particular, the recent administrative actions taken by local governments in mainland China to control the spread of COVID-19 may result in delays in the completion and delivery of projects, and there is no guarantee scheduled completions of projects may occur. Liquidity and access to capital may also be restricted due to the disruptions caused to the Group's operations. The restricted movements, labour shortages, closure of work sites, fall in occupancy rates and contraction in domestic and global consumption have significantly disrupted the economy and market activities.

The COVID-19 pandemic will continue to pose considerable threats to the public health system in Hong Kong and globally. Hong Kong in early 2022 experienced a surge in COVID-19 infections, primarily due to the Omicron variant. Tourism in Hong Kong has been severely hindered, and the unemployment rate is still at a high level, posing certain constraints on Hong Kong's economic recovery. With discrepancy in COVID-19 vaccination rates between different jurisdictions, the global economic recovery may be significantly hampered by new lockdowns and ongoing travel restrictions as well as global supply chain disruptions.

There can also be no assurance that any precautionary measures taken against infectious diseases would be effective. Even if the current COVID-19 situation were to improve with the roll-out of vaccines, there can be no assurance that there will not be another outbreak of COVID-19 or another contagious disease in the future or that the governments will not re-impose restrictive measures that significantly disrupt economic activities in the event there is a resurgence of the pandemic. If recurrence or outbreak were to occur, such incidents may have a material adverse impact on the business, financial condition or results of operations of the Group.

The Group's business in Hong Kong may be affected by sanctions or other measures imposed by foreign governments relating to Hong Kong

Following the enactment of the Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region (the "Hong Kong National Security Law"), the US government issued an executive order on 14 July 2020 to officially sign into law the Hong Kong Autonomy

Act (the "HKAA"), which withdraws certain privileges granted to Hong Kong under the Hong Kong Policy Act of 1992. In response, the U.S. government indicated that it may impose sanctions or other measures relating to Hong Kong, e.g. higher tariffs, tougher investment rules, asset freezes and more onerous visa rules. There have been some suggestions that Hong Kong's standing as an international financial centre could be at risk. Among other things, U.S. tariffs on China and restrictions on technology transfer and investment could become applicable to Hong Kong or Hong Kong entities or persons. Certain other foreign governments and organisations have also taken actions in response to or expressed concern regarding the enactment of the Hong Kong National Security Law and there is a risk that actions that have or may be taken by all or some of them may be detrimental to Hong Kong. In addition, the US government has imposed and may continue to impose sanctions on Hong Kong individuals, claiming that they have undermined Hong Kong's autonomy and restricted the freedom of expression or assembly of the citizens of Hong Kong. The individuals include, among others, Carrie Lam Cheng Yuet-ngor, the Chief Executive of Hong Kong.

Until full details of the actions proposed by the US government and such other foreign governments and organisations are revealed, the Group will not be able to fully assess the impact of such actions on Hong Kong and the Group.

The Group's operations are subject to external risks

A natural disaster, catastrophe or other event could result in severe personal injury, property damage and environmental damage, which may curtail the Group's operations, cause delays in estimated completion dates for projects and materially adversely affect its cash flows and, accordingly, adversely affect its ability to service debt. The Group's operations are based in Hong Kong and mainland China, which are exposed to potential natural disasters including, but not limited to, typhoons, storms, floods and earthquakes. If any of the Group's developments are damaged by severe weather or any other disaster, accident, catastrophe or other event, the Group's operations may be significantly interrupted. The occurrence or continuance of any of these or similar events could increase the costs associated with the Group's operations and reduce its ability to operate its businesses at their intended capacities, thereby reducing revenues. Risks of substantial costs and liabilities are inherent in the Group's principal operations and there can be no assurance that significant costs and liabilities will not be incurred, including those relating to claims for damages to property or persons.

Risks relating to the PRC

A certain portion of the Group's development projects and assets are located in the PRC and a certain portion of its revenue is derived from its operations in the PRC. Accordingly, the Group's results of operations and prospects are subject to the economic, political and legal developments in the PRC.

The economic, political and social conditions in the PRC may adversely affect the Group's business

The PRC economy differs from the economies of most developed countries in many respects, including:

- extent of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has experienced significant growth in the past 20 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on the Group's operations.

For example, the Group's financial condition and operating results may be adversely affected by the PRC Government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to it.

The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC Government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy. However, since early 2004, the PRC Government has implemented certain measures in order to prevent the PRC economy from overheating. These measures may cause a decrease in the level of economic activity, including demand for residential and commercial properties and may have an adverse impact on economic growth in the PRC. If the PRC's economic growth slows down or if the PRC economy experiences a recession, the demand for the Group's properties may also slow down and hence the Group's business, financial condition and results of operations may be adversely affected.

In addition, demand for the Group's properties and its business, financial condition and results of operations may be adversely affected by:

- political instability or changes in social conditions in the PRC;
- changes in laws and regulations or the interpretation of PRC laws and regulations;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and
- imposition of additional restrictions on currency conversion and remittances abroad. The Group is exposed to foreign exchange risks.

Part of the Group's revenue is denominated in Renminbi and must be converted to pay dividends or make other payments in freely convertible currencies. Under the PRC's foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditure from trade, may be made in foreign currencies without prior approval, subject to certain procedural requirements. However, foreign exchange controls continue for capital account transactions, including repayment of loan principal and return of direct capital investments and investments in negotiable securities. In the past, there have been shortages of U.S. dollars or other foreign currency available for conversion of Renminbi in the PRC, and it is possible such shortages could recur, or that restrictions on conversion could be re-imposed. A portion of the Group's revenue and associated operating costs are denominated in Renminbi. Any volatility of the Renminbi exchange rate in the future may materially affect the Group's financial condition and results of operations and any devaluation of the Renminbi against foreign currencies will increase the amount of Renminbi the Group needs to service its obligations denominated in foreign currencies.

The Group may experience delays or difficulties in obtaining PRC Government approvals

Development projects in the PRC are dependent on obtaining the approvals of a variety of government authorities at different levels, receipt of which cannot be assured. These development projects have been and may in the future be subject to certain risks, including the cyclical nature of property markets, changes in governmental regulations and economic policies, including, among other things, regulations and policies restricting construction of properties and buildings and related limitations on extensions of credit, building material shortages, increases in labour and material costs, changes in general economic and credit conditions and the illiquidity of land and other property. There can be no assurance that required approvals will be obtained or that the actual costs of the Group's developments will not exceed projected costs.

Certain of the Group's business activities are conducted through joint ventures

The Group has investments in several joint venture companies formed to develop, own and/or operate property in the PRC. Although the Group generally seeks to maintain a sufficient level of control over the projects through ownership of a controlling interest and/or management in order to impose established financial control, management and supervisory techniques, property investment and development in the PRC may often involve the participation of local partners in the PRC, and joint ventures in the PRC may involve special risks or problems associated with joint venture partners, including, among other things, dissimilar business interests or one or more of the partners experiencing financial difficulties. Although the Group has not to date experienced any significant problems with respect to its joint venture partners, should such problems occur in the future they could have a material adverse effect on the business and prospects of the Group.

The real estate market and related infrastructure and mechanisms in the PRC are not fully developed

Private ownership of property in the PRC is still in a relatively early stage of development. Although demand for private residential property in the PRC has been growing rapidly in recent years, such growth is often coupled with volatility in market conditions and fluctuation in property prices. It is extremely difficult to predict by how much and when demand will develop, as many social, political, economic, legal and other factors, most of which are beyond the Group's control, may affect the development of the market. The level of uncertainty is increased by the limited availability of up-to-date financial and market information as well as delays and inaccuracies in the publishing of such materials in the PRC.

The lack of a liquid secondary market for residential real estate may discourage investors from acquiring new properties. The limited availability of property mortgage financing to PRC property investors may further inhibit demand for residential developments.

The PRC is a competitive market for property development and it may be difficult to acquire suitable sites for development in the future

In recent years, a large number of property developers based in the PRC have begun to undertake property development and investment projects in the PRC. In addition, a number of international developers have expanded their operations into the PRC, including a number of leading Hong Kong real estate development and investment groups. Many of these developers, both private and state-owned, have significant financial, managerial, marketing and other resources, as well as experience in property and land development. Competition between property developers is intense and may result in, among other things, increased costs for the acquisition of land for development, oversupply of properties in certain parts of the PRC, a decrease in property prices, a slowdown in the rate at which new property development projects will be approved and/or reviewed by the relevant government authorities, an increase in construction costs, and difficulty in obtaining high quality contractors and qualified employees. The consequences of any such risks eventuating may adversely affect the Group's business, results of operations and financial condition. In addition, the real estate market in the PRC is rapidly changing. If the Group cannot respond to changes in market conditions more swiftly or effectively than the Group's competitors do, the ability of the Group to generate revenue, financial condition and results of operations of the Group will be adversely affected.

The PRC legal system is still developing and differs from other jurisdictions and its laws may not be implemented or enforced in a consistent manner

The Group's business and operations in the PRC and the business and operations of its customers and suppliers in the PRC are subject to the laws and regulations promulgated by the PRC Government. The PRC Government is still in the process of developing a comprehensive set of laws and regulations in the course of the PRC's transformation from a centrally planned economy to a freer market-oriented economy. As the legal system in the PRC is still in a state of flux, laws and regulations or the interpretation of the same may be subject to change. Furthermore, any change in the political and economic policy of the PRC Government may also lead to similar changes in the laws and regulations or the interpretation thereof. Such changes may adversely affect the Group's operations and business in the PRC.

The PRC legal system is a codified legal system made up of written laws, regulations, circulars, administrative directives and internal guidelines as well as judicial interpretations. Unlike common law jurisdictions such as Hong Kong, decided cases do not form part of the legal structure of the PRC and thus have no binding effect. As such, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the PRC authorities. This has resulted in the outcome of dispute resolutions not having the level of consistency or predictability as in other countries with more developed legal systems. Due to such inconsistency and unpredictability, if the Group should be involved in any legal dispute in the PRC, it may experience difficulties in obtaining legal redress or in enforcing its legal rights.

From time to time, changes in law and regulations or the implementation thereof may also require the Group to obtain additional approvals and licences from the PRC authorities for the conduct of its operations in the PRC. In such event, the Group may incur additional expenses to comply with such requirements. This will in turn affect the Group's financial performance as its business costs will increase. Furthermore, there can be no assurance that such approvals or licences will be granted to the Group promptly or at all. If the Group experiences delays in obtaining, or is unable to obtain, such required approvals or licences, its operations and business in the PRC, and hence its overall financial performance, may be adversely affected.

Further expansion into second-tier cities in the PRC may affect the Group's operational and financial resources

As part of its growth strategy in the PRC, the Group is continuing to expand its development projects outside prime cities such as Beijing, Shanghai, Guangzhou and Shenzhen into new second-tier city geographical locations, including Changsha, Chengdu, Chongqing, Dongguan, Foshan, Hefei, Nanjing, Shenyang, Shijiazhuang, Suzhou, Tianjin, Wuhan, Xiamen, Xi'an, Xuzhou and Yixing. These expansions mainly take the form of joint ventures with certain local PRC developers. The Group expects to continue to expand its operations to other second-tier cities in the PRC, a substantial number of which are provincial-capital cities and which the Group that it has identified as having high growth potential, good infrastructure development and a balance of property demand and land supply. The Group's plans for second-tier city geographical locations and the need to integrate operations arising from its expansion particularly into other fast-growing cities in the PRC may place a significant strain on the Group's managerial, operational and financial resources and contribute to an increase in the Group's financing requirements.

PRC inflationary pressure may result in increased construction and funding costs

Inflation in the PRC may result in increased construction and funding costs for the Group. Increasing inflation rates may be caused by many factors beyond the Group's control, such as rising construction and labour costs, high lending levels, changes in national and international governmental policies and regulations as well as movements in exchange rates and interest rates. It is impossible to accurately predict future inflationary trends. In addition, as commercial banks in the PRC link the interest rates on their loans to benchmark lending rates published by the People's Bank of China (the "PBoC"), any increase in such benchmark lending rates will also increase the funding costs for the Group. The PRC Government is expected to continue to manage liquidity, cool down the real estate market and use price controls when needed. The Group's business, financial condition and results of operations in the PRC may be adversely affected by increased construction and funding costs.

Risks relating to the Notes issued under the Programme

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular, any applicable supplement to the Offering Circular or any Pricing Supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Modification and waivers

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the parties to the Agency Agreement dated 6 May 2022 (the "Agency Agreement") may agree to modify any provision of the Agency Agreement, but the Issuer and the Guarantor shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

A change in English law which governs the Notes may adversely affect Noteholders

The Conditions are governed by English law in effect at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

The Notes may be represented by Global Notes and holders of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s)

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear and Clearstream, or lodged with CMU (each of Euroclear, Clearstream, and CMU, a "Clearing System").

Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Notes by making payments to the relevant Clearing Systems for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade

Notes may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Notes may provide that, for so long as the Notes are represented by a Global Note and the relevant Clearing System(s) so permit, the Notes will be tradable in nominal amounts (a) equal to, or integral multiples of, the minimum denomination, and (b) the minimum denomination plus integral multiples of an amount lower than the minimum denomination.

Definitive Notes will only be issued if the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business. The Pricing Supplement may provide that, if Definitive Notes are issued, such Notes will be issued in respect of all holdings of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that Definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the Issuer and the Guarantor (including rights to receive principal or interest or to vote) in respect of such Notes.

Risks relating to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed

Unless in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands or Hong Kong or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Dual Currency Notes have features which are different from single currency issues

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected; and

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

Failure by an investor to pay a subsequent instalment of partly-paid Notes may result in an investor losing all of its investment

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalments could result in an investor losing all of its investment.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

Inverse Floating Rate Notes are typically more volatile than conventional floating rate debt

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice-versa, may have lower market values than other Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Investors may lose part or all of their investment in any Index-Linked Notes issued

If, in the case of a particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are Index-Linked Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

Certain benchmark rates, including EURIBOR, may be discontinued or reformed in the future

The Euro Interbank Offered Rate ("EURIBOR") and other interest rate or other types of rates and indices which are deemed to be benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented.

Regulation (EU) No. 2016/1011 (the "EU Benchmarks Regulation") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. Regulation (EU) No. 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "UK Benchmarks Regulation") applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the UK. The EU Benchmarks Regulation or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmark Regulation or UK Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks," trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks".

As an example of such benchmark reforms, on 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate ("€STR") as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019. Although EURIBOR has subsequently been reformed in order to comply with the terms of the Benchmark Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

The elimination of EURIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Conditions (as further described in Condition 7(g) (*Benchmark Replacement (Independent Adviser))*) or result in adverse consequences to holders of any Notes linked to such benchmark (including Floating Rate Notes whose interest rates are linked to EURIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark.

The Conditions provide for certain fallback arrangements in the event that a published benchmark (including any page on which such benchmark may be published (or any successor service)) becomes unavailable or a Benchmark Event or a Benchmark Transition Event (each as defined in the Conditions), as applicable, otherwise occurs. Such an event may be deemed to have occurred prior to the issue date for a Series of Notes. Such fallback arrangements include possibility that the rate of interest could be set by reference to a successor rate or an alternative rate and that such successor rate or alternative reference rate may be adjusted (if required) in accordance with the recommendation of a relevant governmental body or in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, although the application of such adjustments to the Notes may not achieve this objective. Any such changes may result in the Notes performing differently (which may include payment of a lower interest rate) than if the original benchmark continued to apply. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used.

This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser (as defined in the Conditions) in certain circumstances, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks arising from the possible cessation or reform of certain reference rates in making any investment decision with respect to any Notes linked to or referencing a benchmark.

The market continues to develop in relation to risk-free rates (including overnight rates) as reference rates for Floating Rate Notes

The use of risk-free rates, including those such as the Secured Overnight Financing Rate ("**SOFR**"), as reference rates for Eurobonds continues to develop. This relates not only to the substance of the calculation and the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates, but also how widely such rates and methodologies might be adopted.

The market or a significant part thereof may adopt an application of risk-free rates that differs significantly from that set out in the Conditions and used in relation to Notes that reference risk-free rates issued under this Programme. The Issuer may in the future also issue Notes referencing SOFR or the SOFR Compounded Index that differ materially in terms of interest determination when compared with any previous Notes issued by it under this Programme. The development of risk-free rates for the Eurobond markets could result in reduced liquidity or increased volatility, or could otherwise affect the market price of any Notes that reference a risk-free rate issued under this Programme from time to time.

In addition, the manner of adoption or application of risk-free rates in the Eurobond markets may differ materially compared with the application and adoption of risk-free rates in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of such reference rates in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing such risk-free rates.

In particular, investors should be aware that several different methodologies have been used in risk-free rate notes issued to date. No assurance can be given that any particular methodology, including the compounding formula in the terms and conditions of the Notes, will gain widespread market acceptance. In addition, market participants and relevant working groups are still exploring alternative reference rates based on risk-free rates, including various ways to produce term versions of certain risk-free rates (which seek to measure the market's forward expectation of an average of these reference rates over a designated term, as they are overnight rates) or different measures of such risk-free rates. If the relevant risk-free rates do not prove to be widely used in securities like the Notes, the trading price of such Notes linked to such risk-free rates may be lower than those of Notes referencing indices that are more widely used.

Investors should consider these matters when making their investment decision with respect to any Notes which reference SOFR or any related indices.

Risk-free rates may differ from LIBOR and other inter-bank offered rates in a number of material respects and have a limited history

Risk-free rates may differ from the London Interbank Offered Rate ("LIBOR") and other inter-bank offered rates in a number of material respects. These include (without limitation) being backward-looking, in most cases, calculated on a compounded or weighted average basis, risk-free, overnight rates and, in the case of SOFR, secured, whereas such interbank offered rates are generally expressed on the basis of a forward-looking term, are unsecured and include a risk-element based on interbank lending. As such, investors should be aware that risk-free rates may behave materially differently to interbank offered rates as interest reference rates for the Notes. Furthermore, SOFR is a secured rate that represents overnight secured funding transactions, and therefore will perform differently over time to an unsecured rate. For example, since publication of SOFR began on 3 April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

Risk-free rates offered as alternatives to interbank offered rates also have a limited history. For that reason, future performance of such rates may be difficult to predict based on their limited historical performance. The level of such rates during the term of the Notes may bear little or no relation to historical levels. Prior observed patterns, if any, in the behaviour of market variables and their relation to such rates such as correlations, may change in the future. Investors should not rely on historical performance data as an indicator of the future performance of such risk-free rates nor should they rely on any hypothetical data.

Furthermore, interest on Notes which reference a backward-looking risk-free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference such risk-free rates reliably to estimate the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Notes. Further, in contrast to Notes linked to interbank offered rates, if Notes referencing backward-looking rates become due and payable as a result of an Event of Default under Condition 14 (Events of Default), or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest Rate payable in respect of such Notes shall be determined by reference to a shortened period ending immediately prior to the date on which the Notes become due and payable or are scheduled for redemption.

The administrator of SOFR or any related indices may make changes that could change the value of SOFR or any related index, or discontinue SOFR or any related index

The Federal Reserve or the Bank of New York (or their successors) as administrators of SOFR (and the SOFR Compounded Index), may make methodological or other changes that could change the value of these risk-free rates and/or indices, including changes related to the method by which such risk-free rate is calculated, eligibility criteria applicable to the transactions used to calculate SOFR, or timing related to the publication of SOFR or any related indices. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SOFR or any related index (in which case a fallback method of determining the interest rate on the Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing any such risk-free rate.

Risks relating to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances, investors may not be able to sell their Notes at all or at their fair market value. Although applications have been made to the Hong Kong Stock Exchange for the Notes issued under the Programme to be admitted to listing on the Hong Kong Stock Exchange, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "Specified Currency"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Changes in market interest rates may adversely affect the value of Fixed Rate Notes

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Risks relating to Renminbi-denominated Notes

Notes denominated in Renminbi ("Renminbi Notes") may be issued under the Programme. Renminbi Notes contain particular risks for potential investors.

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes

Renminbi is not freely convertible at present. The PRC Government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being adjusted from time to time to match the policies of the PRC Government.

Although the People's Bank of China ("PBoC") has implemented policies improving accessibility to Renminbi to settle cross-border transactions in the past, there is no assurance that the PRC Government will liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations will not be promulgated in the PRC in future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. Despite Renminbi internationalisation pilot programme and efforts in recent years to internationalise the currency, there can be no assurance that the PRC Government will not impose interim or long-term restrictions on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer or the Guarantor to source Renminbi to finance its obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service Renminbi Notes

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBoC has entered into agreements (the "Settlement Arrangements") on the clearing of Renminbi business with financial institutions (the "Renminbi Clearing Banks") in a number of financial centres and cities, including but not limited to Hong Kong and has established the Cross-Border Inter-Bank Payments System (CIPS) to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBoC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBoC, although PBoC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi[1]. The Renminbi Clearing Banks only have limited access to onshore liquidity

[1] Following the implementation of the circular (中國人民銀行國家外匯管理局公告[2015]第 40 號) issued jointly by PBoC and SAFE in December 2015, which permits eligible overseas participating banks to enter into inter-bank foreign exchange market, in January and July 2016, China Foreign Exchange Trading System ("CFETS") issued another two circulars on access of overseas participating banks conducting Renminbi purchase and sale business to the inter-bank foreign exchange market (中國外匯交易中心關於人民幣購售業務境外參加行進入銀行間外匯市場有關事項的公告 and 中國外匯交易中心關於加強境外金融機構進入銀行間外匯市場開展人民幣購售業務宏觀審慎管理有關事項的通知), which, among other things, list the eligibility conditions, application materials and procedures. Multiple Renminbi participating banks have already entered in this market.

support from PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer or the Guarantor is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the Issuer or the Guarantor will be able to source such Renminbi on satisfactory terms, if at all.

Investment in the Renminbi Notes is subject to exchange rate risks

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. The PBoC has in recent years implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to Renminbi Notes unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

Payments with respect to the Renminbi Notes may be made only in the manner designated in the Renminbi Notes

All payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by global certificates held with the common depositary or common safekeeper, as the case may be, for Clearstream Banking S.A. and Euroclear Bank SA/NV or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement, (ii) for so long as the Renminbi Notes are represented by global certificates lodged with a sub-custodian for or registered with the CMU, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures or (iii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement in accordance with prevailing rules and regulations. The Issuer and the Guarantor cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

Remittance of proceeds in Renminbi into or out of the PRC is subject to risks

In the event that the Issuer decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there is no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future. There is no assurance that the PRC Government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the PRC Government will not impose any interim or long-term restrictions on capital inflow or outflow which may restrict cross-border Renminbi remittances, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that the Issuer does remit some or all of the proceeds into the PRC in Renminbi and the Issuer subsequently is not able to repatriate funds out of the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be on-lent by the Issuer to the Guarantor and/or its subsidiaries for general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

FORMS OF THE NOTES

BEARER NOTES

The Issuer may make applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note will be deposited with a common depositary for Euroclear and Clearstream or a sub-custodian for the CMU. Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal market debt securities operating procedures of Euroclear, Clearstream and the CMU. Each Global Note will have an International Securities Identification Number ("ISIN") and a Common Code or a CMU Instrument Number, as the case may be. Investors in Notes of such Series may hold their interests in a Global Note only through Euroclear or Clearstream or the CMU, as the case may be.

REGISTERED NOTES

The Issuer may make applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate. The Issuer may also apply to have Notes represented by a Global Certificate accepted for clearance through the CMU. Each Global Registered Note will have an ISIN and a Common Code or a CMU Instrument Number. Investors in Notes of such Series may hold their interests in a Global Registered Note only through Euroclear or Clearstream or the CMU, as the case may be.

INDIVIDUAL CERTIFICATES

Registration of title to Registered Notes in a name other than a depositary or its nominee for Euroclear and Clearstream or the CMU will be permitted only in the circumstances set forth in "Summary of Provisions Relating to the Notes while in Global Form — Exchange — Permanent Global Notes". In such circumstances, the Issuer will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Individual Certificates.

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, the CMU (together, the "Clearing Systems") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Guarantor and the Issuer believe to be reliable, but neither the Issuer nor the Guarantor nor the Arranger nor any Agent nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.

THE CLEARING SYSTEMS

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and Dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, Dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by any Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the Hong Kong Monetary Authority (the "HKMA") for the safe custody and electronic trading between the members of this service ("CMU Members") of capital markets instruments ("CMU Notes") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Notes issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all members of the Hong Kong Capital Markets Association and "authorized institutions" under the Banking Ordinance (Cap. 155) of Hong Kong.

Compared to clearing services provided by Euroclear and Clearstream, the standard custody and clearing service provided by the CMU is limited. In particular (and unlike the European Clearing Systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Notes. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Notes are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

1 INTRODUCTION

(a) *Programme*: Henderson Land MTN Limited (the "Issuer") has established a Medium Term Note Programme (the "Programme") for the issuance of up to U.S.$7,000,000,000 in aggregate principal amount of notes (the "Notes") unconditionally and irrevocably guaranteed by Henderson Land Development Company Limited (the "Guarantor").

(b) *Pricing Supplement:* Notes issued under the Programme are issued in series (each a "Series") and each Series may comprise one or more tranches (each a "Tranche") of Notes. Each Tranche is the subject of a pricing supplement (the "Pricing Supplement") which supplements these terms and conditions (the "Conditions"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.

(c) *Agency Agreement:* The Notes are the subject of an amended and restated issue and paying agency agreement dated 6 May 2022 (as amended and/or supplemented from time to time, the "Agency Agreement") between the Issuer, the Guarantor, The Bank of New York Mellon, London Branch as fiscal agent (the "Fiscal Agent", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), The Bank of New York Mellon, Hong Kong Branch as CMU lodging and paying agent (the "CMU Lodging and Paying Agent", which expression includes any successor CMU lodging and paying agent appointed from time to time in connection with the Notes), The Bank of New York Mellon SA/NV, Luxembourg Branch and The Bank of New York Mellon, Hong Kong Branch as registrars (each a "Registrar" and together the "Registrars") which expression includes any successor registrar appointed from time to time in connection with the Notes), the paying agents named therein (together with the Fiscal Agent and the CMU Lodging and Paying Agent, the "Paying Agents", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the transfer agents named therein (together with the Registrars, the "Transfer Agents", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes). In these Conditions references to the "Agents" are to the Paying Agents and the Transfer Agents and any reference to an "Agent" is to any one of them. For the purposes of these Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU (as defined below), be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly.

(d) *Deed of Guarantee:* The Notes are the subject of an amended and restated deed of guarantee dated 15 October 2018 (as amended and/or supplemented from time to time, the "Deed of Guarantee") executed by the Guarantor.

(e) *Deed of Covenant:* The Notes may be issued in bearer form ("Bearer Notes"), or in registered form ("Registered Notes"). Registered Notes issued by Henderson Land MTN Limited are constituted by a deed of covenant dated 30 August 2011 (the "Deed of Covenant").

(f) *The Notes:* All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Pricing Supplement issued by the Issuer. Copies of the relevant Pricing Supplement are available for viewing by prior written notice, upon satisfactory proof of holding and may be obtained from the Specified Office of the Paying Agents.

(g) *Summaries:* Certain provisions of these Conditions are summaries of the Agency Agreement, the Deed of Guarantee and the Deed of Covenant and are subject to their detailed provisions. Noteholders and the holders of the related interest coupons, if any, (the "Couponholders" and the "Coupons", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Deed of Guarantee and the relevant Deed of Covenant applicable to them. Copies of the Agency Agreement, the Deed of Guarantee and the relevant Deed of Covenant are available for inspection by Noteholders during normal business hours (being between 9.00 a.m. and 3.00 p.m.) at the Specified Offices of the Paying Agents as set out below.

2 INTERPRETATION

(a) *Definitions*: In these Conditions the following expressions have the following meanings:

"Accrual Yield" has the meaning given in the relevant Pricing Supplement;

"Additional Business Centre(s)" means the city or cities specified as such in the relevant Pricing Supplement;

"Additional Financial Centre(s)" means the city or cities specified as such in the relevant Pricing Supplement;

"Business Day" means:

(a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;

(b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

(c) for the purposes of Notes denominated in Renminbi only, any day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed; and

(d) in respect of Notes for which the Reference Rate is specified as SOFR in the relevant Pricing Supplement, any weekday that is a U.S. Government Securities Business Day and is not a legal holiday in New York and each (if any) Additional Business Centre(s) and is not a date on which banking institutions in those cities are authorised or required by law or regulation to be closed.

"Business Day Convention", in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) "Following Business Day Convention" means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) "Modified Following Business Day Convention" or "Modified Business Day Convention" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day, save in respect of Notes for which the Reference Rate is SOFR, for which the final Interest Payment Date will not be postponed and interest on that payment will not accrue during the period from and after the scheduled final Interest Payment Date;

(c) "Preceding Business Day Convention" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) "FRN Convention", "Floating Rate Convention" or "Eurodollar Convention" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that**:

   (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

   (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

   (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) "No Adjustment" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"Calculation Agent" means the Fiscal Agent or such other Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

"Calculation Amount" has the meaning given in the relevant Pricing Supplement;

"CMU" means the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority;

"Coupon Sheet" means, in respect of a Note, a coupon sheet relating to the Note;

"Day Count Fraction" means, in respect of the calculation of an amount for any period of time (the "Calculation Period"), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

(a) if "Actual/Actual (ICMA)" is so specified, means:

   (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(ii) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(iii) if "Actual/Actual (ISDA)" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iv) if "Actual/365 (Fixed)" is so specified, means the actual number of days in the Calculation Period divided by 365;

(v) if "Actual/360" is so specified, means the actual number of days in the Calculation Period divided by 360;

(vi) if "30/360" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$Day\ Count\ Fraction = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30";

(vii) if "30E/360" or "Eurobond Basis" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$Day\ Count\ Fraction = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30; and

(viii) if "30E/360 (ISDA)" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$Day\ Count\ Fraction = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"Determination Agent" means an independent bank of international repute selected by and acting as an agent of the Issuer for the purposes of Condition 7(c)(iii) and notified to the Principal Paying Agent in writing. The Principal Paying Agent shall not be responsible for the calculations made by, or the actions or omissions of, the Determination Agent and shall not be liable for any losses caused thereby.

"Early Redemption Amount (Tax)" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"Early Termination Amount" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Pricing Supplement;

"Extraordinary Resolution" has the meaning given in the Agency Agreement;

"Final Redemption Amount" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"Fixed Coupon Amount" has the meaning given in the relevant Pricing Supplement;

"Guarantee" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(a) any obligation to purchase such Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) any other agreement to be responsible for such Indebtedness;

"Guarantee of the Notes" means the guarantee of the Notes given by the Guarantor in the Deed of Guarantee;

"Holder", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Title to Registered Notes*);

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China;

"Indebtedness" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(a) amounts raised by acceptance under any acceptance credit facility;

(b) amounts raised under any note purchase facility;

(c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and

(e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"Interest Amount" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"Interest Commencement Date" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

"Interest Determination Date" has the meaning given in the relevant Pricing Supplement;

"Interest Payment Date" means any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

(a) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"Interest Period" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date (or, if the Notes are redeemed on any earlier date, the relevant redemption date);

"ISDA Definitions" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.) unless otherwise specified in the relevant Pricing Supplement;

"Issue Date" has the meaning given in the relevant Pricing Supplement;

"Listed Material Subsidiary" means any Material Subsidiary, the shares of which are at the relevant time listed on The Stock Exchange of Hong Kong Limited, or any other stock exchange;

"Margin" has the meaning given in the relevant Pricing Supplement;

"Material Subsidiary" means any Subsidiary of the Guarantor:

(a) whose gross revenue (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or whose gross assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) represent not less than 10 per cent. of the consolidated gross revenue, or, as the case may be, the consolidated gross assets of the Guarantor and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest audited or reviewed financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited or reviewed consolidated financial statements of the Guarantor, provided that:

    (i) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited or reviewed consolidated financial statements of the Guarantor relate for the purpose of applying each of the foregoing tests, the reference to the Guarantor's latest audited or reviewed consolidated financial statements shall be deemed to be a reference to such audited or reviewed financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant audited or reviewed financial statements, adjusted as deemed appropriate by the auditor for the time being, after consultation with the Guarantor;

    (ii) if at any relevant time in relation to the Guarantor or any Subsidiary no financial statements are prepared and audited, its gross revenue and gross assets (consolidated, if applicable) shall be determined on the basis of pro forma consolidated financial statements (consolidated, if applicable) prepared for this purpose; and

(iii) if the financial statements of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Guarantor, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of the Guarantor; or

(b) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (a) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (b) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (a) above.

A report by two of the directors of the Guarantor that in their opinion (making such adjustments (if any) as they shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Guarantor and the Noteholders;

"Maturity Date" has the meaning given in the relevant Pricing Supplement;

"Maximum Redemption Amount" has the meaning given in the relevant Pricing Supplement;

"Minimum Redemption Amount" has the meaning given in the relevant Pricing Supplement;

"Noteholder", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Title to Registered Notes*)*;*

"Optional Redemption Amount (Call)" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"Optional Redemption Amount (Put)" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"Optional Redemption Date (Call)" has the meaning given in the relevant Pricing Supplement; "Optional Redemption Date (Put)" has the meaning given in the relevant Pricing Supplement;

"Participating Member State" means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

"Payment Business Day" means:

(a) if the currency of payment is euro, any day which is:

(i) a day on which (a) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies and (b) a day on which commercial banks are open for general business (including dealing in foreign currencies) in the city where the Fiscal Agent, or as the case may be, the CMU Lodging Agent has its Specified Office; and

(ii) in the case of payment by transfer to an account, a (a) TARGET Settlement Day, and (b) a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(b) if the currency of payment is not euro, any day which is:

(i) a day on which (a) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies and (b) a day on which commercial banks are open for general business (including dealing in foreign currencies) in the city where the Fiscal Agent, or as the case may be, the CMU Lodging Agent has its Specified Office; and

(ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies (including, in the case of Notes denominated in Renminbi, settlement of Renminbi payments) may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

"Permitted Security Interest" means (i) any Security Interest over any assets (or related documents of title) purchased by the Issuer, the Guarantor or any Material Subsidiary as security for all or part of the purchase price of such assets and any substitute Security Interest created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets; and (ii) any Security Interest over any assets (or related documents of title) purchased by the Issuer, the Guarantor or any Material Subsidiary subject to such Security Interest and any substitute Security Interest created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets.

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency provided, however, that:

(a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

(b) in relation to Australian dollars, it means Sydney or Melbourne and in relation to New Zealand dollars, it means either Wellington or Auckland, in each case, as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(c) in relation to Renminbi, it means Hong Kong or the principal financial centre as is specified in the applicable Pricing Supplement;

"Put Option Notice" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"Put Option Receipt" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"Rate of Interest" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

"Redemption Amount" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement;

"Reference Banks" means four major banks selected by the Determination Agent in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the relevant Pricing Supplement;

"Reference Rate" means EURIBOR, SOFR or any other applicable benchmarks as specified in the relevant Pricing Supplement in respect of the currency and period specified in the relevant Pricing Supplement. Other than in the case of U.S. dollar-denominated floating rate Notes or a Note for which the "Reference Rate" is specified in the relevant Pricing Supplement as being SOFR, the term Reference Rate shall, following the occurrence of a Benchmark Event under Condition 7 (g)(*Benchmark Replacement (Independent Adviser)*), include any Successor Rate or Alternative Rate and shall, if a Benchmark Event should occur subsequently in respect of any such Successor Rate or Alternative Rate, also include any further Successor Rate or further Alternative Rate;

"Register" has the meaning set out in Clause 5 (Transfer of Registered Notes) of the Agency Agreement;

"Regular Period" means:

(a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls; and

(c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

"Relevant Date" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"Relevant Financial Centre" has the meaning given in the relevant Pricing Supplement;

"Relevant Indebtedness" means any indebtedness in the form of and represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are issued with the intention on the part of the issuer thereof that they should be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or on any other securities market (whether or not initially distributed by way of private placement) having an original maturity of more than one year from its date of issue but shall not include indebtedness under any secured transferable loan facility (which term shall, for the avoidance of doubt, mean any agreement for or in respect of indebtedness for borrowed money entered into with one or more banks and/or financial institutions whereunder rights and (if any) obligations may be assigned and/or transferred);

"Relevant Screen Page" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"Relevant Time" has the meaning given in the relevant Pricing Supplement;

"Reserved Matter" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"Security Interest" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"Specified Currency" has the meaning given in the relevant Pricing Supplement; "Specified Denomination(s)" has the meaning given in the relevant Pricing Supplement; "Specified Office" has the meaning given in the Agency Agreement;

"Specified Period" has the meaning given in the relevant Pricing Supplement;

"Subsidiary" in relation to any person, means any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the Hong Kong from time to time, should have its accounts consolidated with those of that person;

"Talon" means a talon for further Coupons;

"TARGET2" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"TARGET Settlement Day" means any day on which TARGET2 is open for the settlement of payments in euro;

"Treaty" means the Treaty establishing the European Communities, as amended;

"Zero Coupon Note" means a Note specified as such in the relevant Pricing Supplement;

(b) *Interpretation:* In these Conditions:

(i) if the Notes are Zero Coupon Notes or are Registered Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement;

(vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and

(viii) any reference to the Agency Agreement or the Deed of Guarantee shall be construed as a reference to the Agency Agreement or the Deed of Guarantee, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3 FORM, DENOMINATION, TITLE AND TRANSFER

(a) *Bearer Notes:* Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

(b) *Title to Bearer Notes:* Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "Holder" means the holder of such Bearer Note and "Noteholder" and "Couponholder" shall be construed accordingly.

(c) *Registered Notes:* Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.

(d) *Title to Registered Notes:* The Registrar will maintain a register outside the United Kingdom in accordance with the provisions of the Agency Agreement. A certificate (each, a "Note Certificate") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "Holder" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "Noteholder" shall be construed accordingly.

(e) *Ownership:* The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

(f) *Transfers of Registered Notes:* Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

(g) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "business day" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(h) *No charge:* The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(i) *Closed periods:* Noteholders may not require transfers to be registered:

- (i) during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes;
- (ii) during the period of 15 days ending on any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 10(b) (*Redemption for tax reasons*) or Condition 10(c) (*Redemption at the option of the Issuer*);
- (iii) after a Put Option Notice has been delivered in respect of the relevant Note(s) in accordance with Condition 10(e) (*Redemption at the option of Noteholders*);
- (iv) after a Change of Control Put Exercise Notice has been delivered in respect of the relevant Note(s) in accordance with Condition 10(f) (*Redemption for Change of Control*); and
- (v) during the period of seven days ending on (and including) any Record Date (as defined in Condition 12(f) (*Record Date*).

(j) *Regulations concerning transfers and registration:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4 STATUS AND GUARANTEE

(a) *Status of the Notes:* The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) *Guarantee of the Notes:* The Guarantor has in the Deed of Guarantee unconditionally and irrevocably *guaranteed* the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This Guarantee of the Notes constitutes direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5 NEGATIVE PLEDGE

So long as any Note remains outstanding (as defined in the Agency Agreement), none of the Issuer or the Guarantor shall, and the Issuer and the Guarantor shall procure that none of the Guarantor's Material Subsidiaries (other than Listed Material Subsidiaries) will, create or permit to subsist any Security Interest, other than Permitted Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders.

6 FIXED RATE NOTE PROVISIONS

(a) *Application:* This Condition 6 is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Accrual of interest:* The Notes bear interest from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments — Bearer Notes*) and Condition 12 (*Payments — Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7 FLOATING RATE NOTE AND INDEX-LINKED INTEREST NOTE PROVISIONS

(a) *Application:* This Condition 7 is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Accrual of interest:* The Notes bear interest from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments — Bearer Notes*) and Condition 12 (*Payments — Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be (other than in respect of Notes for which SOFR is specified as the Reference Rate in the relevant Pricing Supplement) determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Determination Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested to the Determination Agent, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Determination Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Determination Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such

Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) *ISDA Determination:* If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as calculation agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on (x) the Eurozone inter-bank offered rate (EURIBOR) or (z) the Hong Kong inter-bank offered rate (HIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement.

(e) *Interest - Floating Rate Notes referencing SOFR (Screen Rate Determination):*

This Condition 7(e) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable, Screen Rate.

(i) Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, and the "Reference Rate" is specified in the relevant Pricing Supplement as being "SOFR".

(ii) Where "SOFR" is specified as the Reference Rate in the relevant Pricing Supplement, the Rate of Interest for each Interest Period will, subject as provided below, be the Benchmark plus or minus (as specified in the relevant Pricing Supplement) the Margin, all as determined by the Calculation Agent on each Interest Determination Date.

(iii) For the purposes of this Condition 7(e):

"Benchmark" means Compounded SOFR, which is a compounded average of daily SOFR, as determined for each Interest Period in accordance with the specific formula and other provisions set out in this Condition 7(e).

Daily SOFR rates will not be published in respect of any day that is not a U.S. Government Securities Business Day, such as a Saturday, Sunday or holiday. For this reason, in determining Compounded SOFR in accordance with the specific formula and other provisions set forth herein, the daily SOFR rate for any U.S. Government Securities Business Day that immediately precedes one or more days that are not U.S. Government Securities Business Days will be multiplied by the number of calendar days from and including such U.S. Government Securities Business Day to, but excluding, the following U.S. Government Securities Business Day.

If the Issuer determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred in respect of Compounded SOFR (or the daily SOFR used in the calculation hereof) prior to the relevant SOFR Determination Time, then the provisions under Condition 7(e)(iv) below will apply.

"Business Day" means any weekday that is a U.S. Government Securities Business Day and is not a legal holiday in New York and each (if any) Additional Business Centre(s) and is not a date on which banking institutions in those cities are authorised or required by law or regulation to be closed;

"Compounded SOFR" with respect to any Interest Period, means the rate of return of a daily compound interest investment computed in accordance with the following formula (and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards to 0.00001):

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right] \times \frac{360}{d}$$

"d" is the number of calendar days in:

(i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Interest Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period.

"d_o" is the number of U.S. Government Securities Business Days in:

(i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Interest Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period.

"i" is a series of whole numbers from one to d_o, each representing the relevant U.S. Government Securities Business Day in chronological order from, and including, the first U.S. Government Securities Business Day in:

(i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Interest Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period,

to and including the last US Government Securities Business Day in such period;

"Interest Determination Date" means, in respect of any Interest Period, the date falling "p" U.S. Government Securities Business Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" U.S. Government Securities Business Days prior to such earlier date, if any, on which the Notes are due and payable);

"n_i" for any U.S. Government Securities Business Day "i" in the relevant Interest Period or Observation Period (as applicable), is the number of calendar days from, and including, such U.S. Government Securities Business Day "i" to, but excluding, the following U.S. Government Securities Business Day ("i+1");

"Observation Period" in respect of an Interest Period means the period from, and including, the date falling "p" U.S. Government Securities Business Days preceding the first day in such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) to, but excluding, the date falling "p" U.S. Government Securities Business Days preceding the Interest Payment Date for such Interest Period (or the date falling "p" U.S. Government Securities Business Days prior to such earlier date, if any, on which the Notes become due and payable);

"p" for any Interest Period or Observation Period (as applicable) means the number of U.S. Government Securities Business Days specified as the "Lag Period" or the "Observation Shift Period" (as applicable) in the relevant Pricing Supplement or if no such period is specified, five U.S. Government Securities Business Days;

"SOFR" with respect to any U.S. Government Securities Business Day, means:

(i) the Secured Overnight Financing Rate published for such U.S. Government Securities Business Day as such rate appears on the SOFR Administrator's Website at 3:00 p.m. (New York time) on the immediately following U.S. Government Securities Business Day (the "SOFR Determination Time"); or

(ii) Subject to Condition 7(e)(iv) below, if the rate specified in (i) above does not so appear, the Secured Overnight Financing Rate as published in respect of the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the SOFR Administrator's Website;

"SOFR Administrator" means the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate);

"SOFR Administrator's Website" means the website of the Federal Reserve Bank of New York, or any successor source;

"$SOFR_i$" means the SOFR for:

(i) where "Lag" is specified as the Observation Method in the applicable Pricing Supplement, the U.S. Government Securities Business Day falling "p" U.S. Government Securities Business Days prior to the relevant U.S. Government Securities Business Day "i"; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant U.S. Government Securities Business Day "i"; and

"U.S. Government Securities Business Day" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(iv) If the Issuer determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates. In connection with the implementation of a Benchmark Replacement, the Issuer will have the right to make Benchmark Replacement Conforming Changes from time to time, without any requirement for the consent or approval of the Noteholders.

Any determination, decision or election that may be made by the Issuer pursuant to this section, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection:

(i) will be conclusive and binding absent manifest error;

(ii) will be made in the sole discretion of the Issuer; and

(iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

"Benchmark" means, initially, Compounded SOFR, as such term is defined above; provided that if the Issuer determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Compounded SOFR (or the published daily SOFR used in the calculation thereof) or the then-current Benchmark, then "Benchmark" shall mean the applicable Benchmark Replacement;

"Benchmark Replacement" means the first alternative set forth in the order below that can be determined by the Issuer as of the Benchmark Replacement Date:

(i) the sum of: (A) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark and (B) the Benchmark Replacement Adjustment;

(ii) the sum of: (A) the ISDA Fallback Rate and (B) the Benchmark Replacement Adjustment; or

(iii) the sum of: (A) the alternate rate of interest that has been selected by the Issuer as the replacement for the then-current Benchmark giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate notes at such time and (B) the Benchmark Replacement Adjustment;

"Benchmark Replacement Adjustment" means the first alternative set forth in the order below that can be determined by the issuer or its designee as of the Benchmark Replacement Date:

(i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate notes at such time;

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer determines is reasonably necessary);

"Benchmark Replacement Date" means the earliest to occur of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

(i) in the case of clause (i) or (ii) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(ii) in the case of clause (iii) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event that gives rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"Benchmark Transition Event" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

(i) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"ISDA Fallback Adjustment" means the spread adjustment, (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"ISDA Fallback Rate" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"Reference Time" with respect to any determination of the Benchmark means (i) if the Benchmark is Compounded SOFR, the SOFR Determination Time, and (ii) if the Benchmark is not Compounded SOFR, the time determined by the Issuer after giving effect to the Benchmark Replacement Conforming Changes;

"Relevant Governmental Body" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"Unadjusted Benchmark Replacement" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(v) Any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, determined under Condition 7(e)(iv) above will be notified promptly by the Issuer to the Fiscal Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 20 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

No later than notifying the Fiscal Agent of the same, the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer:

(A) confirming (x) that a Benchmark Transition Event has occurred, (y) the relevant Benchmark Replacement and, (z) where applicable, any Benchmark Replacement Adjustment and/or the specific terms of any relevant Benchmark Replacement Conforming Changes, in each case as determined in accordance with the provisions of this Condition 7(e); and

(B) certifying that the relevant Benchmark Replacement Conforming Changes are necessary to ensure the proper operation of such Benchmark Replacement and/or Benchmark Replacement Adjustment.

(vi) If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 7(e), the Rate of Interest shall be (A) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period) or (B) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to the Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin applicable to the first Interest Period).

(f) *Interest - SOFR Compounded Index (Screen Rate Determination)*

(i) This Condition 7(f) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable, Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, and "Index Determination" is specified in the relevant Pricing Supplement as being applicable.

(ii) Where "Index Determination" is specified in the relevant Pricing Supplement as being applicable, the Rate of Interest for each Interest Period will be the compounded daily reference rate for the relevant Interest Period, calculated in accordance with the following formula:

$$\frac{(SOFR\ Compounded\ Index\ End}{SOFR\ Compounded\ Index\ Start} - 1)\ X\ \frac{360}{d}$$

and rounded to the Relevant Decimal Place, plus or minus the Margin (if any), all as determined and calculated by the Calculation Agent, where:

”d” is the number of calendar days from (and including) the day on which the SOFR Compounded Index Start is determined to (but excluding) the day on which the SOFR Compounded Index End is determined;

“End” means the SOFR Compounded Index value on the day falling the Relevant Number of Index Days prior to the Interest Payment Date for such Interest Period, or such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Period);

“Index Days” means U.S. Government Securities Business Days;

“Relevant Decimal Place” shall, unless otherwise specified in the applicable Pricing Supplement, be the seventh decimal place, rounded up or down, if necessary (with 0.000005 or, as the case may be, 0.00000005 being rounded upwards);

“Relevant Number” is as specified in the applicable Pricing Supplement, but, unless otherwise specified shall be five;

“SOFR Compounded Index” means the Compounded SOFR rate as published at 15:00 (New York time) by Federal Reserve Bank of New York (or a successor administrator of SOFR) on the website of the Federal Reserve Bank of New York, or any successor source; and

“Start” means the SOFR Compounded Index value on the day falling the Relevant Number of Index Days prior to the first day of the relevant Interest Period.

Provided that a Benchmark Event has not occurred in respect of the SOFR Compounded Index, if, with respect to any Interest Period, the relevant rate is not published for the SOFR Compounded Index either on the relevant Start or End date, then the Calculation Agent shall calculate the rate of interest for that Interest Period as if Index Determination was not specified in the applicable Pricing Supplement and as if Compounded SOFR (as defined in Condition 7(e) (*Interest – Floating Rate Notes referencing SOFR (Screen Rate Determination*)) had been specified instead in the applicable Pricing Supplement, and in each case “Observation Shift” had been specified as the Observation Method in the relevant Pricing Supplement, and where the Observation Period for the purposes of that definition in Condition 7(e) (*Interest – Floating Rate Notes referencing SOFR (Screen Rate Determination)*) shall be deemed to be the same as the Relevant Number specified in the applicable Pricing Supplement. For the avoidance of doubt, if a Benchmark Event has occurred in respect of the SOFR Compounded Index, the provisions of Condition 7(g) (*Benchmark Replacement (Independent Adviser)*) shall apply.

(g) *Benchmark Replacement (Independent Adviser):*

Other than in the case of a U.S. dollar-denominated floating rate Note for which the Reference Rate is specified in the relevant Pricing Supplement as being “SOFR”, if a Benchmark Event occurs in relation to the Reference Rate when the Rate of Interest (or any component part thereof) for any Interest Period remains to be determined by reference to such Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 7(g)(i)) and, in either case, an Adjustment Spread, if any (in accordance with Condition 7(g)(ii)) and any Benchmark Amendments (in accordance with Condition 7(g)(iii)).

In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Fiscal Agent, Agents or the Noteholders for any determination made by it pursuant to this

Condition 7(g) and the Fiscal Agent will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof:

(i) If the Independent Adviser determines in its discretion that:

(A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 7(g)(i)) subsequently be used in place of the Reference Rate to determine the Rate of Interest (or the relevant component part(s) thereof) for the relevant Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 7(g) in the event of a further Benchmark Event affecting the Successor Rate; or

(B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 7(g)(i)) subsequently be used in place of the Reference Rate to determine the Rate of Interest (or the relevant component part(s) thereof) for the relevant Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 7(g) in the event of a further Benchmark Event affecting the Alternative Rate.

(ii) If the Independent Adviser determines in its discretion (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall apply to the Successor Rate or the Alternative Rate (as the case may be).

(iii) If any relevant Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 7(g) and the Independent Adviser determines in its discretion (i) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "Benchmark Amendments") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, following consultation with the Calculation Agent (or the person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate of Interest and the Interest Amount(s)), subject to giving notice thereof in accordance with Condition 7(g)(iv), without any requirement for the consent or approval of relevant Noteholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice (and for the avoidance of doubt, the Fiscal Agent shall, at the direction and expense of the Issuer, consent to and effect such consequential amendments to the Agency Agreement and these Conditions as the Fiscal Agent may be required in order to give effect to this Condition 7(g)).

(iv) If (A) the Issuer is unable to appoint an Independent Adviser or (B) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 7(g) prior to the relevant Interest Determination Date, the Reference Rate applicable to the relevant Interest Period shall be the Reference Rate applicable as at the last preceding Interest Determination Date. If there has not been a first Interest Payment Date, the Reference Rate shall be the Reference Rate applicable to the first Interest Period. For the avoidance of doubt, any adjustment pursuant to this Condition 7(g)(iv) shall apply to the relevant Interest Period only. Any subsequent Interest Period may be subject to the subsequent operation of this Condition 7(g)).

(v) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 7(g) will be notified promptly by the Issuer to the Fiscal Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 20 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

(vi) No later than notifying the Fiscal Agent of the same, the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer:

(A) confirming (x) that a Benchmark Event has occurred, (y) the relevant Successor Rate, or, as the case may be, the relevant Alternative Rate and, (z) where applicable, any relevant Adjustment Spread and/or the specific terms of any relevant Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 7(g); and

(B) certifying that (1) the relevant Benchmark Amendments are necessary to ensure the proper operation of such relevant Successor Rate, Alternative Rate and/or Adjustment Spread and (2) the intent of the drafting of such changes is solely to implement the relevant Benchmark Amendments.

The Fiscal Agent and the Agents shall be entitled to rely on such certificate (without further enquiry and without liability to any person) as sufficient evidence thereof.

(vii) The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of such Successor Rate or Alternative Rate and such Adjustment Spread (if any) and such Benchmark Amendments (if any)) be binding on the Issuer, Fiscal Agent, the Calculation Agent, the Paying Agents and the Noteholders.

(viii) As used in this Condition 7(g):

"Adjustment Spread" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines is required to be applied to the relevant Successor Rate or the relevant Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(A) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(B) (if no such recommendation has been made, or in the case of an Alternative Rate), the Independent Adviser, determines is customarily applied to the relevant Successor Rate or Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate; or

(C) (if no such determination has been made) the Independent Adviser determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

(D) (if the Independent Adviser determines that no such industry standard is recognised or acknowledged) the Independent Adviser determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

"Alternative Rate" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with this Condition 7(g) is customary in market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) for a commensurate period and in the Specified Currency;

"Benchmark Amendments" has the meaning given to it in Condition 7(g)(iii);

"Benchmark Event" means:

(A) the relevant Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or

(B) a public statement by the administrator of the relevant Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such Reference Rate) it has ceased publishing such Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date (the "Specified Future Date"); or

(C) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will, by a specified future date (the "Specified Future Date"), be permanently or indefinitely discontinued; or

(D) a public statement by the supervisor of the administrator of the relevant Reference Rate that means that such Reference Rate will, by a specified future date (the "Specified Future Date"), be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes; or

(E) a public statement by the supervisor of the administrator of the relevant Reference Rate (as applicable) that, in the view of such supervisor, (i) such Reference Rate is or will, by a specified future date (the "Specified Future Date"), be no longer representative of an underlying market, or (ii) the methodology to calculate such Reference Rate has materially changed; or

(F) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent to calculate any payments due to be made to any Noteholder using the relevant Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (B), (C), (D), or (E) above and the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed to occur until the date falling six months prior to such Specified Future Date.

"Independent Adviser" means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer at its own expense.

"Relevant Nominating Body" means, in respect of a benchmark or screen rate (as applicable):

(A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof; and

"Successor Rate" means a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

(h) *Index-Linked Interest:* If the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Pricing Supplement.

(i) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(j) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(k) *Calculation of other amounts:* If the relevant Pricing Supplement specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Pricing Supplement.

(l) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer and the Paying Agents as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(m) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8 ZERO COUPON NOTE PROVISIONS

(a) *Application:* This Condition 8 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9 DUAL CURRENCY NOTE PROVISIONS

(a) *Application:* This Condition 9 is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Rate of Interest:* If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Pricing Supplement.

10 REDEMPTION AND PURCHASE

(a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments — Bearer Notes*) and Condition 12 (*Payments — Registered Notes*).

(b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (if neither the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

(A) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) *as* a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands (in the case of Henderson Land MTN Limited) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(B) (1) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) or the Guarantee of the Notes or the Guarantor has or will become obliged to make any such withholding or deduction as is referred to in Condition 13 (*Taxation*) or the Guarantee of the Notes from any amount paid by it to the Issuer in order to enable that Issuer to make a payment of principal or interest in respect of the Notes, in either case as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes, and (2) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

(C) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts or the Guarantor would be obliged to make such withholding or deduction if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made; or

(D) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts or the Guarantor would be obliged to make such withholding or deduction if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Fiscal Agent (1) a certificate signed by two directors of the Issuer (or the Guarantor, as the case may be) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of that Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts or (as the case may be) the Guarantor has or will become obliged to make such withholding or deduction as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

(c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige that Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(d) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Issuer determines and in such manner as the Issuer considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in

Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

So long as the Notes are in global form and the certificate representing or evidencing such Notes is held on behalf of Euroclear, Clearstream, the CMU and/or any alternative clearing system on behalf of which the Notes in global form may be held, the selection of Notes for redemption under Condition 10(d) (Partial redemption) shall be effected in accordance with the rules of the relevant clearing system.

(e) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(e), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(e), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

(f) *Redemption for Change of Control:* If the Change of Control Put Option is specified in the relevant Pricing Supplement as being applicable, then at any time following the occurrence of a Change of Control, the holder of each Note will have the right, at such holder's option, to require the Issuer to redeem all, but not in part, of such holder's Notes on the Change of Control Put Date (as defined below) at 100 per cent. of their principal amount, together with accrued interest up to, but excluding the Change of Control Put Date. To exercise such right, the holder of the relevant Note must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "Change of Control Put Exercise Notice"), together with the Note Certificate evidencing the Notes to be redeemed by not later than 60 days following a Change of Control, or, if later, 60 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 20 (*Notices*). The "Change of Control Put Date" shall be the fourteenth day after the expiry of such period of 60 days as referred to above.

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes subject to the Put Exercise Notices delivered as aforesaid on the Put Date. The Issuer shall give notice to Noteholders and the Fiscal Agent in accordance with Condition 20 (*Notices*) by not later than 14 days following the first day on which it becomes aware of the occurrence of a

Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 10(f).

For the purposes of this Condition 10(f):

a "Change of Control" occurs when:

(i) other than the Lee Family or any of its affiliates, any Person or Persons, acting together, acquires Control of the Guarantor; or

(ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, unless the consolidation, merger, sale or transfer will not result in any Person or Persons (other than the Lee Family or any of its affiliates) acquiring Control over the Guarantor or the successor entity;

"Control" means the ownership or control of more than 50 per cent. of the voting rights of the issued share capital of the Guarantor or the right to appoint and/or remove all or the majority of the members of the Guarantor's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

"Lee Family" means Dr. Lee Shau Kee and/or his family and/or companies which are controlled by any of them and/or any trust in which Dr. Lee Shau Kee and/or his family and/or companies controlled by any of them are beneficiaries and/or interests associated with any or some of them; and

a "Person", as used in this Condition 10(f), includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organization, trust, state or agency of state (in each case whether or not being a separate legal entity) but does not include the Guarantor's wholly owned direct or indirect Subsidiaries.

(g) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (f) above.

(h) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the relevant Pricing Supplement for the purposes of this Condition 10(h) or, if none is so specified, a Day Count Fraction of 30E/360.

(i) *Purchase:* The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith.

(j) *Cancellation:* All Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

11 PAYMENTS — BEARER NOTES

This Condition 11 is only applicable to Bearer Notes.

(a) *Principal:* Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

(b) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

Payments of principal and interest in respect of Bearer Notes held in the CMU will be made to the person(*s*) *for whose account*(*s*) *interests in the relevant Bearer Note are credited as being held with the CMU in accordance with the CMU Rules* (*as defined in the Agency Agreement*) *at the relevant time as notified to the CMU Lodging Agent by the CMU in a relevant CMU Instrument Position Report* (*as defined in the Agency Agreement*) *or any other relevant notification by the CMU, which notification shall be conclusive evidence of the records of the CMU* (*save in the case of manifest or proven error*) *and payment made in accordance thereof shall discharge the obligations of the Issuer, or, as the case may be, the Guarantor, in respect of that payment.*

(c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(d) *Payments subject to fiscal laws:* All payments in respect of the Bearer Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Deductions for unmatured Coupons:* If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "Relevant Coupons") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that,** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

(f) *Unmatured Coupons void:* If the relevant Pricing Supplement specifies that this Condition 11(f) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(e) (*Redemption at the option of Noteholders*), Condition 10(c) (*Redemption at the option of the Issuer*), Condition 10(f) (*Redemption for Change of Control*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) *Payments on business days:* If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

(i) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(j) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

12 PAYMENTS — REGISTERED NOTES

This Condition 12 is only applicable to Registered Notes.

(a) *Principal:* Payments of principal shall be made by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest:* Payments of interest shall be made by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

Payments of principal and interest in respect of Registered Notes held in the CMU will be made to the person(s) for whose account(s)interests in the relevant Registered Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging Agent by the CMU in a relevant CMU Instrument Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU, which notification shall be conclusive evidence of the records of the CMU (save in the case of manifest or proven error) and payment made in accordance thereof shall discharge the obligations of the Issuer, or, as the case may be, the Guarantor, in respect of that payment.

(c) *Payments subject to fiscal laws:* All payments in respect of the Registered Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.

(e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed or enfaced, as the case may be, on the relevant Note Certificate.

(f) *Record date:* Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "Record Date").

13 TAXATION

(a) *Gross up:* All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands (in the case of payments by Henderson Land MTN Limited) or Hong Kong (in the case of payments by the Guarantor) or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

(i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or

(ii) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days.

(b) *Taxing jurisdiction:* If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands (in respect of Henderson Land MTN Limited) or Hong Kong (in respect of the Guarantor) respectively, references in these Conditions to the British Virgin Islands or Hong Kong shall be construed as references to the British Virgin Islands or (as the case may be) Hong Kong and/or such other jurisdiction.

14 EVENTS OF DEFAULT

If any of the following events occurs:

(a) *Non payment:* the Issuer fails to pay any amount of principal in respect of the Notes within seven days after the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 14 days of the due date for payment thereof; or

(b) *Breach of other obligations:* the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the relevant Deed of Covenant or the Guarantee of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer and the Guarantor by Noteholders holding five per cent. or more of the principal amount of the Notes outstanding, has been delivered to that Issuer and the Guarantor or to the Specified Office of the Fiscal Agent; or

(c) Cross default of Issuer, Guarantor or Subsidiary:

(i) any indebtedness of either Issuer, the Guarantor or any of their respective Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Subsidiary or (**provided that** no event of default, howsoever described, has occurred) any person entitled to such indebtedness; or

(iii) either Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any guarantee of any indebtedness;

provided that the amount of indebtedness referred to in sub paragraph (i) and/or sub paragraph (ii) above and/or the amount payable under any guarantee referred to in sub paragraph (iii) above, individually or in the aggregate, exceeds US$30,000,000 (or its equivalent in any other currency or currencies on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which a calculation is made under this Condition 14(c)); or

(d) *Unsatisfied judgment:* one or more judgment(s) or order(s) is rendered against a material part of the property, assets or turnover of the Issuer, the Guarantor or any Material Subsidiary and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) *Security enforced:* a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a material part of the undertaking, assets and revenues of either Issuer, the Guarantor or any Material Subsidiary and such possession or appointment continues for a period of 30 days after the date thereof; or

(f) *Insolvency, etc.:* (i) either Issuer, the Guarantor or any Material Subsidiary becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of either Issuer, the Guarantor or any Material Subsidiaries or the whole or a substantial part of the undertaking, assets and revenues of either Issuer, the Guarantor or any Material Subsidiaries is appointed (or application for any such appointment is made) or (iii) either Issuer, the Guarantor or any Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of all or a substantial part of its indebtedness or any guarantee of any indebtedness given by it; or

(g) *Winding up, etc.:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of either Issuer, the Guarantor or any Material Subsidiary (otherwise than, in the case of a Subsidiary of the Issuer or a Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent) or either Issuer, the Guarantor or any of the Material Subsidiaries ceases to carry on all or the substantial part of its business (otherwise than, in the case of a Subsidiary of either Issuer or a Subsidiary of the Guarantor, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent or as a result of disposal on arm's length terms or as approved by an Extraordinary Resolution of the Noteholders); or

(h) *Analogous event:* any event occurs which under the laws of the British Virgin Islands or Hong Kong has an analogous effect to any of the events referred to in Conditions 14(d) (*Unsatisfied judgment*) to 14(g) (*Winding up, etc.*)*;* or

(i) *Failure to take action* etc.: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable each of the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes, the relevant Deed of Covenant and the Deed of Guarantee, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the relevant Deed of Covenant or the Deed of Guarantee admissible in evidence in the courts of the British Virgin Islands and Hong Kong is not taken, fulfilled or done; or

(j) *Unlawfulness:* it is or will become unlawful for either Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes, the relevant Deed of Covenant or the Deed of Guarantee; or

(k) *Guarantee not in force:* the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect, then Noteholders holding not less than 5 per cent. of the aggregate principal amount of the outstanding Notes may, by written notice addressed to the Issuer and the Guarantor and delivered to that Issuer and the Guarantor or to the Specified Office of the Fiscal Agent, declare their Notes to be immediately due and payable, whereupon such Notes shall become immediately due and payable at their Early Termination Amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders.

The Agents need not do anything to ascertain whether any Event of Default has occurred and will not be responsible to Noteholders or any other person for any loss arising from any failure by it to do so, and, unless and until the Agent otherwise has notice in writing to the contrary, the Agent may assume that (i) no such event has occurred and (ii) that the Issuer is performing all of its obligations under the Agency Agreement and the Conditions.

15 PRESCRIPTION

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

16 REPLACEMENT OF NOTES AND COUPONS

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

17 AGENTS

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent or registrar or Calculation Agent and additional or successor paying agents; **provided, however, that**:

(a) the Issuer and the Guarantor shall at all times maintain a fiscal agent and a registrar; and

(b) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer and the Guarantor shall at all times maintain a Calculation Agent; and

(c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer and the Guarantor shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

18 MEETINGS OF NOTEHOLDERS; MODIFICATION AND WAIVER

(a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) and shall be convened by them upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than two-thirds or, at any adjourned meeting, one-third of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Noteholders of not less than nine-tenths of the aggregate principal amount of the outstanding Notes, will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification:* The Notes, these Conditions, the Deed of Guarantee and the Deed of Covenant may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer and the Guarantor shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders. Any determination as to whether an amendment may be materially prejudicial to the interests of the Noteholders pursuant to this Condition shall be made by the Issuer and the Guarantor and none of the Agents shall have any responsibility or liability whatsoever with respect to such determination. Any modification shall be binding on the Noteholders and shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 20 (*Notices*).

19 FURTHER ISSUES

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

20 NOTICES

(a) *Bearer Notes:* Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in Hong Kong or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Asia. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

(b) *Registered Notes:* Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Notes are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear Bank SA/NV or Clearstream Banking S.A. or CMU or an Alternative Clearing System, notices to the Holders of the Notes shall be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV or Clearstream Banking S.A. or the CMU or the Alternative Clearing System, for communication by it to entitled accountholders, in substitution for notification as required by the Conditions.

21 CURRENCY INDEMNITY

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "first currency") in which the same is payable under these Conditions or such order or judgment into another currency (the "second currency") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to that Issuer and delivered to that Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

22 ROUNDING

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23 GOVERNING LAW AND JURISDICTION

(a) *Governing law:* The Notes, the Guarantee of the Notes and any non-contractual obligations arising out of or in connection with the Notes and the Guarantee of the Notes are governed by English law.

(b) *English courts:* The courts of England have exclusive jurisdiction to settle any dispute (a "Dispute") arising out of or in connection with the Notes and the Guarantee of the Notes (including any non-contractual obligation arising out of or in connection with the Notes and the Guarantee of the Notes).

(c) *Appropriate forum:* The Issuer and the Guarantor agree that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue to the contrary.

(d) *Rights of the Noteholders to take proceedings outside England:* Condition 23(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 23 prevents any Noteholder from taking proceedings relating to a Dispute ("Proceedings") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) *Process agent:* Each of the Issuer and the Guarantor agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at 8th Floor, 100 Bishopsgate, London, EC2N 4AG or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of each Issuer or the Guarantor, the Issuer or, as the case may be, the Guarantor shall, on the written demand of any Noteholder addressed and delivered to the Issuer or, as the case may be, the Guarantor or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer or, as the case may be, the Guarantor and delivered to the Issuer or, as the case may be, the Guarantor or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any

Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

(f) *Consent to enforcement etc.:* Each of the Issuer and the Guarantor consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.

(g) *Waiver of immunity:* To the extent that the Issuer or the Guarantor may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer, the Guarantor or their respective assets or revenues, each of the Issuer and the Guarantor agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

FORM OF PRICING SUPPLEMENT

[The Pricing Supplement in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.]

Pricing Supplement dated [●]

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "EU MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended the "EU PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[*Consider if any of the Issuer / Guarantor / Managers are "EU MiFID II entities" and are "manufacturers" for the purposes of EU MiFID II*]

[EU MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "EU MiFID II")] [EU MiFID II]; or (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate.

[Consider any negative market.] Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[*Consider if any of the Issuer / Guarantor / Managers are "UK MiFIR entities" and are "manufacturers" for the purposes of UK MiFIR*]

[UK MiFIR product governance/Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate [Consider any negative target market]. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[(*Include when the Notes are to be listed on the Hong Kong Stock Exchange*)

This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") ("Professional Investors")) only.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer, the Guarantor and the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document together with the Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Guarantor and the Group. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

[Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (the "SFA"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA that the Notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018.]

Henderson Land MTN Limited
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Guaranteed by
Henderson Land Development Company Limited
under the U.S.$7,000,000,000 Medium Term Note Programme

The document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Offering Circular dated [●] 2022. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular dated *[current date]* [and the supplemental Offering Circular dated *[date]]*, save in respect of the Conditions which are extracted from the Offering Circular dated [●] 2022 and are attached hereto.

[*Include whichever of the following apply or specify as "Not Applicable"* (*N/A*). *Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.*]

1	(i)	Issuer:	Henderson Land MTN Limited
	(ii)	Guarantor:	Henderson Land Development Company Limited
2	[(i)	Series Number:]	[●]
	[(ii)	Tranche Number:	[●]
		(*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*).*]*	
3		Specified Currency or Currencies:	[●]
4		Aggregate Nominal Amount:	[●]
	[(i)]	[Series]:	[●]
	[(ii)	Tranche:	[●]]
5	(i)	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
	[(ii)	Net Proceeds:	[●] (Required only for listed issues)]
	[(iii)	Private Bank Rebate/Commission:	[Applicable/Not Applicable]]
6	(i)	Specified Denominations:[2], [3]	[●]
	(ii)	Calculation Amount:	[●]
7	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
8		Maturity Date:	[*Specify date or* (*for Floating Rate Notes*) *Interest Payment Date falling in or nearest to the relevant month and year*][4]
9		Interest Basis:	[[●] per cent. Fixed Rate]

[2] Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

[3] If the specified denomination is expressed to be 100,000 or its equivalent and multiples of a lower principal amount (for example 1,000), insert the additional wording as follows: 100,000 and integral multiples of [1,000] in excess thereof up to and including [199,000]. No notes indefinitive form will be issued with a denomination above [199,000].

[4] Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

		[[*Specify* reference rate] +/-[●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*Specify*)] (further particulars specified below)
10	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*Specify*)*]*
11	Change of Interest or Redemption/Payment Basis:	*[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
12	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13	Listing:	[Hong Kong/Other (*specify*)/None] (*For Notes to be listed on the Hong Kong Stock Exchange, insert the expected effective listing date of the Notes*)
14	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15	**Fixed Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/ quarterly/monthly/other (specify)] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre*(*s*) *for the definition of "Business Day"*]/not adjusted]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount[5]
	(iv) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v) Day Count Fraction:	[30/360/Actual/Actual (ICMA/ISDA)/other]

[5] For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest RMB0.01, RMB0.005 for the case of Renminbi denominated Fixed Rate Notes to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards.

	(vi) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*Give details*]
16	**Floating Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Interest Period(s):	[●]
	(ii) Specified Period:	[●] (*Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable"*)
	(iii) Specified Interest Payment Dates:	[●] (*Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable"*)
	(iv) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(v) Additional Business Centre(s):	[Not Applicable/give *details*]
	(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
	(vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Fiscal Agent]):	[[*Name*] shall be the Calculation Agent (*no need to specify if the Fiscal Agent is to perform this function*)]
	(viii) Screen Rate Determination:	
	• Reference Rate:	[*For example, EURIBOR or SOFR*]
	• Observation Method:	[Lag / Observation Shift]
	• Lag Period:	[5 / [●] TARGET Settlement Days/U.S. Government Securities Business Days/London Banking Days/Not Applicable]
	• Observation Shift Period:	[5 / [●] TARGET Settlement Days/U.S. Government Securities Business Days/London Banking Days /Not Applicable] (*NB: A minimum of 5 should be specified for the Lag Period or Observation Shift*

			Period, unless otherwise agreed with the Calculation Agent)
		• Index Determination	[Applicable/Not Applicable]
		• SOFR Compounded Index	[Applicable/Not Applicable]
		• Relevant Decimal Place	[Not Applicable/[●]/[7] (unless otherwise specified in Pricing Supplement, be the seventh decimal place in the case of the SOFR Compounded Index)]
		• Relevant Number of Index Days	[Not Applicable/[●]/[5] (unless otherwise specified in Pricing Supplement, the Relevant Number shall be 5)]
		• Interest Determination Date(s):	[●]
		• Relevant Screen Page:	[*For example, Reuters EURIBOR 01*]
		• Relevant Time:	[*For example, 11.00 a.m. Brussels time*]
		• Relevant Financial Centre:	[*For example, Euro-zone* (*where Euro-zone means the region comprised of the countries whose lawful currency is the euro*]
	(ix)	ISDA Determination:	
		• Floating Rate Option:	[●]
		• Designated Maturity:	[●]
		• Reset Date:	[●]
	(x)	Margin(s):	[+/-][●] per cent. per annum
	(xi)	Minimum Rate of Interest:	[●] per cent. per annum
	(xii)	Maximum Rate of Interest:	[●] per cent. per annum
	(xiii)	Day Count Fraction:	[●]
	(xiv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
17	Zero Coupon Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i)	Accrual Yield:	[●] per cent. per annum
	(ii)	Reference Price:	[●]
	(iii)	Any other formula/basis of determining amount payable:	[*Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 10*(*h*)]
18	**Index-Linked Interest Note/other variable-linked interest Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

(i)	Index/Formula/other variable:	[give or annex details]
(ii)	Calculation Agent responsible for calculating the interest due:	[●]
(iii)	Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[●]
(iv)	Interest Determination Date(s):	[●]
(v)	Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
(vi)	Interest or calculation period(s):	[●]
(vii)	Specified Period:	[●] (*Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable"*)
(viii)	Specified Interest Payment Dates:	[●] (*Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable"*)
(ix)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
(x)	Additional Business Centre(s):	[●]
(xi)	Minimum Rate/Amount of Interest:	[●] per cent. per annum
(xii)	Maximum Rate/Amount of Interest:	[●] per cent. per annum
(xiii)	Day Count Fraction:	[●]

19	**Dual Currency Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Rate of Exchange/method of calculating Rate of Exchange:	[*give details*]
(ii)	Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[●]

	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

20	**Call Option**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[●] per Calculation Amount
		(b) Maximum Redemption Amount	[●] per Calculation Amount
	(iv)	Notice period:	[●]
21	**Put Option**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	Notice period:	[●]
22	**Final Redemption Amount of each Note**		
	In cases where the Final Redemption Amount is Index-Linked or other variable-linked:		
	(i)	Index/Formula/variable:	[*give or annex details*]
	(ii)	Calculation Agent responsible for calculating the Final Redemption Amount:	[●]
	(iii)	Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[●]
	(iv)	Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable:	[●]
	(v)	Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
	(vi)	[Payment Date]:	[●]

	(vii)	Minimum Final Redemption Amount:	[●] per Calculation Amount
	(viii)	Maximum Final Redemption Amount:	[●] per Calculation Amount
23	**Early Redemption Amount**		[Not Applicable
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):		(*If both the Early Redemption Amount* (*Tax*) *and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount* (*Tax*) *and/or the Early Termination Amount if different from the principal amount of the Notes*)]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24	**Form of Notes:**	**Bearer Notes:** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice][6] [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] **Registered Notes:** [Global Registered Note exchangeable for Individual Note Certificates on [●] days' notice/at any time/in the limited circumstances described in the Global Registered Note]
25	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details*. *Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 16*(*vi*) *and 18*(*x*) *relate*]
26	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. If yes, give details]
27	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]:	[Not Applicable/*give details*]

[6] if the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]", the Temporary Global Note shall not be exchangeable on [●] days' notice.

28	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
29	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
30	Consolidation provisions:	The provisions in Condition 19 (*Further Issues*)] [annexed to this Pricing Supplement] apply]
31	Any applicable currency disruption/fallback provisions:	[Not Applicable/*give details*]
32	Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

33	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilisation Manager(s) (if any):	[Not Applicable/*give names*]
34	If non-syndicated, name and address of Dealer:	[Not Applicable/*give name and address*]
35	U.S. Selling Restrictions:	Reg. S Category [1/2]; (*In the case of Bearer Notes*) – [TEFRA C/TEFRA D/TEFRA not applicable] (*In the case of Registered Notes*) – Not Applicable
36	Additional selling restrictions:	[Not Applicable/give details]
37	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] *If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.*
38	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] *If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.*

OPERATIONAL INFORMATION

ISIN Code:	[●]
Common Code:	[●]
Legal Entity Identifier:	25490062URZHNZQBTW39
CMU Instrument Number:	[●]
Any clearing system(s) other than Euroclear, Clearstream and the CMU and the relevant identification number(s):	[Not Applicable/give name(s) and number(s)]
Delivery:	Delivery [against/free of] payment
Additional Paying Agent(s) (if any):	[●]

GENERAL

The aggregate principal amount of Notes issued has been translated into US dollars at the rate of [●], producing a sum of (for Notes not denominated in [US dollars]):	[Not Applicable/US$]
[Ratings:	The Notes to be issued have been rated: [S&P: [●]] [Moody's: [●]] [[Other: [●]] (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)]

[USE OF PROCEEDS

Give details if different from the "Use of Proceeds" section in the Offering Circular.]

STABILISING

In connection with this issue, [insert name of Stabilisation Manager] (the "Stabilisation Manager") (or persons acting on behalf of any Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.]

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the Hong Kong Stock Exchange of the Notes described herein pursuant to the U.S.$7,000,000,000 Guaranteed Medium Term Note Programme.

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of Henderson Land MTN Limited:

By: ____

Duly authorised

Signed on behalf of Henderson Land Development Company Limited:

By: ______________________________________

Duly authorised

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

INITIAL ISSUE OF NOTES

Global Notes may be delivered on or prior to the original issue date of the Tranche to a Common Depositary for Euroclear and Clearstream or a sub-custodian for the CMU.

Upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream (the "Common Depositary") or with a sub-custodian for the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream or (ii) the CMU and delivery of the relevant Global Registered Note to the Common Depositary or the sub-custodian for the CMU (as the case may be), Euroclear or Clearstream or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Each of the persons shown in the records of Euroclear, Clearstream or any other clearing system ("Alternative Clearing System") as the holder of a Note represented by a Global Note or a Global Registered Note must look solely to Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Registered Notes, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Registered Note and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Registered Note is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Registered Note are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Issue Position Report or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU save in the case of manifest error) shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU as entitled to receive payments in respect of Notes represented by such Global Note or Global Registered Note and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Registered Note must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Issuer in respect of such Global Note or Global Registered Note.

EXCHANGE

Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Summary of the Programme — Selling Restrictions"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

The holder of a temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the temporary Global Note for an interest in a permanent Bearer Global Note or for Definitive Notes is improperly withheld or refused.

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "Partial Exchange of Permanent Global Notes" below, in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear, Clearstream, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or an Event of Default as defined in Condition 14 (*Events of Default*) occurs and the Notes become due and payable.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Global Registered Notes

The following will apply in respect of transfers of Notes held in Euroclear, Clearstream, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Registered Note pursuant to Condition 3(f) may only be made (in whole but not in part):

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) if any of the circumstances described in Condition 14 (*Events of Default*) occurs,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (i) or (ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

Delivery of Notes

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent). In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. Global Notes and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "Definitive Notes" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"Exchange Date" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Registered Notes contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for enfacement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be enfaced on each Global Note, which enfacement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 13(a)(iii) and Condition 17(c) will apply to the Definitive Notes only. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "Payment Business Day" set out in Condition 2(a) for the purposes of Condition 11(g).

All payments in respect of Notes represented by a Global Registered Note (other than a Global Registered Note held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Registered Note held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note are credited (as set out in a CMU Issue Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Registered Note shall be required for such purpose.

Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 2).

Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Registered Note shall (unless such permanent Global Note or Global Registered Note represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholders holding, whether or not represented by a Global Registered Note.

Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note or its presentation to or to the order of the Fiscal Agent for endorsement in the relevant schedule of such permanent Global Note or in the case of a Global Registered Note, by reduction in the aggregate principal amount of the Notes in the Register, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, the CMU or any other clearing system (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), for notation.

Notices

So long as any Notes are represented by a Global Note or a Global Registered Note and such Global Note or Global Registered Note is held on behalf of (i) Euroclear and/or Clearstream or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Issue Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Registered Note.

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holders in respect of them.

CAPITALISATION

Capitalisation and Indebtedness of the Guarantor

At 31 December 2021, the issued share capital of the Guarantor was HK$52,345 million consisting of 4,841,387,003 ordinary shares in issue. In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the shares of the Guarantor do not have a par value.

The following table sets out the consolidated capitalisation (represented by the shareholders' funds of the Guarantor) and indebtedness (for the purpose of the table below, comprising the Group's bank loans and guaranteed notes only) of the Guarantor at 31 December 2021 which has been extracted from the consolidated statement of financial position of the Guarantor at the same date. The table should be read in conjunction with the audited consolidated financial statements of the Guarantor for the year ended 31 December 2021 and the notes thereto.

	At 31 December 2021
	HK$ million
Bank loans:	
Short-term bank loans (including current portion of long-term bank loans)	30,207
Long-term bank loans (net of current portion)	44,151
	74,358
Guaranteed notes:	
Guaranteed notes (due within one year and included in current liabilities)	1,577
Guaranteed notes (due after one year and included in non-current liabilities)	23,804
	25,381
Shareholders' funds:	
Share capital	52,345
Reserves	282,675
Shareholders' funds	335,020
Total Capitalisation and Indebtedness	434,759

There has been no material change in the capitalisation and indebtedness of the Guarantor since 31 December 2021.

Capitalisation and Indebtedness of the Issuer

At 31 December 2021, the Issuer was authorised to issue a maximum of 50,000 no par value shares of a single class and series, of which one share was held by a wholly-owned subsidiary of the Guarantor.

Under British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. While the Issuer has not published, and does not propose to publish in the future, any financial statements, the Issuer has prepared audited financial statements for each financial year ended 31 December up to and including the year ended 31 December 2021.

During the period from 1 January 2022 up to and including the date of this Offering Circular, the Issuer issued guaranteed notes in the amounts of (i) HK$1,550,000,000 at coupon rates ranging from 1.50 per cent. to 2.40 per cent. and which are due for repayment in 2024; and (ii) RMB400,000,000 at coupon rate of 3.30 per cent. and which are due for repayment in 2024. The Issuer also repaid guaranteed notes in the aggregate amount of HK$622,000,000.

DESCRIPTION OF THE ISSUER

History

The Issuer was incorporated with limited liability under the laws of the British Virgin Islands on 4 August 2011 with company number 1664503. The registered office of the Issuer is Morgan & Morgan Building, Pasea Estate, Road Town, Tortola, British Virgin Islands. The Issuer is an indirect wholly-owned subsidiary of the Guarantor and has no subsidiaries.

Business Activity

The Issuer was established for the sole purpose of issuing Notes under the Programme and on-lending the proceeds to the Guarantor and/or its subsidiaries. The Issuer has not engaged, since its incorporation, in any material activities other than those relating to the issue of Notes under the Programme and the on-lending of the proceeds thereof to the Guarantor and/or its subsidiaries, and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party.

Directors and Officers

The directors of the Issuer at the date of this Offering Circular are Fung Lee Woon King, Lee King Yue, Lee Ka Shing and Kwok Ping Ho, each of whom (with the exception of Lee King Yue) is also a director of the Guarantor. The business address of the directors is "c/o Henderson Land Development Company Limited at 72-76/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong". The Issuer has no employees.

DESCRIPTION OF THE GROUP

INTRODUCTION

Henderson Land Development Company Limited is a company incorporated in Hong Kong (company number: 45654) under the Hong Kong Companies Ordinance. It was incorporated on 16 January 1976 and is one of the largest property development and investment companies in Hong Kong by turnover and market capitalisation. As at 31 December 2021, the market capitalisation of the Company was approximately HK$161 billion. Its registered office is at 72-76/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The Company's core business comprises "three pillars", namely property sales, rental business and listed subsidiaries and associates, which include an interest in The Hong Kong and China Gas Company Limited ("HKCG"). Rental income and property sales revenue have been, and are expected to continue to be, the most significant sources of the Company's income. The Company is also involved in department stores, household specialty stores and supermarket-cum-stores operations, hotel operation and management, construction, investment holding, project management, property management, agency services, cleaning and security guard services, as well as travel and food and beverage operations and the trading of building materials and disposal of leasehold land.

As at 31 December 2021, the Company had two listed subsidiaries, Henderson Investment Limited ("HIL") and Miramar Hotel and Investment Company, Limited ("Miramar"), and had two listed associates, HKCG and Hong Kong Ferry (Holdings) Company Limited ("Hong Kong Ferry"). The Company also had one listed associate through its shareholding in HKCG, Towngas Smart Energy Company Limited (previously known as Towngas China Company Limited) ("Towngas Smart Energy"). Each of these companies is listed on the Hong Kong Stock Exchange. The current value of these investments is substantial and the total market capitalisation of the Company, its two listed subsidiaries and its three listed associates amounted to approximately HK$421 billion as at 31 December 2021.

As at 31 December 2021, the issued share capital of the Guarantor was HK$52,345 million consisting of 4,841,387,003 ordinary shares. The Company is listed on the Hong Kong Stock Exchange (stock code: 12). The shares of each of the Company and HKCG are currently constituent stocks of the Hang Seng Index. Shares of the Company represented by depositary receipts are also traded in the United States through an American Depositary Receipt Level 1 Programme.

The Company is controlled by family interests of Dr the Hon. Lee Shau Kee, the founder of the Company, through approximately 72.82% direct and indirect aggregate interests. At the date of this Offering Circular, no other shareholder holds an interest of above 10% of the issued share capital of the Company.

HISTORY

The Company was incorporated on 16 January 1976 under its present name as the property manager and sales agent for various property developments undertaken by its holding company, Henderson Development Limited ("Henderson Development"), which was founded by Dr the Hon. Lee Shau Kee. The Company was first listed on the then Hong Kong stock exchange in July 1981. In connection with the listing the Company acquired from Dr the Hon. Lee Shau Kee and Henderson Development various property developments and interests in HKCG and Hong Kong Ferry (formerly known as The Hongkong and Yaumati Ferry Company, Limited).

In 1985, the Company acquired a 70.8% interest in a publicly listed property company, Wing Tai Development Company, Limited, which had its name changed in 1988 to the present name of HIL. The Company also underwent a group reorganisation in 1988 and sold HK$776 million worth of properties to HIL to strengthen the investment property portfolio of the latter. After the reorganisation, the Company became a major local property developer specialising in developing projects of small to medium size residential units as well as merging and redeveloping older properties. HIL concentrated on property investment and investment holding, with an initial 19.7% interest in Hong Kong Ferry and an initial 25.9% stake in HKCG and an initial 34.78% of the shares and 34.39% of the warrants in the publicly listed Miramar.

Through its subsidiaries and associates, the Company began to engage actively in various property development and investment projects in the PRC in 1990.

In 1996, the Company spun-off its PRC property business by launching an initial public offering of the shares of, and obtaining a separate public listing for, Henderson China Holdings Limited ("Henderson China"), raising new equity funds of approximately HK$1,500 million and in July 2000, the Company spun off its e-business by launching an initial public offering of the shares of, and obtaining a separate listing for Henderson Cyber Limited ("Henderson Cyber"), raising HK$900 million. Henderson China was subsequently privatised in August 2005 and Henderson Cyber was privatised in December 2005. The Company now directly focuses on expanding its property development and investment business in the PRC.

In 2005, the Company completed the International Financial Centre ("ifc") project above the Hong Kong MTR Station and Airport Express Station in Central, Hong Kong. As at 31 December 2021, both the tenancy rate of the shopping mall and office towers of the ifc complex and the occupancy rate of the project's hotel complex (comprising The Four Seasons Hotel and serviced apartments) remained high. The ifc complex, which is owned by a joint venture of the Group, provides an attributable gross floor area of approximately 1.25 million square feet ("sq.ft.") and the Group's share of profit after tax from the ifc complex (excluding change in fair value on investment properties) for the year ended 31 December 2021 represents 8.0% of the Group's underlying profit after taxation attributable to equity shareholders of the Company for the same year.

In 2007, the Company and HIL entered into an agreement pursuant to which the Company acquired from HIL and its subsidiaries (the "HIL Group") their entire interests in Hong Kong Ferry, Miramar, all the subsidiaries of HIL (other than those companies which directly or indirectly held shares in HKCG and engaged in the infrastructure business) and effectively their entire property portfolio. In the same year, the Company also acquired HIL's entire stake in HKCG. The Company subsequently increased its effective interest from 21.31% to 33.41% in Hong Kong Ferry, from 30.04% to 49.91% in Miramar and from 26.54% to 41.53% in HKCG (each such increased effective interest presented as of 31 December 2020). On 14 April 2021, the Company further increased its effective interest in Miramar to 50.002% and Miramar became an indirect non-wholly-owned subsidiary of the Company.

In July 2013, the Government announced the result of the "North East New Territories New Development Areas Planning and Engineering Study", of which Kwu Tung North and Fanling North would be treated as the extension of Fanling/Sheung Shui New Town. The Government has also decided to adopt an enhanced Conventional New Town Approach and, subject to specified criteria, private land owners are allowed to apply for in-situ land exchange for private developments. Outline Zoning Plans for both Kwu Tung North and Fanling North were already approved by the Chief Executive-in-Council. Of the Group's land holding of 1.38 million sq.ft. in Fanling North and Kwu Tung North New Development Areas, a total land area of roughly over 600,000 sq.ft. is assessed to be eligible for in-situ land exchange and the Government may resume the other parts of its lands for public use by payment of cash compensation. The Group applied for in-situ land exchange for three separate land lots, which had been accepted by the Government for further review. These three land lots, having respective site areas of 228,000 sq.ft., 240,000 sq.ft. and 241,000 sq.ft. (including stakes owned by the Government and joint venture companies), are expected to provide an aggregate commercial gross floor area of approximately 440,000 sq.ft. and an aggregate residential gross floor area of approximately 3.03 million sq.ft. Developable areas for these sites are subject to finalisation of land premium.

In the beginning of 2017, the Group transferred the equity interests in the companies holding two hotel properties, namely, "Newton Place Hotel" in Kwun Tong and "Newton Inn" in North Point, for the respective consideration of approximately HK$2,248 million and HK$1,000 million. An agreement was entered into to transfer equity interest in the company holding a residential development project at Kwun Chui Road, Tuen Mun, which was planned for a total developable gross floor area of about 785,000 sq.ft., for a consideration of approximately HK$6,600 million.

In May 2017, a prestigious commercial site at Murray Road, Central was acquired through public tender for a consideration of HK$23,280 million. The site has easy access to MTR stations and sprawling open views of the adjacent Chater Garden, The Court of Final Appeal and Statue Square. It is expected to be developed into a Grade-A office development, providing a total gross floor area of about 465,000 sq.ft..

In November 2021, the Group acquired the prestigious Site 3 of New Central Harbourfront (Inland Lot No. 9088) in Hong Kong at a consideration of HK$50,800 million. The site will be developed in two phases into a 1,600,000-square-foot mixed-use development. In addition, over 300,000 sq.ft. of landscaped open space will be created for public use. With the scheduled completion in 2027 and 2032 respectively for its two-phased development, this project is poised to feature as another iconic world-class landmark in the Central Business District of Hong Kong akin to the "International Finance Centre" and "The Henderson".

Meanwhile, the Group was also awarded the tender for Bailey Street/Wing Kwong Street Development Project in To Kwa Wan by the Urban Renewal Authority with a tender amount at HK$8,189 million. Pursuant to the shareholders' agreement subsequently entered into in February 2022, this project will be jointly developed with Empire Development Hong Kong (BVI) Limited and Hysan Development Company Limited into a development with residential units, commercial properties and public car parks, providing a total gross floor area of over 700,000 sq.ft. upon completion. This joint venture project is 50%-owned by the Group.

Based upon its closing price on 31 December 2021, the Company had a market capitalisation of approximately HK$161 billion.

STRATEGY

The Group's business objective is to build on its leading position in developing large-scale mixed-use projects in Hong Kong and mainland China. In addition, the Group aims to increase its recurrent income through the diversification of its business. The Group is dedicated to maximising value for shareholders over the long term by executing the following strategies:

Building for a sustainable future with low land costs

The Group actively participates in public tenders. In addition, the Group also replenishes its land bank by acquiring old tenement buildings for redevelopment in urban areas and applying for land-use conversion for its portfolio of New Territories land. Such dual approach to land banking has proven to be a reliable source of land supply with a reasonable acquisition cost, which is beneficial to the Group's development returns in the long term.

As a sustainable property developer, the Group is highly proactive in its commitment to environmental stewardship during the process of its development activities, and carefully anticipates the needs and concerns of society.

Locating prime sites for property investment with a stable income stream

The Group's property investment portfolio is well diversified with commercial properties situated in prime locations, generating a recurring and steady income stream.

Expanding mainland China market

Property development and property investment in mainland China provide the Group with a focus for long-term growth. The Group will continue to look for development projects in first-tier cities, as well as those second-tier cities with high growth potential, so as to expand its land bank. Co-operation with local property developers will be enhanced so as to push forward the property development business. In addition, in the central locations of major cities, the Group will actively seek to acquire prime sites for commercial/office developments for long-term investment holding. The Group will concentrate on the development of Grade-A office buildings with retail malls comprising a smaller percentage of the overall rental portfolio.

Strategic investment for constant return

The listed subsidiaries and associates, namely, HKCG, Miramar, Hong Kong Ferry and HIL, provide another steady recurrent income stream to the Group. The distinctive business nature of HKCG, in particular, is a supplement to the Group's core businesses of property development and property investment and allows the Company to smooth out the cyclicality of the Group's property development business.

Conservative financial strategy

The Group employs a conservative funding and treasury strategy. It consistently keeps a low to moderate financial gearing ratio with abundant unutilised committed banking facilities in place that are of medium term in tenor. The Group maintains an excellent ongoing relationship with the major commercial banks while endeavouring to diversify its funding sources through debt issuance in different financial markets.

COMPETITIVE STRENGTHS

Diversified business mix supported by "three pillars"

The Company has a well-diversified business operation. The Company's core business comprises "three pillars" in property sales, rental business and listed subsidiaries and associates in both Hong Kong and mainland China. The rental business and listed subsidiaries and associates provide a reliable and growing income source to the Group, while the property sales business is a dynamic profit driver. Rental income and property sales revenue have been, and are expected to continue to be, the most significant source of the Company's income. Stable contribution from property investments and significant stable dividend cash flows provide the Company with a solid foundation in addition to the profitable property development sector. The Company's property development business has a track record of generating profits in each of the 23 years leading up to 2021 (with the exception of 2003 and 2010, when it recorded a loss). For the years ended 31 December 2020 and 31 December 2021, the Company's property development segment recorded a profit contribution from operations (before taking into account the attributable contribution from associates and joint ventures, and before deduction of non-controlling interests' attributable share) of HK$8,648 million and HK$4,679 million, respectively (before finance costs and tax).

Stable and recurrent income base from property rentals and consistent dividends

The Company has maintained strong cash flows despite economic events such as the Asian financial crisis, SARS outbreak, the global credit and financial crisis which commenced in 2008, the prior socio-political events in Hong Kong and the outbreak of COVID-19. The Group usually has approximately one-third of its tenancy agreements up for renewal each year and this has helped the Group to avoid the concentration of rent renewal dates during any one particular period of a financial year whilst also providing the Group with opportunities to adjust rentals to reflect prevailing market rates. Furthermore, Citistore's department store business operated by the Group's listed subsidiary, HIL, mainly at the Group's properties, serves to maximise the value and occupancy rate of the Group's investment properties. As a result, property rentals have shown resilience through downturns and the contribution from HKCG has been consistent and stable. Recurring cash flow streams from net rental income and dividends from listed associates show stable growth.

The Company's shareholding in HKCG provides a further quality recurrent income base and strengthens the Company's firm commitment to the utilities business in Hong Kong and mainland China. HKCG's leading marketing positioning and strong reputation in the utilities sector in Hong Kong, high and stable project returns and consistent business strategy will further enhance the Company's financial performance. The availability of a consistent and diversified cashflow stream allows the Company to weather the cyclicality of the property development business.

Conservative capital structure and diversified sources of funding

The Company adopts a balanced approach to financing with a view to optimising the mix of equity and debt. The Company has prudent leverage with net debt to shareholders' funds of approximately 27.5% as at 31 December 2021. The Company maintains a prudent dividend payout policy throughout the economic cycles (58.4% and 64.1% of underlying earnings per share for the years ended 31 December 2020 and 31 December 2021, respectively), and commits to a high profit retention strategy. In addition, the Company has access to diversified sources of funds for its operations. The Company has access to both domestic and international capital markets in addition to local loan markets. In addition, the Company's strong financial and credit profile allows it to achieve pricing on loan financing in-line with peers which are "A" rated. The Company's ability to obtain funding from a variety of sources allows it to maintain a competitive advantage over its competitors, which may have funding difficulties in the current volatile markets. These factors enable the Company to maintain a strong balance sheet with a high and increasing level of liquidity.

Experienced management team

The Company has dedicated and experienced senior management who have achieved a strong track record of success in the real estate sector in Hong Kong and mainland China. The management team has a detailed understanding of the real estate markets in both Hong Kong and mainland China. Their in-depth knowledge of the markets means that the Company is able to identify market trends and formulate strategies which are in the interests of the Company. In addition, the Company's vertically integrated approach to property development allows it to appropriately manage costs, quality and risks.

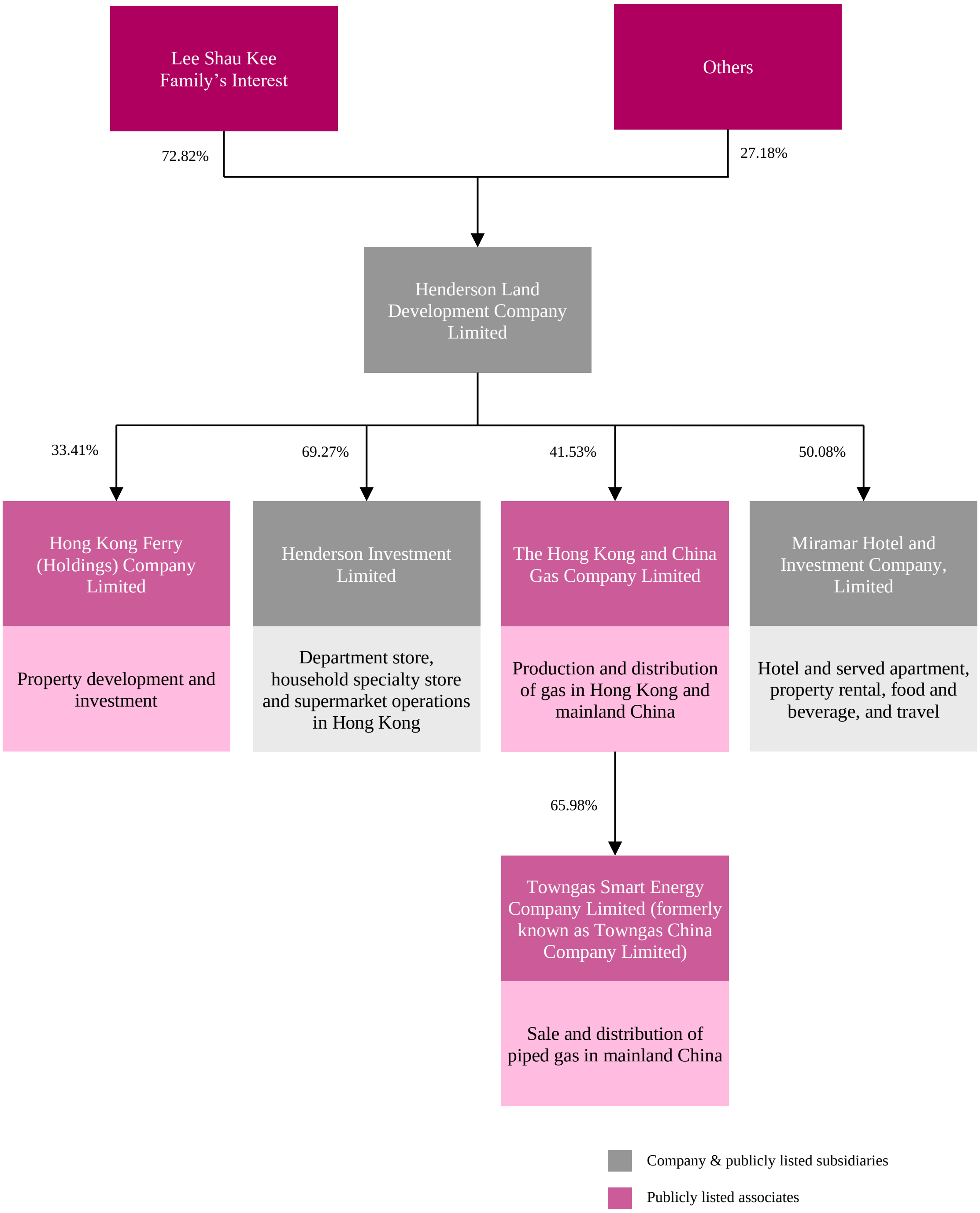
Conservative and strategic approach to the mainland business

The Company has a successful and well-proven approach to investing in the property market in mainland China. In the early 1990s, the Company adopted a "Prime City Prime Site" strategy under which it maintains a number of landmark retail and office investment properties in key locations in Beijing, Shanghai and Guangzhou. Quality developments in the prime cities, where the infrastructure and supplementary facilities are well developed, have attracted strong interest from both foreign tenants and investors. Since 2006, this strategy has been complemented by the Company's "Second Tier and/or Provincial-Capital City Site" focus. The Group focused on the development of Grade-A office buildings. In Guangzhou, the twin Grade-A office towers at "Lumina Guangzhou" in Yuexiu District were completed in 2020 with a total gross floor area of about 970,000 sq.ft.. They became new landmarks in the district and tenants have moved in progressively. The 800,000-square-foot shopping podium was recently completed in January 2022. Negotiation with tenants and signing of tenancies are now under way. In Shanghai, the 3,000,000-square-foot "Lumina Shanghai" at the Xuhui Riverside Development Area is also scheduled for completion in the first half of 2022.

In addition, the Company was among one of the first Hong Kong developers to enter into the property market in mainland China. Its first investment in mainland China was in the 1980s through investment in the China Hotel in Guangzhou. Over the years, the Company has accumulated valuable expertise and local knowledge in different stages of economic cycles in mainland China which the Company believes will allow it to better manage its projects.

CORPORATE STRUCTURE

The following sets forth an overview of the Group's organisation, showing principal functions and shareholding interests in its publicly listed subsidiaries and associates as at 31 December 2021.



BUSINESS OVERVIEW

The Company is an investment holding company and the principal activities of its subsidiaries during the year ended 31 December 2021 were property development and investment, construction, project management, property management, finance, hotel operation, department store operation and investment holding. For the years ended 31 December 2020 and 31 December 2021, 85.3% and 82.7%, respectively, of the Group's revenue from external customers was generated in Hong Kong, with the remaining amount generated from mainland China. The property development business is vertically integrated and incorporates project planning, construction and management of the completed properties.

The principal activity of its listed associate, HKCG, is the production and distribution of gas in Hong Kong and mainland China and the principal activity of HKCG's listed subsidiary, Towngas Smart Energy, is the sale and distribution of piped gas in mainland China.

The Group and its associates currently have six entities that are listed on the Main Board of the Hong Kong Stock Exchange: the Company, HIL, Miramar, HKCG, Hong Kong Ferry and Towngas Smart Energy. Two out of these six companies, namely the Company and HKCG, are constituent stocks in the Hang Seng Index.

As at 31 December 2021, the Company had equity stakes of 41.53% in HKCG (the sole supplier of piped gas in Hong Kong), 33.41% in Hong Kong Ferry (which is now engaged in property development and investment, having divested most of its ferry business), 50.08% in Miramar (which manages The Mira Hong Kong and Mira Moon, and investment properties of approximately 1.2 million sq.ft. in Tsim Sha Tsui) and 69.27% in HIL. Apart from the above equity holdings, the Group also has diversified interests in property development and investment in Hong Kong and mainland China as well as retail trade businesses in Hong Kong.

The revenue and profit contribution from operations of the principal activities of the Group for the years ended 31 December 2020 and 31 December 2021, are set out below:

	Revenue	
	Year ended 31 December	
	2021	2020
	(HK$ million)	
Property development	12,630	16,009
Property leasing	6,505	5,777
Department store and supermarket-cum-stores operations	1,791	1,837
Other businesses	2,601	1,397
Total	23,527	25,020

	Profit contribution from operations (before taking into account the attributable contribution from associates and joint ventures, the deduction of non-controlling interests' attributable share and interest expenses)	
	Year ended 31 December	
	2021	2020
	(HK$ million)	
Property development	4,679	8,648
Property leasing	4,507	4,139
Department store and supermarket-cum-stores operation	200	241
Other businesses	995	492
Total	10,381	13,520

PROPERTY BUSINESSES IN HONG KONG

Development of the Group's properties in Hong Kong usually entails four phases: land acquisition, land development (which may include land use conversion), project construction and marketing. The typical development cycle for vacant land in the New Territories, after land use conversion, is approximately three to four years, whereas the development cycle for urban property projects can be longer, particularly for such project sites that are not vacant at the time of acquisition or involving multiple sites or separate units within a site which must be combined before development can begin.

The Group is vertically integrated, incorporating all the four phases of the development process in order to control the costs, schedule and quality of its projects. Through its subsidiaries and associates, the Company oversees and largely performs all aspects of its development operations, including the selection and purchase of sites, the preparation of feasibility studies, the obtaining of government approvals for zoning and modifications, the design and construction of development projects, and the marketing, leasing and management of completed projects.

Property Sales

During the year ended 31 December 2021, the attributable revenue and pre-tax profit contribution from the Group's property sales in Hong Kong amounted to approximately HK$11,618 million and HK$4,193 million respectively, representing year-on-year decreases of 17% and 46% respectively. The decreases were mainly due to the revenue of about HK$4,700 million, as well as its related profit contribution of about HK$3,629 million, being recognised in the year ended 31 December 2020 arising from the transfer of the Group's equity interest in the company holding the Wo Shang Wai project.

During the year ended 31 December 2021, the Group launched an array of urban projects for sale, including "The Henley (Phase 1 and Phase 3)" in Kai Tak, "The Upper South" in Ap Lei Chau, "The Holborn" in Quarry Bay and "Caine Hill" in Mid-Levels. "Caine Hill" was well received by the market and over 84% of the launched residential units were sold by 31 December 2021. "The Hampstead Reach" in Yuen Long and "Skypoint Royale" ("The Royale" – Phase 3) in Tuen Mun, which was developed by the Group's associate – Hong Kong Ferry (Holdings) Company Limited, both in the New Territories, were also released in the year ended 31 December 2021. All these developments sold well. Together with the sales of the current launched projects and some other properties (including car parks), the Group achieved attributable contracted sales of approximately HK$14,191 million in Hong Kong for the year ended 31 December 2021, representing a year-on-year increase of 77%.

As at the end of December 2021, attributable contracted sales of approximately HK$13,414 million are yet to be recognised in the accounts, of which approximately HK$10,872 million is scheduled for recognition in 2022 upon completion of development and handover to buyers.

After the end of the financial year ended 31 December 2021, the Group released "The Harmonie" in Cheung Sha Wan for sale in January 2022. The market response was encouraging, even amid the latest wave of local epidemic. Almost all the launched residential units were sold.

Property Development

During the year ended 31 December 2021, the Group acquired the prestigious commercial Site 3 of New Central Harbourfront (Inland Lot No. 9088) at a consideration of HK$50,800 million. The site will be developed in two phases into a 1,600,000 sq.ft. mixed-use development. In addition, over 300,000 sq.ft. of landscaped open space will be created for public use. With the scheduled completion in 2027 and 2032 respectively for its two-phased development, this project is poised to feature as another iconic world-class landmark in the Central Business District of Hong Kong akin to the "International Finance Centre" and "The Henderson".

The Group was also awarded the tender for Bailey Street / Wing Kwong Street Development Project in To Kwa Wan by the Urban Renewal Authority with a tender amount at HK$8,189 million. Pursuant to the shareholders' agreement subsequently entered into in February 2022, this project will be jointly developed with Empire Development Hong Kong (BVI) Limited and Hysan Development Company Limited into a development with residential units, commercial properties and public car parks, providing a total gross floor area of over 700,000 sq.ft. upon completion. This joint venture project is 50%-owned by the Group.

As regards urban redevelopment projects (including the projects awarded by the Urban Renewal Authority), projects with 80% to 100% ownership secured amounted to 3.85 million sq.ft. in total attributable gross floor area, in addition to a total of approximately 0.6 million sq.ft. in attributable gross floor area that has been earmarked for sales launch in 2022.

The following table shows development projects in Hong Kong that were completed by the Group in the year ended 31 December 2021:

Project name and location	Site area	Gross floor area	Type of development	Group's interest	Attributable gross floor area
	(sq.ft.)	(sq.ft.)		(%)	(sq.ft.)
1. The Henley (Phases 1-3 of the Henley) 7 Muk Tai Street, Kai Tak (formerly known as project at New Kowloon Inland Lot No. 6565, Kai Tak)	121,224	654,602	Commercial/ Residential	100.00	654,602
2. The Vantage 63 Ma Tau Wai Road Hung Hom	23,031	207,254	Commercial/ Residential	100.00	207,254
3. Aquila • Square Mile 38 Fuk Chak Street Mong Kok	20,114	180,427	Commercial/ Residential	100.00	180,427
4. Two • Artlane 1 Chung Ching Street Sai Ying Pun	7,858	90,102	Commercial/ Residential	100.00	90,102
5. Arbour 2 Tak Shing Street Tsim Sha Tsui	10,614	89,527	Commercial/ Residential	100.00	89,527
6. The Addition 342-356 Un Chau Street Cheung Sha Wan	9,157	79,903	Commercial/ Residential	100.00	79,903
7. The Richmond 62C Robinson Road Mid-Levels West	3,855	33,678	Commercial/ Residential	100.00	33,678
Total					1,335,493

The following table shows major development projects in Hong Kong for which the Group had unsold units as at 31 December 2021:

Project name and location	Gross floor area	Type of development	As at 31 December 2021 No. of residential units remaining unsold	Saleable area remaining unsold	Group's interest	Attributable saleable area remained unsold
	(sq.ft.)			(sq.ft.)	(%)	(sq.ft.)
1. The Henley (Phases 1 and 3 of the Henley) 7 Muk Tai Street, Kai Tak (formerly known as project at New Kowloon Inland Lot No. 6565, Kai Tak)	654,602[(1)]	Commercial/ Residential	437	221,767	100.00	221,767
2. Eden Manor 88 Castle Peak Road Kwu Tung	555,399	Residential	147	161,629	100.00	161,629
3. The Holborn 1 Shau Kei Wan Road Quarry Bay	132,363	Residential	343	90,287	100.00	90,287
4. Aquila • Square Mile 38 Fuk Chak Street Mong Kok	180,427	Commercial/ Residential	86	26,435	100.00	26,435

Project name and location	Gross floor area	Type of development	As at 31 December 2021 No. of residential units remaining unsold	Saleable area remaining unsold	Group's interest	Attributable saleable area remained unsold
	(sq.ft.)			(sq.ft.)	(%)	(sq.ft.)
5. Caine Hill 73 Caine Road Mid-Levels	64,116	Commercial/ Residential	108	26,137	100.00	26,137
6. Wellesley 23 Robinson Road Mid-Levels West	156,900(2)	Residential	28	47,203	50.00(2)	23,602
7. Cetus • Square Mile 18 Ka Shin Street Mong Kok	176,256	Commercial/ Residential	57	17,179	100.00	17,179
8. Double Cove – Phases 1-5 8 Wu Kai Sha Road Ma On Shan	2,950,640	Commercial/ Residential	7	20,148	59.00	11,887
9. Arbour 2 Tak Shing Street Tsim Sha Tsui	89,527	Commercial/ Residential	24	11,685	100.00	11,685
10. The Upper South 71 Main Street Ap Lei Chau	40,318	Commercial/ Residential	52	10,573	100.00	10,573
11. The Royale – Phases 1-3 8 Castle Peak Road Castle Peak Bay Tuen Mun	663,062	Residential	40	29,114	16.71	4,865
12. The Hampstead Reach 8 Ping Kin Lane Yuen Long	27,868	Residential	2	3,602	100.00	3,602
13. South Walk • Aura 12 Tin Wan Street Aberdeen	37,550	Commercial/ Residential	14	3,443	100.00	3,443
14. The Addition 342-356 Un Chau Street Cheung Sha Wan	79,903	Commercial/ Residential	9	3,253	100.00	3,253
15. Two • Artlane 1 Chung Ching Street Sai Ying Pun	90,102	Commercial/ Residential	13	2,877	100.00	2,877
16. The Richmond 62C Robinson Road Mid-Levels West	33,678	Commercial/ Residential	5	2,328	100.00	2,328
17. NOVUM EAST 856 King's Road Quarry Bay	177,814	Commercial/ Residential	8	2,282	100.00	2,282
18. The Vantage 63 Ma Tau Wai Road Hung Hom	207,254	Commercial/ Residential	5	2,125	100.00	2,125
19. PARKER33 33 Shing On Street Shau Kei Wan	80,090	Commercial/ Residential	2	1,134	100.00	1,134
20. Global Gateway Tower 61A-61E and 63 Wing Hong Street Cheung Sha Wan	336,052	Industrial	Not applicable	75,693(3)	100.00	75,693(3)
21. E-Trade Plaza 24 Lee Chung Street Chai Wan	173,850	Office	Not applicable	60,359(3)	100.00	60,359(3)

Project name and location	Gross floor area	Type of development	As at 31 December 2021 No. of residential units remaining unsold	Saleable area remaining unsold	Group's interest	Attributable saleable area remained unsold
	(sq.ft.)			(sq.ft.)	(%)	(sq.ft.)
22. Mega Cube 8 Wang Kwong Road Kowloon Bay	171,194	Office	Not applicable	48,622(3)	100.00	48,622(3)
23. The Globe 79 Wing Hong Street Cheung Sha Wan	172,113	Office	Not applicable	50,623(3)	100.00	50,623(3)
Total			1,387(4)	918,498		862,387

Notes:

(1) Representing the total gross floor area for the whole project.

(2) The Group's interest represents 25.07% of the development. After the allocation of the residential units, the Group holds jointly with one developer a 50/50 interest in the residential units so allocated.

(3) Representing the office, industrial or shop area.

(4) Out of the above 1,387 unsold residential units, 844 units were completed with occupation permits as at 31 December 2021.

Land Bank

As at 31 December 2021, the development land bank of the Group in Hong Kong amounted to approximately 25.4 million sq.ft. in total attributable gross floor area, which includes the Group's interests in development sites, investment properties, hotel properties, as well as the property interests held by its associates. As at 31 December 2021, the Group's land bank was made up of 14.3 million sq.ft. of properties held for or under development, 0.9 million sq.ft. of stock of unsold property units, and 10.2 million sq.ft. of completed properties (including hotels). In addition, the Group's attributable land area in the New Territories amounted to 44.9 million sq.ft. as at 31 December 2021.

During the year ended 31 December 2021, the commercial Site 3 of the New Central Harbourfront (Inland Lot No. 9088) adjacent to the Group's "International Finance Centre" was acquired at a consideration of HK$50,800 million. Based on the concept of "the Bridge", the Group's proposed design for the site is a world-class iconic landmark that enhances the connectivity between the hinterland and the harbourfront in Central, and creates a vast amount of green and public spaces. The 1,600,000 sq.ft. project will be developed in two phases, with the first phase due to be completed by 2027. Phase 1 will comprise about 270,000 sq.ft. of office space, 340,000 sq.ft. of multi-functional space and 900 parking spaces. Phase 2 will be completed by 2032, with an addition of about 390,000 sq.ft. of office space, 600,000 sq.ft. of retail space and an underground connection to the Central MTR Station. In addition, over 300,000 sq.ft. of landscaped public open space will be created, connecting the hinterland with the waterfront promenade in Central. Together with other distinctive features such as an indoor 6-story aquarium and a piazza space with the reinstatement of the former Star Ferry Clock Tower, upon completion this project is poised to be a social destination dedicated to public enjoyment. This iconic landmark will be held for rental and long-term investment purposes. Together with its neighbouring "International Finance Centre", as well as "The Henderson", which is scheduled for completion in 2023, the Group's rental portfolio in Central will expand to about 3.3 million sq.ft. in attributable gross floor area, elevating the Group's presence in the Central Business District of Hong Kong.

The Group was also awarded the tender for Bailey Street / Wing Kwong Street Development Project in To Kwa Wan by the Urban Renewal Authority with a tender amount at HK$8,189 million. Pursuant to the shareholders' agreement subsequently entered into in February 2022, this project will be jointly developed with Empire Development Hong Kong (BVI) Limited and Hysan Development Company Limited into a development with residential units, commercial properties and public vehicle parks, providing a total gross floor area of over 700,000 sq.ft. upon completion. This joint venture project, which is 50%-owned by the Group, is expected to create synergy with the Group's several other redevelopment projects in the area and enhance the overall liveability of the Kowloon East district, while contributing to sustainable development.

Land in Urban Areas

The Group remains active in the acquisition of old buildings in urban areas.

As at 31 December 2021, the Group had a total of 2 existing projects under redevelopment or land-use conversion and the dates of their sales launch are not yet fixed. They are expected to provide about 0.9 million sq.ft. in attributable gross floor area in the urban areas based on the Buildings Department's approved plans or the Government's latest town planning.

As at 31 December 2021, the Group had a total of 25 newly-acquired urban redevelopment projects with 80% to 100% ownership secured. For projects with over 80% but less than 100% ownership secured, their ownership will be consolidated by court proceedings for compulsory sale under the "Land (Compulsory Sale for Redevelopment) Ordinance". In the event that no court order is granted, the Group may not be able to complete the consolidation of the ownership for development.

In addition to those already in the sales pipeline, the Group has urban redevelopment projects of old tenement buildings with entire or over 80% ownership acquired, representing a total attributable gross floor area of about 3.85 million sq.ft., which are expected to be available for sale or lease in 2023 or beyond.

During the year ended 31 December 2021, the Group completed the acquisition of the entire interests in certain development projects. In collaboration with the adjacent building, the site of the existing project at Nam Kok Road, Kowloon City was also enlarged. In addition, the Group's 22.8%-owned residential-cum-commercial project at Yau Tong Bay is pending the Government's review of the amount of land premium. This harbourfront development is expected to provide a total attributable gross floor area of about 900,000 sq.ft..

As at 31 December 2021, the Group has other acquisitions in progress, involving 27 projects located in various urban districts. Currently, ownership ranging from more than 20% to less than 80% of each project has been achieved. The attributable land areas of these projects total about 190,000 sq.ft. If and when their ownerships are successfully consolidated, based on the Government's latest town planning, the total estimated attributable gross floor area would be about 1,700,000 sq.ft. upon completion of redevelopment. Based on the respective ownership currently secured by the Group for each project, the total pro-rata attributable gross floor area is about 630,000 sq.ft.

New Territories Land

During the year ended 31 December 2021, the Group acquired further New Territories land lots of about 450,000 sq.ft. However, the Government reclaimed a total land area of about 140,000 sq.ft. in Kam Tin, Tong Yan San Tsuen and Lam Tei for public use by payment of cash compensation of an aggregate amount of about HK$114 million. After taking into account the land resumption and land bank adjustment, the Group's New Territories land reserves amounted to approximately 44.9 million sq.ft. in land area at the end of December 2021, representing the largest holding among all property developers in Hong Kong.

The Group holds a total land area of 1.38 million sq.ft. in Fanling North and Kwu Tung North New Development Areas. Of this, three separate lots with a total land area of roughly over 600,000 sq.ft. in Fanling North are assessed to be eligible for in-situ land exchange and the Government may resume the rest for public use by payment of cash compensation. The Group had applied for in-situ land exchange for these three separate land lots, which had been accepted by the Government for further processing. According to the Government's latest Practice Note No.1/2022, all applications for in-situ land exchanges have to be concluded on or before 30 June 2023. These three lots, having respective site areas of 228,000 sq.ft., 240,000 sq.ft. and 241,000 sq.ft. (including stakes owned by the Government and joint venture companies), are expected to provide an aggregate residential gross floor area of approximately 3.03 million sq.ft. and a commercial gross floor area of approximately 440,000 sq.ft. Developable areas for these sites are subject to finalisation of land premium. In the 2021 Policy Address, the Government announced that standardisation of land premium assessment would be implemented so as to speed up the conversion of farmland for residential land use. This scheme, which was targeted for launch in the first half of 2022, would first be applicable to those applications in Fanling North New Development Area.

In January 2014, the Government commenced its "Preliminary Feasibility Study on Developing the New Territories North" on an area of about 5,300 hectares. In September 2014, the Government announced the "Railway Development Strategy", including its long-term plan to further extend the railway line to Kwu Tung and Ping Che. In order to increase land supply for housing, the Government announced to implement the "Yuen Long South Development Project" and "Kam Tin South Development Project". The Group holds certain pieces of land in these areas.

As for the "Hung Shui Kiu New Development Area Planning and Engineering Study", the area concerned covers an area of about 714 hectares. The Group holds a total land area of approximately 6.4 million sq. ft. in this location. Under the draft Hung Shui Kiu and Ha Tsuen Outline Zoning Plan, it is proposed to accommodate a new town with a population of about 215,000 people and 60,000 additional flats, of which about 50% are currently designed for private developments. Impacts to the Group arising from these proposals are to be assessed. The Group will continue to work in line with the Government's development policies and will follow up closely on its development plans.

The Pilot Scheme for Arbitration on Land Premium was introduced by the Government in October 2014, was further extended to October 2022. This Pilot Scheme aims to facilitate the early conclusion of land premium negotiations and expedite land supply for housing and other uses. The Group will thus consider requesting for arbitration on its land exchange or lease modification cases when necessary.

In order to increase and expedite land supply, Lands Department has established a centralised Land Supply Section for accelerating "big ticket" lease modification and land exchange cases and further centralisation of premium assessments, so as to streamline and expedite the development process. The Group's Yau Tong Bay project is now handled by this section. In addition, the Development Projects Facilitation Office was set up under the Development Bureau to facilitate the processing of development approval applications for larger-scale private residential sites leading up to the commencement of works.

The Government announced that it had fully accepted the recommendations tendered by the Task Force on Land Supply regarding land supply strategy and eight land supply options worthy of priority studies and implementation, which included "Tapping into Private Agricultural Land Reserve in the New Territories". The Government has already announced specific criteria in respect of the implementation framework for its Land Sharing Pilot Scheme in 2020. To work in line with the Government's policy aimed at alleviating the keen housing demand, the Group in early August 2021 submitted an application to the relevant authority under this scheme in conjunction with another developer, after reviewing the Group's land holding in the New Territories. The area concerned in this application is located in Lam Tsuen, Tai Po, covering a site area of about 2 million sq.ft. or 19.3 hectares, which is slightly larger than Victoria Park in Hong Kong. It is proposed to be built into a total of 12,120 housing units, of which 70% (8,484 units) will be developed for the Government's public housing, whilst the remaining 30% (3,636 units) will be designated as private housing development for sales. If the application is successfully approved, it is expected that the project will be completed by 2031. The Group hopes that by participating in this scheme, the relevant land resources can be used more efficiently with their development potential to be unleashed earlier.

In the 2021 Policy Address, the Government proposed a large-scale development plan of "The Northern Metropolis", which might have enormous impacts on the future outlook of the areas concerned and to Hong Kong as a whole. The Group will follow up closely and work in line with this development plan.

Investment Properties

The investment property portfolio of the Group in Hong Kong amounted to approximately 9.7 million sq.ft. in total attributable gross floor area as at 31 December 2021. In recent years, this business segment of the Group has been increasing in importance as a recurrent revenue contributor to the Group in aggregate terms. Property investment is the second largest source of revenue for the Group.

Along with the short-term stable epidemic situation in the latter half of 2021, Hong Kong's GDP for 2021 as a whole increased by 6.4% in real terms compared with a year earlier, reversing the declines in the previous two years. In addition, the Government rolled out mass vaccination in early 2021, relaxed certain social distancing measures and subsequently launched the Consumption Voucher Scheme. Local consumption activities recovered again, despite stalled inbound tourism. As a result, the value of total retail sales in Hong Kong increased by 8.1% compared with a year earlier.

During the year ended 31 December 2021, the Group's attributable share of gross rental income in Hong Kong (including the attributable share of contributions from subsidiaries, associates and joint ventures) decreased by 4% year-on-year to HK$6,534 million. The attributable share of pre-tax net rental income (including the attributable contributions from subsidiaries, associates and joint ventures) also decreased by 9% year-on-year to HK$4,556 million. Included therein is attributable gross rental income of HK$1,818 million contributed from the Group's attributable 40.77% interest in the ifc project (representing a decrease of 8% from HK$1,967 million in 2020). The decrease in rental income was mainly due to the amortisation effect of the rental concessions, which were offered to certain distressed tenants due to the outbreak of the pandemic in 2020, as well as the negative rental reversions upon tenancy renewals.

Most of the investment property portfolio is managed by the property management arm of the Group. The Group's investment property portfolio consists mainly of retail shopping centres and office buildings across Hong Kong Island, Kowloon and the New Territories, which collectively accounted for approximately 92% of the Group's investment properties in Hong Kong in terms of gross floor area as at 31 December 2021. In addition, the Group owns a number of industrial buildings, luxury residential apartments and carparks in both urban and suburban locations.

The Group's current policy is to retain most of the sizeable retail podiums of its major development projects for long-term investment purposes. The usual lease terms for the Group's investment properties are typically a two to three-year initial fixed period that may or may not carry an option for renewal for a further term of two to three years. Leases with a fixed term of five or six years are usually subject to pre-determined rental escalation or rent review every two to three years generally. The Group's core investment properties are varied with rental income contributions from shopping malls such as the ifc Mall to residential and hotel-serviced suites and offices. The rental income from the investment portfolio is expected to continue to provide a stable and recurrent income base to the Group.

In accordance with HKFRS, the Group values its investment properties and investment properties under development semi-annually at each of 30 June and 31 December at their open market value on the basis of an independent professional valuation. Any fair value gain or loss on an investment property or an investment property under development attributable to the Group is credited or charged, as the case may be, to the Group's statement of profit and loss. A major or extended decline in property values could therefore result in an accounting loss for the Group.

The Group's rents are generally quoted in sq.ft. per lettable area. In most cases, the rents quoted by the Group do not include property management charges, air conditioning charges and rates payable by its tenants. As at the end of December 2021, the average leasing rate for the Group's major rental properties was 95%.

In Hong Kong, office and commercial leases are typically entered into for two to three year terms with some having the options to renew, and lease terms are generally longer for food and beverage tenants. In connection with longer term leases, the tenancy agreements usually contain rent review clauses or rent escalating provisions. As a result, the Group usually has approximately one-third of its tenancy agreements up for renewal each year and this has helped the Group to avoid the concentration of rent renewal dates during any one particular period of a financial year, whilst also providing the Group with opportunities to adjust rentals to reflect prevailing market rates.

Retail portfolio

For the year ended 31 December 2021, the overall occupancy of the Group's major shopping malls (except those under renovation or undergoing a tenant mix realignment) recorded an uptick.

In addition to the regular facility upgrades of its shopping malls to maintain their competitive edge, the Group also closely monitored the market trends and rolled out many in-mall marketing initiatives so as to bring a more refreshing shopping experience to customers. For instance, the Olympic Games have always been one of the most spectacular events and the best ever results achieved by Hong Kong's athletes at the Tokyo Olympic Games have further aroused the public's interest in sports. In order to foster local sports development, the Group joined hands with the Hong Kong Sports Institute in organising a series of sports-related events at MCP Central and MCP Discovery at Tseung Kwan O. Various events were held where the Olympics medalists and elite athletes shared their experiences. Four different sports training zones (namely, cycling, fencing, windsurfing and rowing) were also set up in the malls for shoppers to experience the athletes' cutting-edge, professional training equipment. These events were well-received and aroused extensive publicity in the media, with shoppers' traffic for these malls thus enhanced. Meanwhile, the Group continued to leverage its offline and online platforms to launch marketing campaigns. During the year ended 31 December 2021, tens of thousands of new members were recruited for its integrated customer loyalty programme (namely, "H • COINS") and over two million transactions were recorded for its sales promotion activities.

"H Zentre", a wellness and healthcare hub complemented by dining and retail facilities, also performed well. Despite the challenging external environment, a number of high-end eateries established their presence in this development. With more spaces taken up by its existing medical tenant, namely "Union Hospital", a higher occupancy rate was recorded. Various prominent restaurants and medical service providers are scheduled to open in 2022, further reinforcing its distinctive position in the Tsim Sha Tsui commercial district.

Office portfolio

Hong Kong's office rental decline was moderated. In addition, the Group implemented timely mitigating measures against the pandemic. The Group's premium office buildings on Hong Kong Island, such as "ifc" in Central — the core business district — as well as "AIA Tower" in North Point, therefore recorded consistently high occupancy and satisfactory rental levels during the year ended 31 December 2021. The newly built office developments, namely "Harbour East" in North Point and "208 JOHNSTON" in Wanchai, attracted strong interest from corporates looking for quality buildings, and achieved higher occupancies compared to a year earlier. The Group's office and industrial/office premises in Kowloon East, including "Manulife Financial Centre", "AIA Financial Centre", "78 Hung To Road" and "52 Hung To Road", also maintained high occupancy.

The Group's prestigious commercial site at Murray Road, Central is being developed into a 465,000 square-foot super Grade-A office tower, named "The Henderson". The building is designed as a bauhinia bud by the world-renowned architectural firm Zaha Hadid Architects, incorporating state-of-the-art building technology and advanced specifications. This landmark development is scheduled for completion in 2023. “The Henderson” has received the highest category of Platinum pre-certifications from various professional organisations, including Hong Kong Green Building Council, WELL Building Standard (WELL) and Leadership in Energy and Environment Design (LEED). After signing with “Christie’s”, the world-leading auction house, as its first anchor tenant, occupying about 50,000 sq.ft. as its new headquarters in Asia Pacific, many top-tier financial institutions and corporations have also shown their leasing interest. Leasing campaigns of “The Henderson” will be launched in full swing in 2022.

The following table shows the Group’s attributable holdings of investment properties by use in Hong Kong as at 31 December 2021:

	Attributable Gross Floor Area	Percentage
	(*million sq.ft.*)	(*%*)
By type:		
Shopping arcade or retail	5.4	56
Office	3.5	36
Industrial	0.4	4
Residential and hotel apartment	0.4	4
Total	9.7	100
By geographical area:		
Hong Kong Island	2.5	26
Kowloon	3.3	34
New Territories	3.9	40
Total	9.7	100

The following table shows the Group’s attributable holdings of major investment properties in Hong Kong as at 31 December 2021:

				Attributable gross floor area (sq.ft.)					
Name	**Location**	**Lease expiry**	**Group’s interest (%)**	**Residential/ Hotel Serviced Suite**	**Commercial**	**Office**	**Industrial/ Office**	**Total**	**Attributable no. of carpark**
Hong Kong Island									
One International Finance Centre	1 Harbour View Street, Central	2047	40.77	—	53,465	319,833	—	373,298	71
Two International Finance Centre (excluding levels of 33 to 52, 55, 56 and 77 to 88)	8 Finance Street, Central	2047	40.77	—	207,474	451,857	—	659,331	189
Four Seasons Place	8 Finance Street, Central	2047	40.77	216,103	—	—	—	216,103	7
H Code	45 Pottinger Street, Central	2842	19.10	—	25,975	—	—	25,975	—
Eva Court	36 MacDonnell	2895	100.00	108,214	—	—	—	108,214	49

Name	Location	Lease expiry	Group's interest (%)	Attributable gross floor area (sq.ft.) Residential/ Hotel Serviced Suite	Commercial	Office	Industrial/ Office	Total	Attributable no. of carpark
	Road, Mid-Levels								
FWD Financial Centre	308-320 Des Voeux Road Central, Sheung Wan	2865	100.00	—	31,987	182,373	—	214,360	—
AIA Tower	183 Electric Road, North Point	2047	100.00	—	22,338	490,072	—	512,410	207
Harbour East	218 Electric Road, North Point	2050	100.00	—	13,923	130,077	—	144,000	24
208 JOHNSTON	206-212 Johnston Road, Wanchai	2858	100.00	—	26,905	38,015	—	64,920	—
Mira Moon	388-390 Jaffe Road, Wanchai	2026	100.00	66,128	—	—	—	66,128	—
NOVUM EAST	856 King's Road, Quarry Bay	2893	100.00	—	28,365	—	—	28,365	—
Kowloon									
Manulife Financial Centre	223-231 Wai Yip Street, Kwun Tong	2050	88.50	—	47,860	919,004	—	966,864	394
52 Hung To Road	52 Hung To Road, Kwun Tong	2047	100.00	—	—	—	125,114	125,114	—
78 Hung To Road	78 Hung To Road, Kwun Tong	2047	100.00	—	—	—	119,995	119,995	16
H Zentre	15 Middle Road, Tsim Sha Tsui	2064	100.00	—	339,711	—	—	339,711	470
Nathan Hill	38 Hillwood Road, Tsim Sha Tsui	2043	100.00	—	55,031	—	—	55,031	—
AIA Financial Centre	712 Prince Edward Road East, San Po Kong	2047	100.00	—	—	216,593	—	216,593	70
Well Tech Centre	9 Pat Tat Street, San Po Kong	2047	100.00	—	—	161,998	—	161,998	40
Winning Centre	29 Tai Yau Street, San Po Kong	2047	100.00	—	—	—	150,212	150,212	—
Hollywood Plaza	610 Nathan Road, Mong Kok	2047	33.33	—	33,511	64,422	—	97,933	—
Square Mile	11 Li Tak Street,18 Ka Shin Street and 38 Fuk Chak Street, Mong Kok	2870/2041	100.00	—	94,934	—	—	94,934	—
Cité 33	33 Lai Chi Kok Road, Mong Kok	2026	100.00	—	13,620	—	—	13,620	—
The Sparkle	500 Tung Chau Street, Cheung Sha Wan	2055	100.00	—	53,443	—	—	53,443	—

Name	Location	Lease expiry	Group's interest (%)	Attributable gross floor area (sq.ft.) Residential/ Hotel Serviced Suite	Commercial	Office	Industrial/ Office	Total	Attributable no. of carpark
The Henley	7 Muk Tai Street, Kai Tak	2066	100.00	—	26,132	—	—	26,132	76
The Vantage..................................	63 Ma Tau Wai Road, Hung Hom	2050	100.00	—	36,574	—	—	36,574	—
The Zutten	50 Ma Tau Kok Road	2050	100.00	—	17,078	—	—	17,078	—
New Territories									
KOLOUR • Tsuen Wan I..............	68 Chung On Street, Tsuen Wan	2047	74.96	—	138,555	156,981	—	295,536	100
KOLOUR • Tsuen Wan II.............	145-165 Castle Peak Road, Tsuen Wan	2047	100.00	—	155,022	—	—	155,022	85
Skyline Plaza	88 Tai Ho Road, Tsuen Wan	2047	100.00	—	154,259	—	—	154,259	104
Shatin Plaza	21-27 Shatin Centre Street, Sha Tin	2047	77.55	—	114,730	—	—	114,730	67
Shatin Centre	2-16 Wang Pok Street, Sha Tin	2047	100.00	—	100,029	—	—	100,029	408
MOSTown	18 On Luk Street and 628 Sai Sha Road, Ma On Shan	2047	100.00	—	612,279	—	—	612,279	1,053
MOSTown Street	8, 18 and 22 On Shing Street, Ma On Shan	2047	100.00	—	78,422	—	—	78,422	186
Double Cove	8 Wu Kai Sha Road, Ma On Shan	2060	59.00	—	63,486	—	—	63,486	164
MCP Central.................................	8 Yan King Road, Tseung Kwan O	2047	100.00	—	956,849	—	—	956,849	669
MCP Discovery	8 Mau Yip Road, Tseung Kwan O	2047	100.00	—	266,954	—	—	266,954	233
La Cité Noble Shopping Arcade.....	1 Ngan O Road, Tseung Kwan O	2047	100.00	—	35,186	—	—	35,186	—
KOLOUR • Yuen Long	1 Kau Yuk Road, Yuen Long	2047	100.00	—	140,341	—	—	140,341	51
Fanling Centre	33 San Wan Road, Fanling	2047	100.00	—	151,513	—	—	151,513	302
Flora Plaza....................................	88 Pak Wo Road, Fanling	2047	60.00	—	94,657	—	—	94,657	130
Dawning Views Plaza	23 Yat Ming Road, Fanling	2047	100.00	—	87,766	—	—	87,766	—
Citygate	20 Tat Tung Road, Tung Chung and Tung Chung Town Lot	2047	20.00	—	160,767	32,280	—	193,047	233

				Attributable gross floor area (sq.ft.)					
Name	Location	Lease expiry	Group's interest (%)	Residential/ Hotel Serviced Suite	Commercial	Office	Industrial/ Office	Total	Attributable no. of carpark
	No. 11, Lantau Island								
The Trend Plaza	Tuen Mun Heung Sze Wui Road	2047	100.00	—	195,280	—	—	195,280	78
The Sherwood	8 Fuk Hang Tsuen Road, Tuen Mun	2052	100.00	—	30,139	—	—	30,139	250
Marina Cove	Lot No. 526 in D.D. No. 210, Sai Kung	2047	40.00	—	9,566	—	—	9,566	151[1]
Total				390,445	4,674,126	3,163,505	395,321	8,623,397	5,877

Note:

(1) In addition there are 121 pontoons and 30 hardstand spaces attributable to the Group.

Construction

The Group generally relies on its own architectural, engineering and construction efforts for the design and construction of its projects. However, most of the actual construction work is out-sourced to non-affiliated sub-contractors, with the Group acting as the main contractor. These operations are conducted through four wholly owned subsidiaries, namely E Man Construction Company Limited, Heng Tat Construction Company Limited, Heng Shung Construction Company Limited and Heng Lai Construction Company Limited. The Group generally has been able to obtain a sufficient supply of labour and building materials for its construction activities. The Group believes that its position as one of the largest property developers in Hong Kong enables it to develop good relationships with and obtain reliable services from its sub-contractors. The Group seldom provides construction services to unrelated third parties except for its joint venture developments held by the Group's associates and joint ventures.

During the year ended 31 December 2021, the shortage of skilled workers and escalating material costs continued to weigh on the construction sector in Hong Kong. To tackle these challenges, the Group's Construction Department has recently adopted the Multi-trade Integrated Mechanical, Electrical and Plumbing (MiMEP) approach, in addition to its ongoing application of prefabricated structural modules under "Design for Manufacture and Assembly" (DfMA). Certain mechanical, electrical and plumbing installations will thus be pre-assembled so as to expedite the in-situ integration process. These measures will also help improve quality and cost efficiency by reducing wastage and on-site manpower. In addition, the self-developed and patented "self-foaming peelable protective coating and its fabrication and application thereof" was successfully applied for the protection of curtain walls. The Group will continue to develop innovative materials and construction methods so as to further enhance building quality.

A talented workforce is key to the success of every property development, and site safety is the Group's top priority. During the year ended 31 December 2021, the Group won the "Proactive Safety Contractor Award" from the Hong Kong Construction Association as the accident rate of the Group's construction activities was well below the industry average.

The following development projects in Hong Kong were completed during the year ended 31 December 2021:

Project name and location	Site area	Gross floor area	Type of development	Group's interest	Attributable gross floor area
	(sq.ft.)	(sq.ft.)		(%)	(sq.ft.)
1. The Henley (Phases 1-3 of the Henley) 7 Muk Tai Street, Kai Tak (formerly known as project at New Kowloon Inland Lot No. 6565, Kai Tak)	121,224	654,602	Commercial/ Residential	100.00	654,602
2. The Vantage 63 Ma Tau Wai Road Hung Hom	23,031	207,254	Commercial/ Residential	100.00	207,254
3. Aquila • Square Mile 38 Fuk Chak Street Mong Kok	20,114	180,427	Commercial/ Residential	100.00	180,427
4. Two • Artlane 1 Chung Ching Street Sai Ying Pun	7,858	90,102	Commercial/ Residential	100.00	90,102
5. Arbour 2 Tak Shing Street Tsim Sha Tsui	10,614	89,527	Commercial/ Residential	100.00	89,527
6. The Addition 342-356 Un Chau Street Cheung Sha Wan	9,157	79,903	Commercial/ Residential	100.00	79,903
7. The Richmond 62C Robinson Road Mid-Levels West	3,855	33,678	Commercial/ Residential	100.00	33,678
Total					1,335,493

Property Management

The Group's property management companies consist of Hang Yick Properties Management Limited ("Hang Yick"), Well Born Real Estate Management Limited ("Well Born"), H-Privilege Limited (which provides services for the Group's urban boutique residences under "The H Collection" brand) and Goodwill Management Limited. By managing about 79,000 apartments and industrial/commercial units, 10 million sq.ft. of shopping and office space, as well as 20,000 car parking spaces collectively in Hong Kong, these companies hold leading positions in the industry.

Amid the pandemic, these property management subsidiaries continued to raise their service standards through cultivation of more talent and strengthening their management. For instance, these companies recruited former flight attendants who were retrenched due to the pandemic and offered them appropriate job positions and continuous professional training. An Integrated Management System complying with the requirements of ISO 9001 (Quality Management System), ISO 10002 (Complaints Handling Management System), ISO 14001 (Environmental Management System) and ISO 45001 (Occupational Health and Safety Management System) has also been implemented. Quality, health and safety, as well as environmental considerations are thus ensured to be consistently embedded in all aspects of their services and daily operations.

In respect of social responsibility, the property management subsidiaries continued to promote transformation and innovation during this "Year of Reforms". Amid the pandemic, various supporting measures were rolled out such as the distribution of anti-epidemic packs to low-income groups. In recognition of the Group's care for the public at large, a multitude of commendations was received including being named by The Hong Kong Council of Social Service as a "15 Years Plus Caring Company", in addition to receiving "Sing Tao Service Awards – Honourable Anti-Pandemic Service Award". Their volunteer team also received the Honour Award of the "Highest Service Hour Award" for the 15th time from the Government's Social Welfare Department.

PROPERTY BUSINESSES IN MAINLAND CHINA

The Group was one of the earliest entrants to the real estate market in the PRC with its participation in the development of and investment in China Hotel in Guangzhou in the early 1980s, which was its first investment project in the PRC market.

During the late 1980s and early 1990s, the Group adopted a "Prime-City, Prime-Site" strategy under which it maintained a number of retail and office properties in key locations in Beijing, Shanghai and Guangzhou. This involved investing in quality developments in prime cities which have developed supplementary facilities, good infrastructure and have attracted foreign investment and foreign tenants.

Since 2006, the Group has adopted a two-pronged strategy in the PRC covering both "Prime Cities" and "Second-Tier Cities". Second-Tier Cities comprise mostly provincial capitals or municipalities and the Group has focused on developing large-scale residential developments with community facilities so as to achieve an efficient use of land as well as long-term appreciation in property value.

During the year ended 31 December 2021, the Central Government upheld its directive that "housing is for living in, not for speculation". Individual cities also continued to implement differentiated policies in accordance with local conditions along with other controlling measures so as to ensure steady housing prices. Nevertheless, the "Three Thresholds" and the regulation of financial leverage prompted some mainland property developers to "deleverage". Consequently, market confidence was affected and the upsurge in transaction volume was subdued. Citywide differentiation further intensified with housing prices having varying extents of adjustment. Notwithstanding the weakened housing market, strong demand from first-time homebuyers and upgraders still prevailed. As for the land market, it remained active in the first half of the year and record deals were repeatedly noticed in certain prime cities. However, with the strengthening of controlling measures and tightening of credit in the second half of the year, land bidders have become more cautious. Incidents of land unsold or sold at reserve price were repeatedly recorded.

In response to the market conditions, the Group has refined the Group's mainland China strategy as follows:

- Property Investment: The Group focused on the development of Grade-A office buildings. In Guangzhou, the twin Grade-A office towers at "Lumina Guangzhou" in Yuexiu District were completed in 2020 with a total gross floor area of about 970,000 sq.ft.. They became new landmarks in the district and tenants have moved in progressively. The 800,000 sq.ft. shopping podium was completed in January 2022. Negotiation with tenants and signing of tenancies are now in progress. In Shanghai, the 3,000,000 sq.ft. "Lumina Shanghai" at the Xuhui Riverside Development Area is also scheduled for completion in the first half of 2022. Pre-leasing marketing has commenced and the leasing response is encouraging. Following the successive completion of these new developments, the Group's rental income will maintain its accelerated growth. The Group will continue to look for quality property investments in the core areas of major cities.

- Property Development: The Group focused on the residential and composite development projects in major and leading second-tier cities, as well as new development opportunities offered by the Greater Bay Area strategic plan. Capitalising on the Group's reputation, management expertise and financial strength, coupled with local developers' market intelligence, construction efficiency and cost advantages, the return of the Group's joint venture projects was better than expected. During the year ended 31 December 2021, the Group entered into more residential joint venture development projects with mainland property developers.

The following table shows development projects in mainland China that were completed by the Group during the year ended 31 December 2021:

Project name and location	**Usage****	**Group's interest**	**Approximate attributable gross floor area**
		(%)	(*million sq.ft.*)
1. Lakeside Mansion, Beijing	Residential	24.5	0.26
2. Phase 2, Central Manor, Guangzhou	Residential	18	0.16
3. Runyue Huayuan, Guangzhou	Residential and commercial	10	0.11
4. Phases 1-5, The Landscape, Changsha	Residential, commercial and school	50	1.92
5. Shopping mall (Phase 1), Chengdu ICC, Chengdu	Commercial	30	0.07
6. Phase 1, Xuheng Huayuan, Hefei	Residential	50	0.46
7. Phase 3, Emerald Valley, Nanjing	Residential and commercial	50	0.17
8. Phases 2P2, 2R3, 3K2 and 3R4, La Botanica, Xi'an	Residential, commercial and school	50	1.21
9. Phases 2B and 3 at Site F, Grand Lakeview, Yixing	Residential and school	50	0.79
Total			5.15

Land Bank

As at 31 December 2021, in addition to its holding of approximately 1.2 million sq.ft. in attributable gross floor area of completed property stock, the Group held a development land bank in 20 cities with a total attributable gross floor area of about 35.7 million sq.ft.. Around 73% of the land bank is planned for residential development.

During the year ended 31 December 2021, the Group added following development projects to its land bank:

(1) The Group partnered with the subsidiaries of CIFI Holdings (Group) Co., Limited ("CIFI", a mainland property developer listed in Hong Kong) to jointly develop the following projects on a 50/50 ownership basis:

(i) A commercial-cum-residential site in Wenjiang District, Chengdu: The land lot with a site area of approximately 2,020,000 sq.ft., which was acquired at a consideration of about RMB2,811 million, will provide a total gross floor area of about 5,600,000 sq.ft..

(ii) A commercial-cum-residential site in Chancheng District, Foshan: The land lot with a site area of approximately 508,000 sq.ft., which was acquired at a consideration of about RMB1,439 million, will provide a total gross floor area of about 1,410,000 sq.ft..

(iii) A residential-cum-municipal site in Dongli District, Tianjin: The land lot with a site area of approximately 1,060,000 sq.ft., which was acquired at a consideration of about RMB2,194 million, will provide a total gross floor area of about 1,890,000 sq.ft..

(iv) A residential site in Yubei District, Chongqing: The land lot with a site area of approximately 1,110,000 sq.ft., which was acquired at a consideration of about RMB1,900 million, will provide a total gross floor area of about 1,660,000 sq.ft..

(v) A residential site in Xinjin District, Chengdu: The land lot with a site area of approximately 684,000 sq.ft., which was acquired at a consideration of about RMB629 million, will provide a total gross floor area of about 1,030,000 sq.ft..

(vi) A residential site in Dongxiwu District, Wuhan: The land lot with a site area of approximately 480,000 sq.ft., which was acquired at a consideration of about RMB1,777 million, will provide a total gross floor area of about 1,400,000 sq.ft..

(vii) A commercial-cum-residential site in Shijie District, Dongguan: The land lot with a site area of approximately 280,000 sq.ft., which was acquired at a consideration of about RMB935 million, will provide a total gross floor area of about 860,000 sq.ft..

(viii) A project in the core urban area, Shijiazhuang: The Group acquired a 50% stake from an independent third party at a consideration of RMB1,400 million. This project will provide a total gross floor area of about 5,250,000 sq.ft. on a site of about 2,230,000 sq.ft..

(2) The Group also partnered with the subsidiaries of CIFI and Nanshan Holdings Co., Ltd. ("Nanshan") to jointly develop a residential site in Xiangcheng District, Suzhou whereby the Group holds a 34.5% equity interest in this project. The land lot with a site area of approximately 490,000 sq.ft., which was acquired at a consideration of about RMB547 million, will provide a total gross floor area of about 516,000 sq.ft.

(3) At a consideration of RMB1,000 million, the Group acquired a 25% stake in a commercial-cum-residential project in Nansha District, Guangzhou, from CIFI and other shareholders. This project will provide a total gross floor area of about 3,780,000 sq.ft. on a site of about 580,000 sq.ft..

The following table shows the Group's attributable holdings of properties under development or held for future development in mainland China as at 31 December 2021:

	Attributable developable gross floor area[(1)]
	(million sq.ft.)
Prime cities	
Beijing	0.81
Shanghai	3.39
Guangzhou	3.58
Shenzhen	0.21
Sub-total	7.99
Second-tier cities	
Changsha	1.45
Chengdu	7.79
Chongqing	0.83
Dongguan	0.43
Foshan	0.71
Hefei	0.23
Nanjing	0.02
Shenyang	4.45
Shijiazhuang	2.63
Suzhou	1.84
Tianjin	0.95
Wuhan	0.70
Xiamen	0.34
Xi'an	4.65
Xuzhou	0.62
Yixing	0.04
Sub-total	27.68
Total	35.67

Note:

(1) Excluding basement areas and car parks.

The following table shows the Group's attributable holdings of development land bank in mainland China by use as at 31 December 2021:

	Estimated developable gross floor area	**Percentage**
	(million sq.ft.)	*(%)*
Residential	25.88	73
Office	5.10	14
Commercial	3.83	11
Others (including clubhouses, schools and community facilities)	0.86	2
Total	35.67	100

The following are the major projects of the Group which were under development in mainland China as at 31 December 2021:

Beijing

Lakeside Mansion (24.5%-owned)

Located in the central villa area of Houshayu town, Shunyi District, "Lakeside Mansion" is adjacent to the Luoma Lake wetland park and various educational and medical institutions. The site of about 700,000 sq.ft. will be developed into low-rise country-yard townhouses and high-rise apartments, complemented by commercial and community facilities. The country-yard townhouses and high-rise apartments were completed in the second quarter of 2021 and handed over to buyers in the third quarter of 2021, providing a total gross floor area of about 1,060,000 sq.ft.. The completion schedule of its remaining commercial portion is to be confirmed, depending on the market condition.

Residential project in Chaoyang District (100%-owned)

Located in the villa area of Sunhe, Chaoyang District, this project is adjacent to the Wenyu River wetland park, Sunhe subway station and an array of educational and medical institutions. The site of about 420,000 sq.ft. will be developed into low-density luxury residences. The project is under construction and it will provide a total gross floor area of about 460,000 sq.ft. for 150 households upon scheduled completion in the second quarter of 2023.

Residential-cum-commercial project in Chaoyang District (50%-owned)

Located in the upmarket residential neighbourhood of Sunhe Xiang, Chaoyang District, with Sunhe station of subway line 15 and Jingping Highway in its vicinity, this project is characterised by its blending of transportation convenience with the natural beauty of its surrounding area. The site of about 340,000 sq.ft. will be developed into a low-density residential-cum-commercial development, complemented by community facilities. The project is under construction and it is scheduled for completion in the fourth quarter of 2022 with a total gross floor area of about 570,000 sq.ft. for 152 households.

Changsha

The Landscape (50%-owned)

Located in Kaifu District with convenient access, the 5,490,000-square-foot land lot will be built in five phases, offering luxury villas, high-rise apartments and commercial facilities with a total gross floor area of around 9,650,000 sq.ft. for 6,443 households. Of which, a total gross floor area of about 6,760,000 sq.ft. was already completed, whilst the remaining residential and commercial spaces with a total gross floor area of about 2,890,000 sq.ft. are scheduled for completion in 2022.

Chengdu

Chengdu ICC (30%-owned)

Situated in Jinjiang District, the 14,000,000 sq.ft. Chengdu ICC is a large-scale integrated development sitting atop an interchange station of two subway lines. The project commands a convenient location with close proximity to the Chengdu East Railway Station, the city's main hub of inter-city trains and High Speed Rail, as well as exceptional natural scenery of the adjacent Tazishan Park and Shahe River. Comprising about eight million sq.ft. of quality residences, four million sq.ft. of prime office space, close to two million sq.ft. of retail space and a five-star hotel, the project is poised to become a prominent landmark. Phase 1 and Phase 2A of the project, providing a combined residential gross floor area of about 2.3 million sq.ft., were handed over to buyers before mid-2018. The 1,000,000-square-foot Phase 2B, namely The Arch Suites, was also completed in 2020, providing over 1,100 residential units. They are now in the sales pipeline. Phase 2C, together with Phase 3 which was completed in April 2021, contain a retail street and a shopping mall with a combined area of 1.4 million sq.ft.. They will offer customers an exclusive one-stop shopping experience upon opening in the second quarter of 2022. Atop the shopping mall, twin office towers with a total gross floor area of over 2.3 million sq.ft. are scheduled for completion in 2022.

Residential project in Xindu District (50%-owned)

Located at the core area of Xindu District, this project is surrounded by a vibrant neighbourhood with various amenities and shopping arcades. The 1,040,000-square-foot land lot will be built in two phases as a high-end residential development. Upon completion, it will provide a total gross floor area of about 2,600,000 sq.ft. for more than 1,600 households, complemented by a deluxe residents' clubhouse. The project is under construction and its Phase 1 development is slated for completion in the third quarter of 2022, providing a total gross floor area of about 1,140,000 sq.ft.

Residential project in Jianyang New Industrial Development Zone (50%-owned)

This project is located in Jianyang New Industrial Development Zone, with the new Chengdu Airport in its proximity. Two land lots with a total site area of approximately 340,000 sq.ft. will be developed in two phases into a residential community for about 846 households. The project is under construction and its Phase 1 development is planned for completion in the second quarter of 2022, providing a total gross floor area of about 320,000 sq.ft. The remaining Phase 2 development is planned for completion in the third quarter of 2022, providing a total gross floor area of about 520,000 sq.ft.

CIFI Centre (50%-owned)

Adjacent to the Wansheng Transit-oriented Development (TOD) hub in Wenjiang District, the site is planned to be developed into a large-scale integrated community, comprising commercial complex, quality residences and ecological park. The land lot with a site area of approximately 2,000,000 sq.ft. will be developed in five phases. Phase 1 and Phase 4, which have a combined gross floor area of about 2,840,000 sq.ft., are expected to be completed in the second quarter of 2023 and the first quarter of 2023 respectively.

Project in Xinjin District (50%-owned)

Adjacent to the upcoming Transit-oriented Development (TOD) hub in Xinjin District, this project is just a 30-minute drive away from the city centre. The land lot with a site area of approximately 680,000 sq.ft.

will be developed in two phases, providing an aggregate gross floor area of about 1,030,000 sq.ft. for 798 households upon completion. Construction works are in progress and the entire development is expected to be completed in the second quarter of 2023.

Chongqing

Project in Yubei District (50%-owned)

Located in Lianglu Konggang area, Yubei District, this project is surrounded by a vibrant neighbourhood with Guanyin Rock Park and various popular schools in its vicinity. The land lot with a site area of about 1,100,000 sq.ft. is planned to be developed into an integrated community. Comprising low-rise residential buildings, townhouses and villas, this project will provide 1,562 residential units with a total residential gross floor area of about 1,610,000 sq.ft.. The project will be developed in four phases. Phase 1 and Phase 2 are both under construction, and they will provide a total gross floor area of about 370,000 sq.ft. and 470,000 sq.ft. respectively.

Dongguan

Project in Shijie District (50%-owned)

This project is located in Shijie District, with an array of ecological parks, educational and commercial facilities in its vicinity. The land lot with a site area of approximately 280,000 sq.ft. is planned to be developed into high-rise apartments, complemented by commercial, office and community facilities. Construction works are in progress. This project is scheduled for completion and handover to buyers in 2023, providing a total gross floor area of about 860,000 sq.ft..

Foshan

Project in Chancheng District (50%-owned)

Located in Zhangcha town, Chancheng District, this project is surrounded by a vibrant neighbourhood with various schools, shopping arcades and greenery parks. The land lot with a site area of about 500,000 sq.ft. will be built in two phases, offering 1,191 residential units with a total residential gross floor area of about 1,320,000 sq.ft.. The project is under construction and its first phase of about 900,000 sq.ft. is scheduled for completion and handover to buyers in mid-2024.

Guangzhou

Lumina Guangzhou (100%-owned)

"Lumina Guangzhou" in Yuexiu District is an integrated development, sitting on the bank of the Pearl River with a direct connection to two subway lines. The leasing response for its twin Grade-A office towers, which were completed in June 2020 with a total gross floor area of about 970,000 sq.ft., has been encouraging. Meanwhile, its 800,000-square-foot shopping podium is designed to become a one-stop landmark destination, combining retail, dining and entertainment. An array of international retail brands and specialty restaurants will be brought in so as to provide customers with a multifarious shopping and leisure experience. This shopping podium was completed in January 2022, giving a further impetus to the Group's rental growth.

Runyue Huayuan (10%-owned)

Located in Sanlian village, Zengcheng District, with Guangshan highway and Zhonggang station of the planned subway line 21 in its vicinity, a land lot of 920,000 sq.ft. will be developed in phases into high-rise apartments, complemented by commercial and community facilities. Its Phase 1 development was completed in 2021, providing a total gross floor area of around 1,070,000 sq.ft.. The remaining phases are scheduled for completion in 2022, providing a total gross floor area of about 1,760,000 sq.ft..

Commercial-cum residential project in Panyu District (50%-owned)

Located in Panyu District, this project commands panoramic views of the Pearl River, with Guangzhou Higher Education Mega Centre on its opposite shore. A commercial-cum-residential land lot, with a site area of about 1,090,000 sq.ft., will be developed into high-rise apartments, complemented by commercial and community facilities, providing a total gross floor area of about 3,280,000 sq.ft.. Of which 2,830,000 sq.ft. (including basement) is under construction and it is scheduled for phased handover to buyers during the period from 2024 to 2026.

Project in Nansha District (25%-owned)

Located next to the site of "International Financial Forum" in Nansha District, this project is close to Hengli station of subway line No. 18, which is just six stops from the city's CBD (namely Zhujiang New Town). The land lot with a site area of approximately 580,000 sq.ft. will be developed in four phases, providing high-rise apartments, townhouses, commercial space and community facilities with an aggregate gross floor area of about 3,780,000 sq.ft.. Construction works already commenced and the first phase of about 790,000 sq.ft. is expected to be completed in the fourth quarter of 2022.

Hefei

Xuheng Huayuan (50%-owned)

At the junction of Binhu New District and the administration zone of the municipal government, the 540,000-square-foot land lot will be built as a composite development with a total residential gross floor area of over 1,380,000 sq.ft. accommodating more than 800 households, complemented by commercial facilities. The first batch of residences with a total gross floor area of about 900,000 sq.ft. was completed in the fourth quarter of 2021. The remaining residential gross floor area of about 480,000 sq.ft. is scheduled for completion in the second quarter of 2022.

Shanghai

Lumina Shanghai (100%-owned)

"Lumina Shanghai" is located in the Xuhui Riverside Development Area. The 61-storey iconic office tower of its Phase 1 Development, which has direct access to Longyao Subway Station, will provide approximately 1,800,000 sq.ft. of Grade-A office space. Various multinational corporations have already committed to be tenants. An array of specialty restaurants have also been introduced to its 200,000-square-foot shopping mall to facilitate the customers' dining experience. Phase 2 development, which consists of four office towers, five commercial towers and a multi-functional event venue, will provide an additional office and retail space of about 1,000,000 sq.ft.. Two world-renowned automotive corporations have committed to lease its office space. The entire "Lumina Shanghai" is planned for completion in the first half of 2022.

Project at Pudong New District (51%-owned)

Located at Lujiazui's core financial hub with Pudong Avenue station of subway line 4 in the vicinity, the 330,000-square-foot land lot in Pudong New District will be developed into a composite development comprising office space and a commercial podium. The planning permit for this project has been obtained already. Construction is scheduled to commence in the first quarter of 2022 and upon planned completion in 2025, it will provide a total developable gross floor area of over 830,000 sq.ft..

Shenzhen

Nanshan Project (50%-owned)

Located in Nanyou section of Nanshan District, with the subway stations of Nanyou West and Nanyou in its proximity, a 70,000-square-foot land lot will be developed into an integrated complex with industrial R&D office space, dormitory, and commercial facilities. Construction works already commenced and it is planned for completion in 2024, providing a total gross floor area of about 420,000 sq.ft..

Shijiazhuang

Project in Changan District (50%-owned)

Two projects, which are both conveniently located near the North Second Ring Road in the city's core Changan District, are under development. The land lot located at Xincheng Avenue with a site area of approximately 2,300,000 sq.ft. will be developed into a large-scale community. This project will comprise about 3,910,000 sq.ft. or 3,145 residential units, 660,000 sq.ft. or 1,393 apartments, 150,000 sq.ft. of commercial space and 100,000 sq.ft. of kindergarten and primary school. Phase 1 and Phase 2, which are both under construction, will provide a combined gross floor area of about 1,990,000 sq.ft. upon scheduled completion in the second quarter of 2022. In addition, the project at Qingcui Street is expected to be completed in the second quarter of 2022, offering 352 residential units with a total residential gross floor area of about 340,000 sq.ft., on the site area of about 120,000 sq.ft..

Suzhou

Riverside Park (100%-owned)*

Riverside Park is a community development project in Xiangcheng District. The entire residential community, which was developed in six phases, was completed. There is also an adjoining integrated commercial project. Phase 1, which boasts a total gross floor area of about 990,000 sq.ft., was completed and delivered. Phase 2 development is under construction and it will provide a total gross floor area of about 1,100,000 sq.ft. upon scheduled completion in 2023.

(*CIFI, which participates in the development of Phase 5 (Block Nos. 24 and 30) and Phase 6 of its residential community as well as the integrated commercial project, shares 30% of their costs and economic interests.)

Residential project in Wujiang Development Zone (50%-owned)

Located in Wujiang Development Zone, a 980,000-square-foot land lot will be developed in two phases into a residential community for about 1,700 households. The project is under construction and its Phase 1 and Phase 2 developments are planned for completion in the second quarter of 2022, providing a total gross floor area of about 900,000 sq.ft.. The remaining Phase 3 development is planned for completion in the third quarter of 2022, providing a total gross floor area of about 860,000 sq.ft..

Project in Xiangcheng District (34.5%-owned)

Adjacent to the scenic Shengze Lake area in Xiangcheng District, this project is just a 30-minute drive away from the Suzhou Industrial Park. The land lot with a site area of approximately 490,000 sq.ft. is being developed into a low-density residential development. The entire project is expected to be completed in the fourth quarter of 2022, providing an aggregate gross floor area of about 510,000 sq.ft. for 302 households.

Tianjin

Project in Dongli District (50%-owned)

Adjacent to subway line No. 2, this project is conveniently located within the bustling Outer Ring Road East of Dongli District. The land lot with a site area of about 1,000,000 sq.ft. will be developed in phases, offering 1,618 residential units with a total residential gross floor area of about 1,750,000 sq.ft.. Phase 1 and Phase 2, which are both under construction with a combined gross floor area of about 1,120,000 sq.ft., are expected to be completed in the fourth quarter of 2023 and the second quarter of 2024 respectively.

Wuhan

Project in Dongxiwu District (50%-owned)

Located in Dongxiwu District, with Third Ring Road and an interchange station of two subway lines in its vicinity, this project is characterised by its blending of transportation convenience with the sprawling views of its surrounding scenic Wuhan Expo Garden and international golf course. The land lot with a site area of about 480,000 sq.ft. is planned to be developed into a high-end residential development, offering 919 units with a total residential gross floor area of over 1,300,000 sq.ft.. Construction already commenced in the third quarter of 2021.

Xiamen

Residential project in Huli District (50%-owned)

Located at Wuyuanwan, Huli District, this project is close to the business hub with an array of educational and medical institutions in its vicinity. The site of about 200,000 sq.ft. will be developed into a high-end residential development, offering 348 units with a total residential gross floor area of about 680,000 sq.ft.. The project, which is now under construction, is planned for completion in 2022.

Xi'an

La Botanica (50%-owned)

La Botanica is located within the scenic Chan Ba Ecological District with a subway line connecting it to the city centre. This community development will have a total gross floor area of about 32,850,000 sq.ft., providing homes for over 27,500 households upon full completion, of which, a total gross floor area of about 22,300,000 sq.ft. was already completed and delivered to buyers. For its 3,730,000-square-foot Phase 1R1 development, the C1/C2 section is scheduled for completion in the second quarter of 2022, whilst the remaining C3/C4 is scheduled for completion in the third quarter of 2022. Phases 3R5 and 3R1, which are also under construction, are scheduled for completion in the first half of 2023, providing a total gross floor area of about 1,300,000 sq.ft. and 1,190,000 sq.ft., respectively.

Xuzhou

Grand Paradise (100%-owned)

Catering to mid to high-end home buyers, Grand Paradise benefits from the scenic natural landscape of Dalong Lake, convenient transportation and a comprehensive range of facilities. Premium residences with a total gross floor area of about 4,500,000 sq.ft. were handed over to buyers. The project also boasts a commercial area of over 600,000 sq.ft., of which about 570,000 sq.ft. was already completed in the fourth quarter of 2021. Its completion certificate is expected to be received in the first quarter of 2022.

Yixing

Grand Lakeview (100%-owned)*

Set amongst lush, tranquil surroundings in Dongjiu District, Grand Lakeview is just a five-minute drive away from the city centre. This lakefront development offers luxury living in a mix of semi-detached and duplex houses, multi-storey and low-rise apartments, providing an aggregate gross floor area of about 9,000,000 sq.ft. for over 6,800 households. The entire residential developments at Sites B1 and F were completed. The remaining commercial development at Site F is scheduled for completion in the second quarter of 2022, providing a total gross floor area of about 90,000 sq.ft..

(*CIFI, which participates in its development of Phases 2A, 2B and 3 at Site F and Phases 2 and 3 at Site B1, shares 50% of their costs and economic interests.)

Property Sales

Compared with the previous year, fewer pre-sold properties were completed and delivered to buyers during the year ended 31 December 2021. The attributable revenue and pre-tax profit contribution from the Group's property sales in mainland China as recognised in the financial statements for the year ended 31 December 2021 amounted to HK$6,809 million and HK$1,603 million respectively, representing year-on-year decreases of 4% and 16% from the previous year respectively.

During the year ended 31 December 2021, the Group recorded attributable contracted sales of approximately HK$9,949 million in value and approximately 4.9 million sq.ft. in attributable gross floor area, representing year-on-year increases of 56% and 23% respectively. Major sales projects included Wuyuanwan project in Xiamen, "La Botanica" in Xi'an, "The Landscape" in Changsha, Xindu District project in Chengdu, "Riverside Park" and Wujiang Development Zone project in Suzhou.

As at the end of December 2021, attributable contracted sales of approximately HK$14,030 million are yet to be recognised in the accounts, of which approximately HK$11,937 million is scheduled for recognition in 2022 upon completion of development and handover to buyers.

Investment Properties

The Group's investment property portfolio in mainland China consists mainly of projects in the "Prime City" locations of Beijing, Shanghai and Guangzhou. The Group's investment property portfolio in mainland China was approximately 8.1 million sq.ft. as at 31 December 2021. For the year ended 31 December 2021, the Group's attributable gross rental income increased by 15% year-on-year to HK$2,097 million, whilst its attributable pre-tax net rental income also increased by 11% year-on-year to HK$1,626 million. The increase in rental income was mainly due to the 7% appreciation of the Renminbi against the Hong Kong Dollar, as well as additional contributions from the recently completed investment properties (including the office towers at "Lumina Guangzhou", which were completed in June 2020).

The following table shows the Group's attributable holdings of major completed investment properties in mainland China as at 31 December 2021:

				Attributable gross floor area (sq.ft.)			
	Location	Lease expiry	Group's interest (%)	Commercial	Office	Total	Attributable no. of carpark
Beijing							
World Financial Centre..........	No. 1 East Third Ring Middle Road, Chaoyang District	2044	100.00	212,644	1,999,947	2,212,591	1,163
Shanghai							
Henderson Metropolitan	No. 300 Nanjing Road East, Huangpu District	2053	100.00	406,618	427,980	834,598	272
Henderson 688.......................	No. 688 Nanjing Road West, Jingan District	2044	100.00	49,807	660,829	710,636	404
2 Grand Gateway	No. 3 Hong Qiao Road, Xuhui District	2043	100.00	—	687,981	687,981	—
Skycity..................................	No. 547 Tian Mu Road	2042	100.00	293,448	143,401	436,849	272

	Location	Lease expiry	Group's interest (%)	Attributable gross floor area (sq.ft.) Commercial	Office	Total	Attributable no. of carpark
	West, Jingan District						
Centro....................................	No. 568 Heng Feng Road, Jingan District	2042	100.00	65,467	368,658	434,125	186
Greentech Tower	No. 436 Heng Feng Road, Jingan District	2042	100.00	52,922	355,882	408,804	163
The Roof (formerly known as Hengxu Hui).........................	No. 1-36, Lane 458, Madang Road, Huangpu District	2054	50.00	53,020	128,177	181,197	82
Guangzhou							
Lumina Guangzhou	No. 13 Qiaoguangxi Road and No. 181 Yanjiangxi Road, Yuexiu District	2033	100.00	—	972,946	972,946	—
Heng Bao Plaza	No. 133 Bao Hua Road, Liwan District	2040	100.00	609,550	—	609,550	326
Chengdu							
Chengdu ICC Shopping Mall (Phase 1)	No. 577 Dongda Road, Jinjiang District	2048	30.00	272,846	—	272,846	963
Xi'an							
La Botanica	No. 299, Northern Section of East Chenhe Road, Chanba Biological Zone	2078	50.00	302,264	—	302,264	478
Total.....................................				2,318,586	5,745,801	8,064,387	4,309

In Beijing, “World Financial Centre”, an International Grade-A office complex in the Chaoyang Central Business District, was over 97% let at the end of December 2021. During the year ended 31 December 2021, it was awarded “Sustainability Achievement of the Year 2021, Excellence” by the Royal Institution of Chartered Surveyors and “Certificate of 2-Star Green Building Design Label” by the Centre of Science and Technology and Industrialisation Development, Ministry of Housing and Urban-Rural Development. These are testimonies to the Group’s commitment to excellence in both building quality and property management. In light of the 10th anniversary of this development, a series of innovative events was hosted during the year under review, including a digital concert co-organised with “Modern Sky”, a leading music entertainment company in mainland China.

In Shanghai, “Henderson 688” at Nanjing Road West achieved “Sustainability Achievement of the Year 2021, Finalist” as well by the Royal Institution of Chartered Surveyors during the year ended 31 December 2021 and its leasing rate by the end of December 2021 was over 97%. “Grand Gateway II” atop the Xujiahui subway station recorded a higher leasing rate of 96% at the end of December 2021 as its facility upgrades were in the process of completion with an enhanced building quality. “Henderson Metropolitan” near the Bund was 93% let at the end of December 2021. During the year ended 31 December 2021, the lease with “Apple store” was successfully renewed and is expected to bring in more customer flow and rental income to the mall. The leasing response for “Lumina Shanghai” in the Xuhui Riverside Development Area, currently under construction, was also encouraging. The 61-storey iconic office tower of its Phase 1 Development, which has direct access to Longyao Subway Station, will provide approximately 1,800,000 sq.ft. of Grade-A office space. Various multinational corporations such as “Rockwell”, “Fedex”, “LendLease” and “Gopay” have already committed to be tenants. An array of specialty restaurants have also been introduced to its 200,000 sq.ft. shopping mall to facilitate the dining experience for customers. Phase 2 development will provide an additional office and retail space of about 1,000,000 sq.ft.. Two world-renowned automotive corporations, namely, “BMW” and “Polestar”, have committed to lease its office space. The entire “Lumina Shanghai” is planned for completion in the first half of 2022.

In Guangzhou, “Lumina Guangzhou” in Yuexiu District is an integrated development, sitting on the bank of the Pearl River with a direct connection to two subway lines. The leasing response for its twin Grade-A office towers, which were completed in June 2020 with a total gross floor area of about 970,000 sq.ft., has been encouraging. Numerous leading multinational corporations and local enterprises have already moved in, whilst “the Consulate General of Hungary, Guangzhou”, “DHL” and “Bank of Communication” have also committed to leases recently. Meanwhile, its 800,000 sq.ft. shopping podium is designed to become a one-stop landmark destination, combining retail, dining and entertainment. An array of international retail brands and specialty restaurants will be brought in so as to provide customers with a multifarious shopping and leisure experience. This shopping podium was recently completed in January 2022, giving a further impetus to the Group’s rental growth. “Hengbao Plaza” atop the Changshou Road subway station was temporarily adversely affected by a new wave of local epidemic in the second quarter of 2021. As the Group took positive measures in a timely manner, both shoppers’ traffic and tenants’ businesses have revived progressively since the second half of 2021.

Property Management

Shanghai Starplus Property Management Co., Ltd (“Starplus”) was established in Shanghai in September 2018, to provide top quality commercial property management services. Starplus has taken over the management of “Henderson 688”, “Henderson Metropolitan” and “Greentech Tower”, all in Shanghai, as well as “World Financial Centre” in Beijing. Starplus’s portfolio of shopping and office space by the end of 2021 was expanded to about 5,400,000 sq.ft., in addition to 2,000 car parking spaces. In order to ensure that the best service is provided to all the commercial properties under its management, Starplus implements an Integrated Management System complying with the requirements of ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Health and Safety Management System) for “Henderson 688” and “Henderson Metropolitan”, as well as its newly added property of "Greentech Tower". Among all Shanghai properties under its management, HCMS (Health Control Management System) was set up for "Henderson Metropolitan", whilst "Henderson 688" was validated by International WELL Building Institute (IWBI) to achieve the "WELL Health-Safety Rating". Starplus will continue to adopt various professional accreditation principles so as to ensure that quality, health and safety, as well as environmental considerations are consistently embedded in its operations. Meanwhile, Starplus is aiming to extend its services to the Group's other commercial developments in mainland China, so as to provide the Group with standardised, professional, smart and efficient property management services, thereby enhancing its asset value and service quality.

During the year ended 31 December 2021, "World Financial Centre" in Beijing was awarded "Certificate of 2-Star Green Building Design Label" by the Centre of Science and Technology and Industrialisation Development, Ministry of Housing and Urban-Rural Development and "Sustainability Achievement of the Year, Excellence" by the Royal Institution of Chartered Surveyors. "Henderson 688" in Shanghai also achieved "Sustainability Achievement of the Year, Finalist". All these demonstrated that the Group's promotion of sustainable development and management for its mainland properties, as well as their green, low-carbon and environmental contributions, were well received both locally and globally.

LISTED SUBSIDIARIES

Henderson Investment Limited

As at 31 December 2021, the Company owned 69.27% of HIL. HIL is listed on the Hong Kong Stock Exchange (stock code: 97).

HIL's profit attributable to equity shareholders for the year ended 31 December 2021 amounted to HK$34 million, representing a decrease of HK$93 million, or 73% from the previous year. The decrease in profit was mainly attributable to the non-occurrence of wage subsidies from the Hong Kong Government's "Employment Support Scheme" and rental concessions from landlords in an aggregate amount of about HK$74 million, as well as the decrease in customers' demand for food and daily necessities at HIL's supermarkets due to the easing of social distancing measures and resumption of dining-out options during the year under review.

HIL's business activities are principally carried out by two wholly-owned subsidiaries: (i) Citistore (Hong Kong) Limited, which operates five department stores under the name of "Citistore" and five household specialty stores under the name of "Citilife" (hereinafter collectively referred to as "Citistore"); and (ii) Unicorn Stores (HK) Limited, which operates two department stores-cum-supermarkets under the name of "APITA" or "UNY" and two supermarkets under the name of "UNY" (hereinafter collectively referred to as "Unicorn").

Citistore

During the year ended 31 December 2021, Citistore strategically adjusted its store network and closed down its Tai Kok Tsui store at the end of June 2021. Meanwhile, five stand-alone household specialty stores under the name of "Citilife" were opened successively, and a "Citilife" counter was also set up in each Citistore's department store.

Despite the increase in gross profit of HK$2 million from sales of own goods, as well as the increase in commission income from concessionaire and consignment counters in the aggregate amount of HK$8 million, Citistore's profit after taxation for the year ended 31 December 2021 decreased by HK$21 million or 22% year-on-year to HK$73 million. The decrease in profit was mainly attributable to the non-occurrence of wage subsidies from the Government's "Employment Support Scheme" and rental concessions (net of taxation) from landlords in an aggregate amount of about HK$51 million as recorded in the previous year.

Unicorn

In November 2021, a new "UNY" Japanese supermarket was opened in MCP Central, Tseung Kwan O. A new online shop, as well as a new customer relationship management programme (namely, "CU APP"), were launched for Unicorn in the same month of November 2021.

Due to the drop in demand for supermarket products, and the increase in operating costs caused by the opening of UNY Yuen Long and UNY Tseung Kwan O, Unicorn recorded a loss after taxation of HK$34 million for the year ended 31 December 2021. Whereas, a profit after taxation of HK$33 million was recorded for the previous year, which included Unicorn's receipt of wage subsidies of HK$22 million from the Government's "Employment Support Scheme".

Over the years, efforts have been made to integrate the businesses of Citistore and Unicorn, so as to enhance their operational synergies and efficiency. For instance, following the success of the launch of "CU APP" by Unicorn, Citistore's membership loyalty programme (namely, "Citi-Fun") was migrated to "CU APP". With this unified membership loyalty programme, HIL can enhance the interaction with customers and promote business growth through cross promotions between different brands. In addition, a new centralised distribution centre will become fully operational in the first half of 2022. This 58,500 sq.ft. centre will integrate the warehouse and logistic functions for both Citistore and Unicorn. With its strengthened sourcing collaboration, HIL's overall competitiveness and cost efficiency is set to be further improved.

Miramar Hotel and Investment Company, Limited

The main business activities of Miramar include hotel ownership and management, property investment, travel and food and beverage.

In 1986 Miramar embarked upon the first stage of its local property investment business by redeveloping a portion of the then 1,200-room Hotel Miramar located at the junction of Nathan Road and Kimberley Road in Tsim Sha Tsui into a commercial complex and down-sizing its hotel accommodation capacity to the current 482-room flagship hotel, The Mira Hong Kong ("The Mira"). The scale of the hotel business of Miramar has gradually reduced, with its core business shifted more to local property investment. Miramar currently owns and/or provides management services for hotels and serviced apartment complexes in Hong Kong and mainland China. Miramar is the sole owner of The Mira, and Miramar Apartments in Shanghai, a block of serviced apartments. In addition, it provides management services for a serviced apartment complex and a hotel in Hong Kong.

Miramar's revenue for the year ended 31 December 2021 amounted to HK$1,247 million (2020: HK$1,315 million), a decrease of 5.1% against last year. Profit attributable to shareholders for the year ended 31 December 2021 was HK$330 million (2020: HK$302 million) with a year-on-year increase of 9.3%. The aforesaid outcome is mainly caused by the decrease in revaluation loss on fair value of investment properties compared with the year ended 31 December 2020, and the increase in income attributable to its hotel & serviced apartments business and food & beverage business compared with the previous year. The underlying profit attributable to shareholders (excluding the net decrease in the fair value of investment properties by HK$112 million (2020: net decrease of HK$152 million) and the net gain on disposal of non-core properties of HK$19 million (2020: Nil)) dropped by 6.8% to HK$423 million, year-on-year (2020: HK$454 million).

Hotel and Serviced Apartments Business

During the year ended 31 December 2021, the hotel and serviced apartments business recorded a revenue of HK$286 million, up by 41.8% from the prior year. The earnings before interest, taxes, depreciation and amortization ("EBITDA") was HK$4.6 million, a reversal from the prior year's loss of HK$5.3 million.

Miramar launched themed staycation packages one after another, including an Australian-themed experience "Wanderful Australia" in collaboration with the Australian government, and "The Aurora of Festive

MIRAcles" with the Finnish Tourist Board and Finnair. The aforesaid promotional efforts successfully improved the occupancy rate of The Mira Hong Kong Hotel. Meanwhile, against the background of immense demand for quarantine hotels, Mira Moon Hotel continued to be commissioned as a designated quarantine hotel by the Hong Kong Government, with an average occupancy rate of more than 70%.

Property Rental Business

The revenue of Miramar's property rental business decreased to HK$814 million, with EBITDA at HK$697 million, down by 0.6% and 2.2% respectively, compared with the prior year. As at 31 December 2021, the book value of the overall investment properties was HK$15,200 million. During the year ended 31 December 2021, Miramar continued to provide targeted relief to certain tenants impacted by the pandemic in order to lessen pressures on their operations. At the same time, Miramar launched various promotional activities to encourage customer consumption, increase footfall and boost sales, including consumption rebates, themed weekend pop-up markets and various festive events.

Food and Beverage Business

Miramar's food and beverage business recorded revenue of HK$133 million for the year ended 31 December 2021, up by 11.0%, compared with the prior year; EBITDA recorded loss of HK$10.8 million for the year ended 31 December 2021, which loss was reduced as compared with the prior year. In view of the potential of the local catering market, Miramar closed two restaurants during the year, and is actively preparing to introduce brand-new dining concepts to extend to new markets and demographics.

Travel Business

Due to the resurgence in COVID-19 cases, cross-border reopening was delayed indefinitely and there was yet no sign of the international tourism market recovering. Like other peers in the industry, Miramar's travel business stayed at a standstill. Miramar's travel business recorded revenue of HK$13.5 million for the year ended 31 December 2021, down by 92.2% compared with HK$173.7 million in 2020, and EBITDA recorded a loss of HK$23.3 million, similar to that of 2020.

LISTED ASSOCIATES

The Hong Kong and China Gas Company Limited

HKCG is a leading clean energy supplier in Hong Kong and mainland China. HKCG and its subsidiaries are engaged in diverse businesses whose principal activities include the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses in Hong Kong and mainland China.

HKCG, founded in 1862 and listed in Hong Kong since 1960, had a market capitalisation of approximately HK$226.5 billion as at 31 December 2021. HKCG's city gas distribution business in Hong Kong served about 1.96 million customers as at 31 December 2021. In addition, HKCG has a penetration rate of approximately 72% to Hong Kong households (based on the ratio of the number of HKCG's total residential customers to the number of domestic households). HKCG's piped city-gas, referred to as "town gas", is distributed in Hong Kong through an underground pipeline network of over 3,700 km that is owned and operated by HKCG and which HKCG believes is within easy connection-reach of approximately 90% of all households in Hong Kong.

HKCG's and its subsidiaries operating profit of principal businesses after taxation for 2021 amounted to HK$6,821 million, a decrease of HK$413 million, down by approximately 5.7%, compared to 2020. During the year ended 31 December 2021, as HKCG wrote off and impaired some of the production facilities of a chemical plant and telecommunications network facilities in mainland China, and made asset provision for certain gas refilling stations which had ceased operation, a provision of approximately HK$1,500 million in total was made. Inclusive of this one-off provision, profit after taxation attributable to shareholders of HKCG for the year ended 31 December 2021 amounted to HK$5,017 million, a decrease of HK$990 million, down by 16.5%, compared to 2020. During the year ended 31 December 2021, HKCG invested HK$8,387 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various existing and new businesses in Hong Kong and mainland China.

Gas business in Hong Kong

The gas industry can be broadly categorised into three segments: upstream production, midstream transportation and downstream piped city-gas distribution. HKCG's core businesses in Hong Kong comprise gas production and distribution, the marketing and sale of gas appliances and the provision of after-sales services, with a growing downstream piped city-gas business in mainland China. Mainland China also presents midstream and upstream growth opportunities.

HKCG continues to expand its supply network with new pipeline projects throughout Hong Kong. The Eastern Transmission Pipeline Project, which consists of a high-pressure pipeline from Ma On Shan via Sai Kung to eastern Kowloon, was completed in 2008. This pipeline provides an additional supply point and brings better supply capacities and service reliability to the area. The pipeline to carry natural gas from Tai Po to the Ma Tau Kok gas processing plant was completed in 2014. The pipeline has aided to partially replace naphtha as feedstock for the production of town gas. Satisfactory progress was made in linking up the supply network between Tuen Mun and Tsuen Wan and reinforcing the supply to major commercial and industrial customers in Tai Po and Yuen Long Industrial Estates, as well as the two theme parks in Hong Kong.

HKCG produces its town gas at two production plants located at Tai Po and Ma Tau Kok in Hong Kong. More than 98% of HKCG's gas is currently processed at the Tai Po plant. The Tai Po plant has stringent requirements on quality, environmental protection and occupational safety and health management. The management systems in quality, environmental protection and occupational safety and health are accredited with the ISO 9001, ISO 14001 and ISO 45001 international standards, respectively. HKCG also conducts annual internal and external audits on both of its plants.

HKCG has provided downstream piped city-gas services to Hong Kong customers. HKCG's services, which are provided in Hong Kong under the Towngas brand, include gas for cooking and water heating. Total volume of gas sales in Hong Kong for 2021 was approximately 27,677 million MJ, a slight decrease of 1%, in contrast to an 8.8% increase in the number of appliances sold resulting from a rise in new property move-ins due to a slowdown of the epidemic, both compared to 2020. As at 31 December 2021, the number of its customers was 1,964,937, an increase of 21,160, representing a slight increase of 1.1% compared to the number at the end of 2020.

In the commercial and industrial sector, HKCG continues to seek to improve its market position by developing the commercial and industrial use of gas and gas-related products in the competitive energy market.

Mainland utility business

HKCG's PRC business began in 1994 and HKCG's strategy is to expand in the PRC, which is an important aspect of its growth and diversification strategy.

Towngas Smart Energy recorded profit after taxation attributable to its shareholders, excluding change in fair value of derivative component of convertible bonds, for the year amounting to HK$1,612 million, an increase of approximately 11% compared to 2020. Including change in fair value of derivative component of convertible bonds, profit after taxation attributable to its shareholders amounted to HK$1,253 million for the year, a decrease of approximately 13% compared to 2020. In November 2021, Affinity Equity Partners, a well-known private equity fund, invested HK$2,800 million in Towngas Smart Energy through subscription of new shares and convertible bonds. As at the end of 2021, HKCG held approximately 65.98% of Towngas Smart Energy's total issued shares.

Construction of Towngas Smart Energy's shale gas liquefaction plant in Weiyuan county, Sichuan province is expected to be completed in early 2023, which will become its gas storage and peakshaving base in southwestern China. Acquisition of 25% equity interest in Shanghai Gas Co., Ltd. ("Shanghai Gas") has been completed during the year ended 31 December 2021. The two liquefied natural gas ("LNG") terminals operated by Shanghai Gas can be used to further secure the supply of gas sources for companies under HKCG. Towngas Smart Energy added 40 new projects to its portfolio during 2021, comprising 35 renewable energy projects and five piped-gas projects. The total number of projects held by Towngas Smart Energy was 244 as at the end of 2021.

As at 31 December 2021, inclusive of Towngas Smart Energy, HKCG had a total of 303 city-gas projects on the mainland (inclusive of city-gas projects re-invested by HKCG's companies) (2020 year end: 282 projects). The total volume of gas sales for these projects for 2021 was approximately 31,080 million cubic metres, an increase of 16% compared to 2020. As at 31 December 2021, HKCG's mainland gas customers stood at approximately 35.03 million, an increase of 10% over 2020.

HKCG's smart energy business development progressed well in 2021, with more than 110 renewable energy projects planned across 21 provincial regions and 32 zero-carbon smart industrial parks negotiated for development. These projects encompass multi-energy supply (cooling, heat and electricity), photovoltaics, energy storage, charging and swapping power stations, comprehensive energy services for industrial and commercial customers, with related project companies subsequently formed.

HKCG's natural gas storage facility in underground salt caverns in Jintan district, Changzhou city, and Jiangsu province have achieved notable economic benefits since its commissioning and is successfully interconnected with the West-to-East Gas Pipeline and the Sichuan-to-East Gas Pipeline, two largescale national-level natural gas transmission pipelines. The total planned storage capacity of the facility is 1,100 million cubic metres. This storage facility was the first of its kind built by a city-gas enterprise.

HKCG's storage tank project at the LNG receiving terminal in Caofeidian district, Tangshan city, Hebei province is progressing well. The project includes the right to use two storage tanks of 400,000 cubic metres in total alongside a jetty for importing 1 million tonnes of LNG per annum for a contract term of 50 years. This project will be gradually commissioned starting from the end of 2022.

Leveraging the rich experience in sewage treatment gained from its Hua Yan Water business, HKCG successfully developed an urban organic waste resource utilisation project in Suzhou Industrial Park, Jiangsu province in 2019. With a daily processing capacity of 800 tonnes, this project has cumulatively processed more than 300,000 tonnes of organic waste and produced nearly 13 million cubic metres of bio-natural gas for the park's use.

In 2020, HKCG's Hua Yan Environmental in Changzhou city, Jiangsu province joined with the municipal government to proactively develop businesses encompassing waste incineration for power generation, sewage treatment, food waste treatment and urban sanitation. A food waste utilisation project in Tongling city, Anhui province acquired in 2020, and a municipal sewage treatment project in Wujin district, Changzhou city, Jiangsu province acquired in 2021 have cumulatively processed more than 70,000 tonnes of organic waste and 80 million tonnes of sewage. The waste transfer business and waste sorting collection business in Wujin district, Changzhou city also started operations in November 2021.

Overall, including the projects of Towngas Smart Energy, HKCG had 514 projects (inclusive of citygas projects re-invested by HKCG's companies) (2020 year end: 436 projects) in mainland China as at the end of 2021, spread across 28 provincial regions. These projects encompass upstream, midstream and downstream natural gas sectors, environmentally-friendly energy, smart energy, water sectors and urban waste treatment.

In January 2022, HKCG and IDG Capital announced the launch of China's first Zero-carbon Technology Investment Fund focusing on technology investment and business applications, with a total scale of

RMB10,000 million, initially raising RMB5,000 million in the first phase. The fund will focus on investing in innovation fields relating to zero-carbon technologies, including renewable energy, energy storage, smart energy grid, hydrogen energy, carbon trading and management projects.

Emerging environmentally-friendly energy businesses

The research and development team of ECO Environmental Investments Limited ("ECO") under HKCG has been committed to developing biomass utilisation for many years. Several patented technologies that target the utilisation of inedible bio-grease and agricultural waste as two major feedstocks have been developed and achieved scientific breakthroughs.

The first project, located in Jiangsu province, which converts inedible bio-grease feedstock into hydro-treated vegetable oil ("HVO") using ECO's proprietary technology, has gained the accreditation under the International Sustainability and Carbon Certification Scheme (ISCC). Being qualified as an advanced biofuel defined by the European Union, ECO's HVO is mainly for the European markets. Following the successful implementation of this project and expansion of the European markets, ECO is taking steps to further enhance the HVO production capacity and to implement the technology it has successfully developed for the production of sustainable aviation fuel (SAF).

In addition, the two pilot projects located in Tangshan city and Cangzhou city, Hebei province, are using another set of proprietary technologies to refine agricultural waste through hydrolysis into a product scope encompassing biofuels, bio-chemicals and bio-materials. Cellulosic ethanol, being the main product, is yet another highly demanded advanced biofuel as defined by the European Union.

HKCG established a new business platform, EcoCeres, Inc., at the end of 2021, which integrates the talents, patented technologies, production facilities, scientific research facilities and other assets related to biomass utilisation business, and introduces new investors to this platform to jointly develop a green and sustainable biomass business. EcoCeres, Inc. successfully raised a total of US$108 million in funding in December 2021 and February 2022 from an investor, Kerogen Capital, a private equity fund having a focus on energy transition.

ECO's clean coal chemical business in Inner Mongolia Autonomous Region has achieved certain results after years of equipment renovation to reduce carbon emissions. A new phase of the production plan to introduce waste resources to replace raw coal has made good progress, expecting to produce high value-added low-carbon products for domestic and foreign markets in 2023. In addition, the LNG business has gained momentum with the commissioning of a new plant located in the Ningxia Hui Autonomous Region after a successful trial operation. The plant uses local coke oven gas as the feedstock to produce LNG, thus reducing carbon emissions of the coking plant and also providing the market nearby with clean vehicular energy and supplementing gas sources for downstream natural gas customers.

Financing Programmes

HKCG established a medium term note programme in 2009. Medium term notes totalling HK$1,339 million, with a tenor of 3 years, were issued in 2021. As at 31 December 2021, the total nominal amount of medium term notes issued has reached HK$21,000 million with tenors ranging from 3 to 40 years, mainly at fixed interest rates with an average of 2.9% per annum and an average tenor of 15 years. HKCG updated the programme during the year and increased the maximum issue size from US$3,000 million to US$5,000 million. Meanwhile, Towngas Smart Energy established a new medium term note programme through a subsidiary with a maximum issue size of US$2,000 million in June 2021. A medium term note of RMB750 million with a tenor of 3 years and a coupon rate at 3.4% per annum was firstly issued in November 2021. Furthermore, as at 31 December 2021, HKCG had Perpetual Subordinated Capital Securities (the "Perpetual Securities") of US$300 million, issued in February 2019, with a coupon rate at 4.75% per annum. The Perpetual Securities are redeemable at the option of HKCG in February 2024 or thereafter every six months on the coupon payment date.

Hong Kong Ferry (Holdings) Limited

After running a passenger ferry operation for 80 years, Hong Kong Ferry terminated its passenger ferry services as a result of the expiry of its ferry franchise on 31 March 1999 and changed its principal business emphasis to property development and investment. To date, Hong Kong Ferry still maintains vessels to provide harbour cruise services and dangerous goods carrier charter services.

During 2021, the profit for Hong Kong Ferry was mainly derived from rental income from shops and commercial arcades. After taking into account the valuation gains on its investment properties of HK$76 million, Hong Kong Ferry's consolidated profit after taxation for the year ended 31 December 2021 increased by 345% to approximately HK$118 million as compared with the same period of 2020.

During 2021, the gross rental income arising from the commercial arcades of Hong Kong Ferry amounted to approximately HK$106 million. The commercial arcade of Metro6 was fully let as at 31 December 2021. The occupancy rate of the commercial arcades of Shining Heights and The Spectacle were 97% and 89% respectively. The occupancy rate of commercial arcades of Metro Harbour View and Green Code were 84% and 99% respectively.

Hong Kong Ferry's 50%/50% development joint venture with the Empire Group at The Royale, 8 Castle Peak Road, Castle Peak Bay, Tuen Mun (formerly known as Tuen Mun Town Lot No. 547), since the commencement of the sale of Phase 1 - "Seacoast Royale", Phase 2 - "Starfront Royale" and Phase 3 - "Skypoint Royale", 1,745 residential units had been sold, amounting to approximately 98% of the total units. The total sales considerations are approximately HK$8,600 million with an average selling price of saleable floor area in excess of HK$15,400 per square foot. The gross floor area of the site area is approximately 663,000 sq.ft.. The occupation permit has been obtained in January 2022 and the project is expected to be delivered to the buyers by phases in mid-2022 and revenue from property sales will be recognised accordingly.

In June 2018, Hong Kong Ferry was awarded the redevelopment contract for the Kweilin Street/Tung Chau Street project in Sham Shui Po by the Urban Renewal Authority. Upon development, Hong Kong Ferry will be entitled to the residential gross floor area of about 97,845 sq.ft. The superstructure works were in progress and the project is expected to be completed in the first quarter of 2024.

During 2021, the Ferry, Shipyard and Related Operations recorded a profit of HK$8.6 million as compared with the loss of HK$17.9 million in 2020. The improvement of business results was mainly attributable to the increase in revenue from shipyard operation and the subsidy of repair and maintenance costs received from the Government for ferry operation.

During 2021, a deficit of HK$0.8 million in Securities Investment was recorded mainly due to the fair value change of certain financial assets during the year.

Hong Kong Ferry has planned to establish a medical aesthetic clinic and premium beauty service centre with over 10,000 sq.ft. of floor area at Tsim Sha Tsui in mid-2022. Hong Kong Ferry expects to invest HK$40 million in 2022 and will further invest in multiple sums in the coming years. The Kweilin Street/Tung Chau Street project is expected to be completed in first quarter of 2024. The revenue from property sales of the development project "The Royale" will be booked upon the delivery of possessions to buyers. Barring any unforeseen circumstances, Hong Kong Ferry is expected to achieve a favourable result for the year of 2022.

COMPETITION

The Group competes with other property developers in Hong Kong and in mainland China for the acquisition of suitable development sites and available investment properties. The Company believes that the extensive cumulative experience of its senior management in property investment, development, leasing and management enable it to compete effectively. Furthermore, the Company believes that its strategy of site acquisition at reasonably low cost, its continuous focus on the development of quality properties and the provision of premium customer service will continue to enable it to maintain its reputation as a developer and landlord of quality properties.

INSURANCE

The Group is covered by insurance policies arranged with reputable insurance agents which cover loss of rental, fire, flood, riot, strike, malicious damage, other material damage to property and development sites, business interruption and public liability.

GOVERNMENT REGULATIONS IN HONG KONG AND MAINLAND CHINA

The Company believes that the Group is in compliance in all material respects with Hong Kong and mainland China safety regulations currently in effect. The Group has not experienced significant problems with Hong Kong and mainland China regulations with regard to these issues and is not aware of any pending Hong Kong and mainland China legislation that might have a material adverse effect on its properties.

ENVIRONMENTAL MATTERS

The Company believes that the Group is in compliance in all material respects with applicable environmental regulations in Hong Kong and mainland China. The Company is not aware of any environmental proceedings or investigations to which it is or might become a party.

LEGAL PROCEEDINGS

Neither the Group nor any of its subsidiaries are involved in any litigation which would have a material adverse effect on the business or financial position of the Group.

EMPLOYEES

As at 31 December 2021, the Group had 10,059 (2020: 9,065) full-time employees. The increase in the Group's full-time headcount of 994 employees during the year ended 31 December 2021 is mainly attributable to the full-time headcount contribution of 1,138 employees from Miramar since it became an indirect non-wholly-owned subsidiary of the Company commencing from 14 April 2021.

The remuneration of the employees is in line with the market and commensurate with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement scheme, training programmes and education subsidies.

Total staff costs for the year ended 31 December 2021 amounted to HK$3,003 million (2020: HK$2,645 million), representing a year-on-year increase of HK$358 million, or 14%, which is mainly due to the inclusion of Miramar's staff costs in the amount of HK$262 million during the period from 14 April 2021 to 31 December 2021 (2020: Nil). Excluding this factor and on a like-for-like basis, the Group's total staff costs for the year ended 31 December 2021 amounted to HK$2,741 million (2020: HK$2,645 million) which comprised (i) staff costs included under directors' remuneration of HK$179 million (2020: HK$173 million); and (ii) staff costs (other than directors' remuneration) of HK$2,562 million (2020: HK$2,472 million), which had increased by 4% year-on-year.

During the corresponding year ended 31 December 2020, the Group received the one-off subsidy in the aggregate amount of HK$264 million from HKSAR Government's COVID-19 Anti-epidemic Fund under the Employment Support Scheme, and which was recognised by the Group as "other income" for that year. Such subsidy income did not recur to the Group for the year ended 31 December 2021.

FINANCE COSTS

Finance costs (comprising interest expense and other borrowing costs) before interest capitalisation for the year ended 31 December 2021 amounted to HK$2,093 million (2020: HK$2,180 million). Finance costs after interest capitalisation for the year ended 31 December 2021 amounted to HK$600 million (2020: HK$558 million), and after set-off against the Group's bank interest income of HK$109 million for the year ended 31 December 2021 (2020: HK$354 million), the Group recognised net finance costs in the Group's consolidated statement of profit or loss for the year ended 31 December 2021 in the amount of HK$491 million (2020: HK$204 million).

Overall, as referred to in the paragraph headed "Maturity Profile and Interest Cover" below, the Group's total debt amounted to HK$102,915 million as at 31 December 2021 (2020: HK$89,556 million) which comprised (i) the Group's bank and other borrowings in Hong Kong in the aggregate amount of HK$99,739 million as at 31 December 2021 (2020: HK$87,419 million; and (ii) amounts due from the Group to related companies of HK$3,176 million as at 31 December 2021 (2020: HK$2,137 million).

During the year ended 31 December 2021, the Group's overall effective borrowing rate in relation to the Group's bank and other borrowings in Hong Kong was approximately 1.67% per annum (2020: approximately 2.10% per annum, other than certain bank loans denominated in RMB raised in Hong Kong in the second half of 2019 and which were fully repaid as at 31 December 2020 and carried an effective borrowing rate of 3.07% per annum).

Furthermore, as referred to in the paragraph headed "Maturity Profile and Interest Cover" below, in relation to the amount due from the Group to a fellow subsidiary, the Group's effective borrowing rate during the year ended 31 December 2021 was approximately 0.85% per annum (2020: approximately 1.60% per annum).

REVALUATION OF INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

The Group recognised an increase in fair value on its investment properties and investment properties under development (before deferred taxation and non-controlling interests) of HK$59 million in the consolidated statement of profit or loss for the year ended 31 December 2021 (2020: a decrease in fair value of HK$2,413 million).

FINANCIAL RESOURCES AND LIQUIDITY

Medium Term Note Programme

As at 31 December 2021, the aggregate carrying amount of notes guaranteed by the Company and issued under the Group's Medium Term Note Programme established on 30 August 2011 (the "MTN Programme") and under which the Company had on 15 October 2018 increased the maximum aggregate principal amount of notes permitted to be outstanding at any one time from US$3,000 million to US$5,000 million, was HK$25,225 million (2020: HK$18,598 million) with tenures of between 19 months and twenty years (2020: between 19 months and twenty years). During the year ended 31 December 2021, the Group issued guaranteed notes under the MTN Programme denominated in RMB, USD and HKD in the aggregate equivalent amount of HK$9,589 million (2020: HK$8,487 million) with tenures of between two years and six years. Such guaranteed notes issued by the Group serves to finance the Group's capital expenditure requirements. These notes are included in the Group's bank and other borrowings as at 31 December 2021 and 31 December 2020 as referred to in the paragraph headed "Maturity Profile and Interest Cover" below. The Group has repaid certain guaranteed notes in the aggregate principal amount of HK$3,074 million under the MTN Programme during the year ended 31 December 2021 (2020: HK$1,484 million). On 6 May 2022 the maximum aggregate principal amount of notes permitted to be outstanding at any one time was further increased from US$5,000 million to US$7,000 million.

Maturity Profile and Interest Cover

The maturity profile of the total debt, the cash and bank balances, the net debt and the gearing ratio of the Group were as follows:

	At 31 December 2021	**At 31 December 2020**
	(HK$ million)	
Bank and other borrowings repayable:		
Within one year	31,784	29,332
After one year but within two years	21,240	15,834
After two years but within five years	20,736	20,716
After five years	25,979	21,537
Amounts due to related companies	3,176	2,137
Total debt	102,915	89,556
Less: Cash and bank balances	(10,947)	(5,807)
Net debt	91,968	83,749
Shareholders' funds	335,020	327,607
Gearing ratio (%)	27.5	25.6

As at 31 December 2021, the Group's total debt comprised (i) bank and other borrowings in Hong Kong, being bank loans of HK$74,358 million (2020: HK$68,666 million) and guaranteed notes of HK$25,381 million (2020: HK$18,753 million); and (ii) amounts due to related companies of HK$3,176 million (2020: HK$2,137 million), which in aggregate amounted to HK$102,915 million (2020: HK$89,556 million). The bank and other borrowings in Hong Kong were unsecured and have a weighted average debt maturity profile of approximately 3.24 years (2020: approximately 3.40 years). The amounts due to related companies were unsecured and have a weighted average debt maturity profile of approximately three years (2020: approximately three years).

In addition, as at 31 December 2021, there was an amount due from the Group to a fellow subsidiary of HK$53,710 million (2020: HK$4,389 million) which was unsecured, interest-bearing and had no fixed repayment terms. The significant increase of HK$49,321 million in the amount due from the Group to a fellow subsidiary, which is a wholly-owned subsidiary of the ultimate controlling party of the Group, was to replace bank loans which arose from the Group's land acquisitions during the year ended 31 December 2021.

As at 31 December 2021, after taking into account the effect of swap contracts, 50% (2020: 52%) of the Group's total debt carried fixed interest rates.

Gearing ratio is calculated based on the net debt and shareholders' funds of the Group at the end of the reporting period as shown above.

DIRECTORS AND MANAGEMENT

The officers and members of the board of directors of the Company at the date of this Offering Circular are as follows:

Executive Directors

Dr Lee Ka Kit (Chairman and Managing Director)

Dr Lee Ka Shing (Chairman and Managing Director)

Dr Lam Ko Yin, Colin (*Vice Chairman*)

Dr the Hon. Lee Shau Kee

Yip Ying Chee, John

Fung Lee Woon King

Kwok Ping Ho

Suen Kwok Lam

Wong Ho Ming, Augustine

Fung Hau Chung, Andrew

Non-executive Directors

Lee Tat Man

Lee Pui Ling, Angelina

Independent Non-executive Directors

Kwong Che Keung, Gordon

Professor Ko Ping Keung

Wu King Cheong

Woo Ka Biu, Jackson

Professor Poon Chung Kwong

Au Siu Kee, Alexander

The biographies of the Executive Directors, Non-executive Directors, Independent Non-executive Directors and senior management as at 22 March 2022 were as follows:

Executive Directors

Dr LEE Ka Kit, *GBS*, *JP, DBA (Hon),* aged 58, a Member of the Standing Committee of the 13th National Committee of the Chinese People's Political Consultative Conference, has been an Executive Director of the Company since 1985 and was the Vice Chairman of the Company from 1993 to May 2019. On 28 May 2019, he was appointed as Chairman and Managing Director, and a member of the Remuneration Committee and the Nomination Committee of the Company. He was educated in the United Kingdom and has been primarily responsible for the development of the business of Henderson Land Group in the People's Republic of China since he joined the Company in 1985. He is the vice chairman of Henderson Development. He is also the vice chairman of HIL as well as the chairman of HKCG and Towngas Smart Energy, all of which are listed companies. He previously served as a non-executive director of The Bank of East Asia, Limited and an independent non-executive director of Xiaomi Corporation until 23 August 2019, both of which are listed companies. He is a member as well as the chairman of the Board of Directors of One Country Two Systems Research Institute. He was awarded an Honorary University Fellowship by The University of Hong Kong in 2009 and an Honorary Degree of Doctor of Business Administration by Edinburgh Napier University in July 2014. He is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited and Henderson Development which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr Lee Shau Kee, the brother of Ms Lee Pui Man, Margaret and Dr Lee Ka Shing, the brother-in-law of Mr Li Ning and the relative of Mr Lee Tat Man, Madam Fung Lee Woon King and Ms Li Keng Yan, Kristine.

Dr LEE Ka Shing, *GBS, JP, DSSc (Hon),* aged 50, a Committee Member of the 13th Beijing Committee of the Chinese People's Political Consultative Conference, has been an Executive Director of the Company since 1993 and was the Vice Chairman of the Company from 2005 to May 2019. On 28 May 2019, he was appointed as Chairman and Managing Director, and a member of the Remuneration Committee and the Nomination Committee of the Company. He was educated in Canada. He is the vice chairman of Henderson Development. He is also the chairman and managing director of HIL, the chairman and chief executive officer of Miramar as well as the chairman of HKCG, all of which are listed companies. He was awarded the Gold Bauhinia Star (GBS) by the Government of the Hong Kong Special Administrative Region in 2021. He is a member of the Court of The Hong Kong Polytechnic University and a member of the Court of City University of Hong Kong. He was awarded an Honorary Fellowship by University College London in 2021 and an Honorary Degree of Doctor of Social Science by The Hang Seng University of Hong Kong in 2022. He is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development, Believegood Limited, Cameron Enterprise Inc. and Richbond Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr Lee Shau Kee, the brother of Ms Lee Pui Man, Margaret and Dr Lee Ka Kit, the brother-in-law of Mr Li Ning and the relative of Mr Lee Tat Man, Madam Fung Lee Woon King and Ms Li Keng Yan, Kristine.

Dr LAM Ko Yin, Colin, *SBS, FCILT, FHKIoD, DB (Hon), DBA (Hon),* aged 70, joined the Company in 1982 and has been an Executive Director since 1985 and the Vice Chairman since 1993. He is also the chairman of the Whistleblowing Committee, and a member of the Remuneration Committee and the Nomination Committee of the Company. Dr Lam holds a B.Sc. (Honours) degree from The University of Hong Kong and has over 48 years' experience in banking and property development. He is the chairman of Hong Kong Ferry, the vice chairman of HIL, a non-executive director of HKCG and an executive director of Miramar, all of which are listed companies. He is the deputy chairman of The University of Hong Kong Foundation for Educational Development and Research, a director of Fudan University Education Development Foundation, an honorary Court member of Hong Kong Baptist University, a member of the Court of The Hong Kong University of Science and Technology and a member of the Court of City University of Hong Kong. Dr Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008 and an Honorary Fellowship by The Chinese University of Hong Kong in 2019. He was also conferred with a degree of Doctor of Business (Honoris Causa) by Macquarie University in 2015 and a degree of Doctor of Business Administration (Honoris Causa) by The Hong Kong University of Science and Technology in 2021. He is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors. Dr Lam is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development and Believegood Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

Dr the Hon. LEE Shau Kee, *GBM, DBA (Hon), DSSc (Hon), LLD (Hon)*, aged 93, the founder of the Company and HIL, was the Chairman and Managing Director of the Company from 1976 to 28 May 2019, upon his retirement from such position. He continues to act as an Executive Director of the Company after his stepping down as Chairman and Managing Director. He has been engaged in property development in Hong Kong for more than 65 years. He is the chairman of Henderson Development. Dr Lee previously served as the chairman of HKCG and an executive director of HIL until 28 May 2019, a non-executive director of Miramar until 4 June 2019 and Hong Kong Ferry until 29 May 2020 as well as the vice chairman of Sun Hung Kai Properties Limited until 5 November 2020, all of which are listed companies. Dr Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited and Henderson Development which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the brother of Mr Lee Tat Man and Madam Fung Lee Woon King, the father of Ms Lee Pui Man, Margaret, Dr Lee Ka Kit and Dr Lee Ka Shing, the father-in-law of Mr Li Ning and the grandfather of Ms Li Keng Yan, Kristine.

YIP Ying Chee, John, *LLB, FCG, FCA,* aged 73, has been an Executive Director of the Company since 1997. He graduated from The University of Hong Kong and the London School of Economics and is a solicitor, a certified public accountant and a chartered surveyor. He has over 40 years' experience in corporate finance, and corporate and investment management.

FUNG LEE Woon King, aged 83, has been an Executive Director of the Company since 1976. She joined Henderson Development, the parent company of the Company as treasurer in 1974 and has been an executive director of Henderson Development since 1979. She is also the Chief Treasurer of Henderson Development Group, Henderson Land Group and HIL Group. Madam Fung is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development, Yamina Investment Limited, Believegood Limited, Cameron Enterprise Inc., South Base Limited and Richbond Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. She is the sister of Dr Lee Shau Kee and Mr Lee Tat Man and the relative of Dr Lee Ka Kit, Dr Lee Ka Shing, Ms Lee Pui Man, Margaret, Mr Li Ning and Ms Li Keng Yan, Kristine.

KWOK Ping Ho, *BSc, MSc, Post-Graduate Diploma in Surveying, FRICS, ACIB,* aged 69, joined the Company in 1987 and has been an Executive Director since 1993. Mr Kwok holds a Bachelor of Science (Engineering) (Civil Engineering Group) Honours degree from the University of London and a Master of Science degree in Administrative Sciences from Cass Business School, City, University of London. He is also the holder of a Post-Graduate Diploma in Surveying (Real Estate Development) from The University of Hong Kong. Mr Kwok is a Fellow of the Royal Institution of Chartered Surveyors and he is also an Associate member of The Chartered Institute of Bankers (A.C.I.B.) of the United Kingdom. Mr Kwok had previously been a Part-time Lecturer for the MBA programme of The University of Hong Kong and he is also currently an Adjunct Professor of the Department of Real Estate and Construction, Faculty of Architecture of The University of Hong Kong. He had worked in the international banking field for more than 11 years with postings in London, Chicago, Kuala Lumpur, Singapore as well as in Hong Kong before joining the Company and has over 35 years of experience in the finance and business management areas which include responsibilities in the corporate investment, finance and treasury and project management activities of Henderson Land Group since 1987, including group re-organisation, privatisation proposals and corporate acquisitions. He is also a non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. Mr Kwok is a director of Believegood Limited which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

SUEN Kwok Lam, *BBS, JP, MH, FHIREA,* aged 75, joined the Company in 1997 and has been an Executive Director of the Company since 2002. Mr Suen was an individual Member of The Real Estate Developers Association of Hong Kong from 1999 to 2022, the president of The Hong Kong Association of Property

Management Companies from 2003 to 2007 and the vice president of Hong Kong Institute of Real Estate Administrators from 2006 to 2018. He has over 50 years' experience in property management.

WONG Ho Ming, Augustine, *JP, MSc, MEcon, FHKIS, MRICS, MCIArb, RPS (GP),* aged 61, joined the Company in 1996 and has been an Executive Director of the Company since 2010. He is presently the General Manager of Property Development Department as well. He is a registered professional surveyor and has over 37 years' experience in property appraisal, dealing and development. He was appointed as a deputy chairman and member of the Council of Lingnan University in 2020.

FUNG Hau Chung, Andrew, *BBS, JP, BA,* aged 64, has been the Chief Financial Officer of the Company since 2017 and an Executive Director of the Company since 2020. He holds the Bachelor of Arts Degree from The University of Hong Kong and the Honorary Fellowship awarded by Lingnan University. Mr Fung served as an executive director and the Head of Global Banking and Markets of Hang Seng Bank Limited, a listed company, before he stepped down from such positions in July 2017. He has been engaged in the banking industry since graduation, serving at Societe Generale, The Hongkong and Shanghai Banking Corporation Limited, Commonwealth Bank of Australia, Hong Kong Branch and DBS Bank (Hong Kong) Limited. He has 40 years of experience in banking, capital markets and asset management. He is the Professor of Practice (Finance) in the School of Accounting and Finance of The Hong Kong Polytechnic University, the Adjunct Professor of The Hang Seng University of Hong Kong and a member of the school management committee of Buddhist Tai Hung College. Mr Fung is currently the chairman of the Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital, a member of the Court of The University of Hong Kong, a trustee of The D.H. Chen Foundation, a member of the Cantonese Opera Development Fund Advisory Committee and a member of the Banking Review Tribunal. Mr Fung had previously been a board member of the Hospital Authority, a board member of the Airport Authority Hong Kong, a director of The Hong Kong Mortgage Corporation Limited, an associate member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region, a lay council member of the Hong Kong Institute of Certified Public Accountants and a client representative director of OTC Clearing Hong Kong Limited.

Non-Executive Directors

LEE Tat Man, aged 84, has been a Director of the Company since 1976. He has been engaged in property development in Hong Kong for more than 45 years. Mr Lee previously served as an executive director of HIL, a listed company, until 8 June 2020. Mr Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development and Cameron Enterprise Inc. which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the brother of Dr Lee Shau Kee and Madam Fung Lee Woon King and the relative of Dr Lee Ka Kit, Dr Lee Ka Shing, Ms Lee Pui Man, Margaret, Mr Li Ning and Ms Li Keng Yan, Kristine.

LEE Pui Ling, Angelina, *SBS, JP, LLB, FCA,* aged 73, has been a Director of the Company since 1996 and was re-designated as Non-executive Director in 2004. Mrs Lee is a solicitor and a Fellow of the Institute of Chartered Accountants in England and Wales. She holds a Bachelor of Laws degree from and was awarded an Honorary Fellowship by University College London, University of London. Amongst her public appointments, Mrs Lee was a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and a Non-executive Director of the Securities and Futures Commission. Mrs Lee is a Non-executive Director of CK Infrastructure Holdings Limited and TOM Group Limited and an Independent Non-executive Director of Great Eagle Holdings Limited, all of which are listed companies.

Independent Non-Executive Directors

KWONG Che Keung, Gordon, *FCA,* aged 72, has been an Independent Non-executive Director of the Company since 2004. He is also the chairman of the Audit Committee and the Corporate Governance

Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. He graduated from The University of Hong Kong with a bachelor's degree in social sciences in 1972 and qualified as a chartered accountant in England in 1977. He was a partner of Pricewaterhouse from 1984 to 1998 and an independent member of the Council of The Stock Exchange of Hong Kong from 1992 to 1997. He is an independent non-executive director of HIL, Agile Group Holdings Limited, Chow Tai Fook Jewellery Group Limited, COSCO SHIPPING International (Hong Kong) Co., Ltd., FSE Lifestyle Services Limited, NWS Holdings Limited and Piraeus Port Authority S.A. (listed in Greece), all of which are listed companies. Mr Kwong previously served as an independent non-executive director of Wealthking Investments Limited until 27 August 2019, Global Digital Creations Holdings Limited until 22 May 2020 and China Power International Development Limited until 3 June 2021.

Professor KO Ping Keung, *PhD, FIEEE, JP,* aged 71, has been an Independent Non-executive Director of the Company since 2004. He is also a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Whistleblowing Committee of the Company. Professor Ko holds a Bachelor of Science (Honours) degree from The University of Hong Kong, a Doctor of Philosophy degree and a Master of Science degree from the University of California at Berkeley. He is an Adjunct Professor of Peking University and Tsinghua University and Emeritus Professor of Electronic and Computer Engineering and the former Dean of the School of Engineering of The Hong Kong University of Science and Technology. He was the vice chairman of Electrical Engineering and Computer Science Department of the University of California at Berkeley in 1991 – 1993 and a member of Technical staff, Bell Labs, Holmdel, in 1982 – 1984. Professor Ko is an independent non-executive director of HIL, Q Technology (Group) Company Limited and VTech Holdings Limited, all of which are listed companies.

WU King Cheong, *BBS, JP,* aged 71, has been an Independent Non-executive Director of the Company since 2005. He is also the chairman of the Remuneration Committee and the Nomination Committee of the Company, and a member of the Audit Committee and the Whistleblowing Committee of the Company. Mr Wu is the Life Honorary Chairman of The Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Limited. He is an independent non-executive director of HIL, Hong Kong Ferry, Miramar and Yau Lee Holdings Limited, all of which are listed companies.

WOO Ka Biu, Jackson, *MA (Oxon),* aged 59, has been an Independent Non-executive Director of the Company since 2012. He holds an MA degree in Jurisprudence from the Oxford University and is a qualified solicitor in England and Wales, Hong Kong Special Administrative Region and Australia. He is an honorary director of Tsinghua University, a China-Appointed Attesting Officer appointed by the Ministry of Justice, People's Republic of China and a Practising Solicitor Member on the panel of the Solicitors' Disciplinary Tribunal in The Hong Kong Special Administrative Region. He is a member of the Takeovers and Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission, and is also a member of the Listing Review Committee of The Stock Exchange of Hong Kong Limited as well as a member of the Honorary Advisory Panel and the Oversight, Policy and Governance Committee of Financial Reporting Council. Mr Woo was a partner of Ashurst Hong Kong and a director of N M Rothschild & Sons (Hong Kong) Limited ("Rothschild"). Prior to joining Rothschild, Mr Woo was a partner in the corporate finance department of Woo Kwan Lee & Lo. Mr Woo was an alternate to Sir Po-shing Woo, in Sir Po-shing Woo's capacity as a non-executive director of the Company. He is a director of Kailey Group of Companies, the Chief Executive Officer of Challenge Capital Management Limited and a consultant of Guantao & Chow Solicitors and Notaries. He is also an independent non-executive director of China Pacific Insurance (Group) Co., Ltd. He previously served as an alternate to Sir Po-shing Woo, in Sir Po-shing Woo's capacity as a non-executive director of Sun Hung Kai Properties Limited until 31 August 2019. He is the son of Sir Po-shing Woo.

Professor POON Chung Kwong, *GBS, JP, OBE, PhD, DSc,* aged 82, has been an Independent Non-executive Director and a member of the Corporate Governance Committee of the Company since 2012.

Professor Poon obtained a Bachelor of Science (honours) degree from the University of Hong Kong, a Doctor of Philosophy degree and a Higher Doctor of Science degree from the University of London. He was a postdoctoral fellow at the California Institute of Technology, University of Southern California and University of Toronto. He also held the Honorary Degree of Doctor of Humanities from The Hong Kong Polytechnic University in 2009. Professor Poon is currently the chairman of Virya Foundation Limited (a registered non-profit charitable organisation) and he is the President Emeritus and Emeritus Professor of The Hong Kong Polytechnic University and had devoted 40 years of his life to advancing university education in Hong Kong before he retired in January 2009 from his 18-year presidency at The Hong Kong Polytechnic University. Professor Poon received the "Leader of the Year Awards 2008 (Education)". In addition, Professor Poon was appointed a member of the Legislative Council (1985 – 1991) and a member of the National Committee of the Chinese People's Political Consultative Conference (1998 – 2013). Professor Poon is a non-executive director of Lee & Man Paper Manufacturing Limited and an independent non-executive director of HKCG and Chevalier International Holdings Limited, all of which are listed companies.

AU Siu Kee, Alexander, *OBE, FCA, FCCA, FCPA, AAIA, FCIB, FHKIB,* aged 75, rejoined the Company as an Independent Non-executive Director in December 2018. He is also a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee of the Company. Mr Au was an Executive Director and the Chief Financial Officer of the Company from December 2005 to June 2011. He stepped down from the position of Chief Financial Officer and was re-designated as a Non-executive Director of the Company on 1 July 2011. On 18 December 2012, Mr Au was re-designated as an Independent Non-executive Director of the Company until his retirement on 2 June 2015. A banker by profession, Mr Au was the chief executive officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. He was formerly a non-executive director of a number of leading companies including The Hongkong and Shanghai Banking Corporation Limited, MTR Corporation Limited and Hang Lung Group Limited. Currently, Mr Au is an independent non-executive director of HIL, Wharf Real Estate Investment Company Limited and Miramar, and a non-executive director of Hong Kong Ferry, all of which are listed companies. He is also the chairman and a non-executive director of Henderson Sunlight Asset Management Limited, a wholly-owned subsidiary of the Company, which is the manager of the publicly-listed Sunlight Real Estate Investment Trust. An accountant by training, Mr Au is a Fellow of The Institute of Chartered Accountants in England and Wales, The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Senior Management

YU Wai Wai, *JP, BA (AS), B Arch, FHKIA, HonFHKIPM, Authorized Person (Architect), Registered Architect (HK)*, aged 61, joined the Company in 2013 and is presently the General Manager of Project Management (1) Department. He is a Fellow member of the Hong Kong Institute of Architects, an Honorary Fellow of the Hong Kong Institute of Project Management and an Authorized Person (Architect). Mr Yu has over 30 years of experience in property planning and design, project management, quality management, cost management, land acquisition and customer services. He also has experience in art and cultures, green building innovations, heritage and conservation developments.

KWOK Man Cheung, Victor, *BA (AS), B Arch (Dist), MSc (Con P Mgt), EMBA, FHKIA, MAPM, RIBA, Authorized Person (Architect), Registered Architect (HK),* aged 68, joined the Company in 2005 and is presently the General Manager of Project Management (2) Department. He possesses professional qualifications of both a project manager and an architect. He holds a Bachelor of Architecture (Distinction) degree and a Master of Science in Construction Project Management degree from The University of Hong Kong, and an Executive Master of Business Administration degree from Tsinghua University. He is a Fellow Member of The Hong Kong Institute of Architects and a Member of Association of Project Management. He has over 43 years of professional experience in the property and construction industry of Hong Kong and mainland China.

LEUNG Kam Leung, *MSc, PGDMS, FHKIS, RPS (GP)*, aged 68, joined the Company in 1997 and is presently the General Manager of Property Planning Department. He has over 45 years' experience in land and property development. He joined the former Public Works Department in 1976 and qualified as a Chartered Surveyor in 1980. He was assigned to an international property consultancy firm in London in 1982 receiving professional training in valuation, town planning and property development. He was promoted to Senior Estate Surveyor and Chief Estate Surveyor of the Lands Department in 1986 and 1994 respectively. He holds an Associateship in General Practice Surveying, a Postgraduate Diploma in Management Studies and a Master of Science degree in International Real Estate. He was sponsored by the Hong Kong Government in 1992 to complete a one-year programme of studies at the Graduate School of Public Policy of the University of California, Berkeley. Mr Leung is a Fellow Member of The Hong Kong Institute of Surveyors and a Registered Professional Surveyor. He was a non-official member of the Business Facilitation Advisory Committee, the convenor of the Former Pre-construction Task Force, a member of the Review Panel under the Land (Miscellaneous Provisions) Ordinance, a member of the Real Estate Services Training Board of Vocational Training Council and an external examiner of Master of Science in Real Estate Programme of the Faculty of Architecture of The University of Hong Kong. He is now a member of the Land Sub-committee of the Land and Development Advisory Committee and the convenor of the Planning, Environment and Lands Sub-committee of The Real Estate Developers Association of Hong Kong.

WONG Wing Hoo, Billy, *BBS, JP, BSc, FICE, FHKIE, FIHT, FHKIHT, RPE,* aged 64, joined the Company in 2006 and is presently the General Manager of Construction Department. He is a fellow member of the Institution of Civil Engineers, Hong Kong Institution of Engineers, Institution of Highways and Transportation and Hong Kong Institution of Highways and Transportation. He is also a Registered Professional Engineer under the Engineers Registration Ordinance (Chapter 409). He previously served as president of Hong Kong Construction Association, chairman of Construction Industry Training Authority, chairman of Construction Industry Training Board, director of Hong Kong Science and Technology Parks Corporation and board member of the Airport Authority Hong Kong. Mr Wong is currently director of Hong Kong-Shenzhen Innovation and Technology Park Ltd., board member of the Hospital Authority, member of the Council of The Hong Kong University of Science and Technology and permanent supervisor of Hong Kong Construction Association.

WONG Man Wa, Raymond, *MSc(Real Estate), LLB, PCLL, Solicitor,* aged 56, joined the Company in 2012 and is presently the Senior General Manager of Sales Department. He possesses professional qualification as a solicitor in Hong Kong and is presently sitting on a number of professional, government consultative and advisory committees. He was an individual member of The Real Estate Developers Association of Hong Kong. He holds a Master of Science in Real Estate degree with distinction, a Bachelor of Laws (LL.B) degree and a Postgraduate Certificate in Laws (PCLL) all from The University of Hong Kong. Prior to joining the Company, he had over 22 years' practical experience as a lawyer specializing in land and property development related works and was a partner of one of the largest international law firms in Hong Kong.

LAM Tat Man, Thomas, *MEM(UTS), DMS, EHKIM, MHIREA,* aged 62, joined the Company in 1983 and is presently the General Manager of Sales (1) Department. He holds a Master Degree in Engineering Management from the University of Technology, Sydney, Australia and a Diploma in Management Studies from The Hong Kong Polytechnic University. He is an Ordinary Member of Hong Kong Institute of Real Estate Administrators and an Executive Member of Hong Kong Institute of Marketing. He has over 38 years' experience in property sales and marketing.

HAHN Ka Fai, Mark, *BSc, MRICS, MHKIS, RPS (GP),* aged 58, joined the company in 2013 and is presently the General Manager of Sales (2) Department. He is a member of both the Royal Institution of

Chartered Surveyors and The Hong Kong Institute of Surveyors. He has over 35 years' experience in property acquisitions, developments, sales and marketing as well as fund raising involving projects in Hong Kong, mainland China, Taiwan and Japan. Prior to joining the Company, he held various senior posts with several leading international property consultancies, associate director at Sino Land and executive director, Asia/managing director, development at Grosvenor.

CHOI Ngai Min, Michael, *BBS, JP, MBA,* aged 64, joined the Company in 2013 and is presently the in charge of China sales and land acquisition. He graduated from the Business Management Department of the Hong Kong Baptist College and holds a Master Degree in Business Administration from the University of East Asia, Macau. He has been in the real estate industry for 41 years and has extensive knowledge and experience in the real estate markets in Hong Kong and mainland China. Currently, Mr Choi is the vice president of The Hong Kong Real Property Federation Limited.

LEE Pui Man, Margaret, *BHum (Hons),* aged 61, joined the Company in 1984 and is presently the Senior General Manager of Portfolio Leasing Department. She holds a B Hum (Honours) degree from the University of London and has over 37 years' experience in marketing development. She is the eldest daughter of Dr Lee Shau Kee, the spouse of Mr Li Ning, the mother of Ms Li Keng Yan, Kristine, the sister of Dr Lee Ka Kit and Dr Lee Ka Shing and the relative of Mr Lee Tat Man and Madam Fung Lee Woon King.

KONG Po Yan, *BA,* aged 52, joined the Company as the General Manager of Portfolio Leasing Department in 2021. Ms Kong holds a Bachelor of Arts degree in Geography from The University of Hong Kong. Ms Kong has 29 years of experience in the real estate industry. She has extensive experience in retail and commercial leasing as well as implementation of large scale renovation projects and trade-mix repositioning exercises. She had held managerial positions in renowned property developers and real estate trust, including Sun Hung Kai Properties Limited, New World Development Company Limited and Link Real Estate Investment Trust.

LI Keng Yan, Kristine, *BA, MSc(Real Estate),* aged 33, is presently the Senior Deputy General Manager of Portfolio Leasing Department. Ms Li holds a Master of Science in Real Estate from The University of Hong Kong and a Bachelor of Arts degree from Stanford University, USA. Prior to joining Henderson Land, she worked in the investment banking industry. Ms Li has over 9 years of experience in property leasing, marketing and asset management field. She currently serves as a global governing trustee of Urban Land Institute, and is also a member of The Y.Elites Association and Hong Kong Pei Hua Education Foundation as well as a committee member of the Union Hospital Charity Program. Ms Li is the granddaughter of Dr Lee Shau Kee, the daughter of Mr Li Ning and Ms Lee Pui Man, Margaret and the relative of Dr Lee Ka Kit, Dr Lee Ka Shing, Mr Lee Tat Man and Madam Fung Lee Woon King.

LI Ning, *BSc, MBA,* aged 65, Mr Li, has been appointed an executive director of HIL since 2014 and is also an executive director of Hong Kong Ferry. He holds a B.Sc. degree from Babson College and an M.B.A. degree from the University of Southern California. Mr Li set up the business of Citistore Stores in 1989 and has been managing the business since then in the capacity as a director, being a veteran with 30 years' experience in the department store business. Mr Li is the son-in-law of Dr Lee Shau Kee, the spouse of Ms Lee Pui Man, Margaret, the father of Ms Li Keng Yan, Kristine, the brother-in-law of Dr Lee Ka Kit and Dr Lee Ka Shing and the relative of Mr Lee Tat Man and Madam Fung Lee Woon King.

Dr WONG Kim Wing, Ball, *BA (AS), B. Arch, PhD (Finance), FHKIA, Registered Architect (HK), Authorized Person (List 1, HK),* aged 60, joined the Company in 2011 as the group consultant and serves to advise Henderson Land Group in his expert areas of sales and marketing, leasing, and project management. He is also presently acting as the General Manager of Asset Development Department and Comm. & Ind. Properties Department and advises Henderson Land Group on its asset development and asset branding of investment portfolio. Dr Wong is a Registered Architect and Authorized Person in Hong Kong and holds a PhD Degree in Finance from the Shanghai University of Finance and Economics. Prior to joining Henderson Land Group, he was an executive director of CC Land Holdings Ltd., and was the director (Project and

Planning) of The Link Management Limited (as Manager of The Link Real Estate Investment Trust). He had also served Sun Hung Kai Properties Group for over 10 years.

YU Ching Yan, Johnny, *BSc, MBA, ACA, CFA*, aged 51, joined the Company in 2020 as the advisor to Chairman. Prior to joining the company, Mr Yu held various senior positions with UBS, Credit Suisse and Price Waterhouse in both Hong Kong and London. He brought 27 years of extensive experience covering multiple disciplines including sales and marketing, investment advisory, accounting, tax, risk management and control, with his recent focus being digital transformation, innovation and sustainability. Mr Yu graduated from The London School of Economics and Political Science, University of London with a bachelor's degree in Management Science and attained his MBA degree in Finance with City University of London. He is a member of The Institute of Chartered Accountants in England & Wales and Chartered Financial Analyst Institute.

LEE King Yue, aged 95, joined Henderson Development, the parent company of the Company on its incorporation in 1973 and has been engaged in property development for over 65 years. Mr Lee was an Executive Director of the Company for about 40 years until his stepping down from the board on 2 June 2016. He is an executive director of Henderson Real Estate Agency Limited and also a director of various members of the Group. He performs a senior executive role in the Finance Department of the Group and is responsible for the Group's property mortgage loans business.

LIU Cheung Yuen, Timon, *BEc, FCPA, CA (Aust), FCG,* HKFCG, aged 64, joined the Henderson Land Group in 2005 and is presently the Company Secretary of the Group. Mr Liu graduated from Monash University, Australia with a bachelor's degree in Economics. He is a fellow of both the Hong Kong Institute of Certified Public Accountants and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries), and an associate of The Institute of Chartered Accountants in Australia. He has many years' experience in accounting, auditing, corporate finance, corporate investment and development, and company secretarial practice.

WONG Wing Kee, Christopher, *BSc (Econ), FCA,* aged 59, joined the Company in 2007 and is presently the General Manager of Accounts Department. Mr Wong graduated from The London School of Economics and Political Science, University of London and is a fellow of The Institute of Chartered Accountants in England & Wales. He has over 35 years of experience in accounting, auditing, investment banking and corporate finance in the United Kingdom and in Hong Kong. Prior to joining the Company, Mr Wong was the chief financial officer of Kerry Properties Limited between December 2004 and May 2007.

NGAN Suet Fong, Bonnie, *BBA*, aged 64, joined the Company in 2005 and is presently the General Manager of Corporate Communications Department. Ms Ngan graduated from the University of Wisconsin, USA. She has over 36 years of experience in both banking and real estate industries, and has held senior positions in corporate communications, marketing, retail banking and e-business. Prior to joining the Company, Ms Ngan was the general manager, corporate communications and public relations of Hong Kong Tourism Board.

DISCLOSURE OF INTERESTS

Substantial Shareholders' and others' Interests

As at 31 December 2021, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance ("SFO") were as follows:

Long Positions

	No. of shares in which interested	% Interest
Substantial Shareholders		
Rimmer (Cayman) Limited[(1)]	3,509,782,778	72.50
Riddick (Cayman) Limited[(1)]	3,509,782,778	72.50
Hopkins (Cayman) Limited[(1)]	3,509,782,778	72.50
Henderson Development[(1)]	3,506,860,733	72.44
Yamina Investment Limited[(1)]	1,580,269,966	32.64
Believegood Limited[(1)]	797,887,933	16.48
South Base Limited[(1)]	797,887,933	16.48
Persons other than Substantial Shareholders		
Cameron Enterprise Inc.[(1)]	371,145,414	7.67
Richbond Investment Limited[(1)]	475,801,899	9.83

Directors' Interests In Shares

As at 31 December 2021, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Ordinary Shares (unless otherwise specified)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Land Development Company Limited	Lee Shau Kee	1	15,548,667		3,509,782,778		3,525,331,445	72.82
	Lee Ka Kit	1				3,509,782,778	3,509,782,778	72.50
	Lee Ka Shing	1				3,509,782,778	3,509,782,778	72.50
	Lee Tat Man	2	220,299				220,299	0.00
	Lee Pui Ling, Angelina	3	64,554				64,554	0.00
	Fung Lee Woon King	4	2,493,138				2,493,138	0.05
	Woo Ka Biu, Jackson	5		3,896			3,896	0.00
Henderson Investment Limited	Lee Shau Kee	6			2,110,868,943		2,110,868,943	69.27
	Lee Ka Kit	6				2,110,868,943	2,110,868,943	69.27
	Lee Ka Shing	6				2,110,868,943	2,110,868,943	69.27
	Lee Tat Man	2	6,666				6,666	0.00
The Hong Kong and China Gas Company Limited	Lee Shau Kee	7			7,748,692,715		7,748,692,715	41.53
	Lee Ka Kit	7				7,748,692,715	7,748,692,715	41.53
	Lee Ka Shing	7				7,748,692,715	7,748,692,715	41.53
	Poon Chung Kwong	8				243,085	243,085	0.00
Hong Kong Ferry (Holdings) Company Limited	Lee Shau Kee	9	799,220		119,017,090		119,816,310	33.63
	Lee Ka Kit	9				119,017,090	119,017,090	33.41
	Lee Ka Shing	9				119,017,090	119,017,090	33.41
	Lam Ko Yin, Colin	10	150,000				150,000	0.04
	Fung Lee Woon King	4	465,100				465,100	0.13

Ordinary Shares (unless otherwise specified) (continued)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Miramar Hotel and Investment Company, Limited	Lee Shau Kee	11			345,999,980		345,999,980	50.08
	Lee Ka Kit	11				345,999,980	345,999,980	50.08
	Lee Ka Shing	11				345,999,980	345,999,980	50.08
Towngas Smart Energy Company Limited (formerly known as Towngas China Company Limited)	Lee Shau Kee	12			2,084,895,656		2,084,895,656	65.98
	Lee Ka Kit	12				2,084,895,656	2,084,895,656	65.98
	Lee Ka Shing	12				2,084,895,656	2,084,895,656	65.98
Henderson Development Limited	Lee Shau Kee	13			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Shau Kee	13			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Shau Kee	14	35,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)		50,000,000 (Non-voting Deferred Shares)	100.00
	Lee Ka Kit	13				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	13				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	14				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	13				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	13				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	14				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
Best Homes Limited	Lee Shau Kee	15			26,000		26,000	100.00
	Lee Ka Kit	15				26,000	26,000	100.00
	Lee Ka Shing	15				26,000	26,000	100.00

Ordinary Shares (unless otherwise specified) (continued)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Feswin Investment Limited	Lee Ka Kit	16			5,000	5,000	10,000	100.00
Fordley Investment Limited	Fung Lee Woon King	4	2,000				2,000	20.00
Furnline Limited	Lee Shau Kee	17			100 (A Shares)		100 (A Shares)	100.00
	Lee Shau Kee	18			1 (B Share)		1 (B Share)	100.00
	Lee Ka Kit	17				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	18				1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	17				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	18				1 (B Share)	1 (B Share)	100.00
Perfect Bright Properties Inc.	Lee Shau Kee	17			100 (A Shares)		100 (A Shares)	100.00
	Lee Shau Kee	18			1 (B Share)		1 (B Share)	100.00
	Lee Ka Kit	17				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	18				1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	17				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	18				1 (B Share)	1 (B Share)	100.00

Notes:

(1) Of these shares, Dr Lee Shau Kee was the beneficial owner of 15,548,667 shares, and for the remaining 3,509,782,778 shares, (i) 1,450,788,868 shares were owned by Henderson Development; (ii) 475,801,899 shares were owned by Richbond Investment Limited which was a wholly-owned subsidiary of Henderson Development; (iii) 371,145,414 shares were owned by Cameron Enterprise Inc.; 797,887,933 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 152,897,653 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 140,691,961 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 117,647,005 shares were owned by Spreadral Limited which was wholly-owned by World Crest Ltd.; and Cameron Enterprise Inc., South Base Limited, Jayasia Investments Limited, Mei Yu Ltd. and World Crest Ltd. were wholly-owned subsidiaries of Yamina Investment

Limited which in turn was 100% held by Henderson Development; and (iv) 2,922,045 shares were owned by Fu Sang Company Limited ("Fu Sang"). Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of Henderson Development and Fu Sang. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr Lee Shau Kee. Dr Lee Shau Kee was taken to be interested in these shares by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Dr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

(2) Mr Lee Tat Man was the beneficial owner of these shares.

(3) Mrs Lee Pui Ling, Angelina was the beneficial owner of these shares.

(4) Madam Fung Lee Woon King was the beneficial owner of these shares.

(5) These shares were owned by the wife of Mr Woo Ka Biu, Jackson.

(6) Of these shares, 843,249,284 shares, 602,398,418 shares, 363,328,900 shares, 217,250,000 shares and 84,642,341 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which in turn was 100% held by the Company. Dr Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and HIL by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Dr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

(7) Of these shares, 4,313,717,809 shares and 1,675,475,274 shares were respectively owned by Disralei Investment Limited and Medley Investment Limited, both of which were wholly-owned subsidiaries of Timpani Investments Limited; 1,759,499,632 shares were owned by Macrostar Investment Limited, a wholly-owned subsidiary of Chelco Investment Limited; and Timpani Investments Limited and Chelco Investment Limited were wholly-owned subsidiaries of Faxson Investment Limited which in turn was 100% held by the Company. Dr Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and HKCG by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Dr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

(8) These shares were owned by Professor Poon Chung Kwong and his wife jointly.

(9) Of these shares, Dr Lee Shau Kee was the beneficial owner of 799,220 shares, and for the remaining 119,017,090 shares, 48,817,090 shares were held by Wiselin Investment Limited, 23,400,000 shares each were respectively owned by Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, all of which were wholly-owned subsidiaries of Pataca Enterprises Limited which in turn was 100% held by the Company. Dr Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and Hong Kong Ferry by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Dr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

(10) Dr Lam Ko Yin, Colin was the beneficial owner of these shares.

(11) Of these shares, 120,735,300 shares, 128,658,680 shares and 96,606,000 shares were respectively owned by Higgins Holdings Limited, Multiglade Holdings Limited and Threadwell Limited, all of which were wholly-owned subsidiaries of Aynbury Investments Limited which in turn was 100% held by the Company. Dr Lee Shau Kee was taken to be interested in the Company as set out in Note 1 and Miramar by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Dr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

(12) These shares representing 65.98% of the total issued shares in Towngas Smart Energy were taken to be interested by Hong Kong & China Gas (China) Limited (as to 1,905,302,051 shares), Planwise Properties Limited (as to 176,588,786 shares) and Superfun Enterprises Limited (as to 3,004,819 shares), all being wholly-owned subsidiaries of HKCG. Dr Lee Shau Kee was taken to be interested in HKCG as set out in Note 7 and Towngas Smart Energy by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Dr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

(13) These shares were held by Hopkins as trustee of the Unit Trust.

(14) Of these shares, Dr Lee Shau Kee was the beneficial owner of 35,000,000 shares, and Fu Sang owned the remaining 15,000,000 shares.

(15) Of these shares, (i) 10,400 shares were owned by the Company; and (ii) 15,600 shares were owned by Manifest Investments Limited which was 100% held by Henderson Development.

(16) Of these shares, (i) 5,000 shares were owned by Applecross Limited which was wholly-owned by Dr Lee Ka Kit; and (ii) 5,000 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andcoe Limited which was wholly-owned by Henderson China Holdings Limited, an indirect wholly-owned subsidiary of the Company.

(17) These shares were owned by Jetwin International Limited. Triton (Cayman) Limited as trustee of a unit trust owned all the issued share capital of Jetwin International Limited. Triumph (Cayman) Limited and Victory (Cayman) Limited, as trustees of respective discretionary trusts, held units in the unit trust. The entire share capital of Triton (Cayman) Limited, Triumph (Cayman) Limited and Victory (Cayman) Limited were owned by Dr Lee Shau Kee who was taken to be interested in such shares by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of the discretionary trusts holding units in such unit trust, Dr Lee Ka Kit and Dr Lee Ka Shing were taken to be interested in such shares by virtue of the SFO.

(18) This share was owned by Sunnice Investment Limited, a wholly-owned subsidiary of Profit Best Development Limited which in turn was wholly-owned by the Company.

Save as disclosed above, none of the Directors or the Chief Executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO, other than the deemed interests of Dr Lee Shau Kee, Dr Lee Ka Kit and Dr Lee Ka Shing in the shares, underlying shares and debentures of the unlisted associated corporations of the Company which are solely derived from their deemed interests in Henderson Development, HIL, Miramar and/or the Company and not from any separate personal interests of their own, in respect of which a waiver from strict compliance with the disclosure requirements as to the Company's annual report for the year ended 31 December 2021 under paragraph 13 of Appendix 16 to the Listing Rules has been applied to, and granted by the Stock Exchange.

Arrangements to Purchase Shares or Debentures

At no time during the year ended 31 December 2021 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

TAXATION

The following is a general description of certain tax considerations relating to the Notes and is based on law and relevant interpretation thereof in effect at the date of this Offering Circular all of which are subject to changes and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. It is emphasised that none of the Issuer, the Guarantor nor any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for purchase, holding or disposal of the Notes.

BRITISH VIRGIN ISLANDS

The Issuer is exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

Payments of principal, premium or interest in respect of the Notes to persons who are not resident in the British Virgin Islands are not subject to British Virgin Islands tax or withholding tax.

Capital gains realised with respect to the Notes by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to the Notes.

All instruments relating to transactions in respect of the Notes are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Issuer does not hold an interest in real estate in the British Virgin Islands.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation, other than a financial institution, carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap.112) of Hong Kong (the "IRO")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of the Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of. In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117 of Hong Kong) (the "SDO")).

If stamp duty is payable it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Registered Notes constitute loan capital (as defined in the SDO).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.26 per cent. (of which 0.13 per cent. is payable by the seller and 0.13 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Hong Kong) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued before the date that is two years after the date on which final regulations defining "foreign passthru payments" are published. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

SUMMARY OF DEALER AGREEMENT

The Dealers have, in an amended and restated dealer agreement (the "Dealer Agreement") dated 6 May 2022, agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. The Issuer (failing which, the Guarantor) will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer (failing which, the Guarantor) has agreed to reimburse the Arranger for certain of its expenses incurred in connection with any future update of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer (failing which, the Guarantor) has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically, such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Stabilising activities may only be carried on by the Stabilisation Manager(s) named in the applicable Pricing Supplement (or persons acting on behalf of any Stabilisation Manager(s)) and only for a limited period following the Issue Date of the relevant Tranche of Notes.

In connection with each Tranche of Notes issued under the Programme, the Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or affiliates at the same time as the offer and sale of each Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

SELLING RESTRICTIONS

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. Each Dealer has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Prohibition of Sales to EEA Retail Investors

If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "EU MiFID II"); or

(b) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II.

If the Pricing Supplement in respect of any Notes does not include a legend entitled "Prohibition of Sales to EEA Retail Investors", in relation to each Member State of the European Economic Area (each, a "Member State"), each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of Notes to the public in that Member State:

(a) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;

(b) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) *Other exempt offers*: at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of Notes referred to in paragraphs (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "EU Prospectus Regulation" means Regulation (EU) 2017/1129.

United Kingdom

Prohibition of Sales to UK Retail Investors

If the Pricing Supplement in respect of any Notes incudes the legend "Prohibition of Sales to UK Retail Investors", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

If the Pricing Supplement in respect of any Notes does not include the legend "Prohibition of Sales to UK Retail Investors", each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(b) at any time to fewer than 150 persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression "an offer of Notes to the public" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes and the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Other UK Regulatory restrictions

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor and would not, if it was not an authorised person, apply to the Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

People's Republic of China

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that the Notes may not be offered or sold directly or indirectly in the PRC (which, for such purposes, does not include the Hong Kong or Macau Special Administrative Region or Taiwan). Neither this Offering Circular nor any material or information contained or incorporated by reference herein relating to the Notes, which have not been and will not be submitted to or approved/verified by or registered with the China Securities Regulatory Commission ("CSRC") or other relevant governmental and regulatory authorities in the PRC pursuant to relevant laws and regulations, may be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Notes in the PRC. The material or information contained or incorporated by reference in this Offering Circular relating to the Notes does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. The Notes may only be offered or sold to PRC investors that are authorised to engage in the purchase of the Notes of the type being offered or sold. PRC investors are responsible for obtaining all relevant government regulatory approvals/licences, verification and/or registrations themselves, including, but not limited to, any which may be required from the State Administration of Foreign Exchange, CSRC, the China Banking Regulatory Commission, the China Insurance Regulatory Commission and other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, all relevant foreign exchange regulations and/or foreign investment regulations.

Hong Kong

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme be required to represent, warrant and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO."

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). Accordingly, each Dealer has represented, warranted and agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws, regulations and ministerial guidelines of Japan.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

British Virgin Islands

Each Dealer has represented, warranted and agreed that it has not made and will not make any invitation to the public in the British Virgin Islands to subscribe for the Notes.

The Netherlands

Each Dealer will have represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in The Netherlands unless such offer is made exclusively to persons or legal entities which are qualified investors (as defined in the Regulation (EU) No 2017/1129, the "Prospectus Regulation").

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that Zero Coupon Notes (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. in full compliance with the Dutch Savings Certificates Act (Wet inzake Spaarbewijzen) of 21 May 1985 (as amended). No such mediation is required in respect of (a) the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (b) the transfer and acceptance of Zero Coupon Notes within, from or into The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in the Zero Coupon Note in global form) of any particular Series or Tranche are issued outside The Netherlands and are not distributed into The Netherlands in the course of their initial distribution or immediately thereafter. In the event that the Savings Certificates Act applies, certain identification requirements in relation to the issue and transfer of, and payments on, Zero Coupon Notes have to be complied with and, in addition thereto, if such Zero Coupon Notes in definitive form do not qualify as commercial paper traded between professional borrowers and lenders within the meaning of the agreement of 2 February 1987, attached to the Royal Decree of 11 March 1987, (Staatscourant 129) (as amended), each transfer and acceptance should be recorded in a transaction Note, including the name and address of each party to the transaction, the nature of the transaction and the details and serial numbers of such Notes. For the purposes of this paragraph "Zero Coupon Notes" means Notes that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

GENERAL

None of the Issuer, the Guarantor or the Dealers represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. These selling restrictions may be modified by the agreement of the Issuer and the relevant Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

The Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Guarantor or their respective subsidiaries, jointly controlled entities or associated companies and may be paid fees in connection with such services from time to time. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer, the Guarantor or their respective subsidiaries, jointly controlled entities or associated companies, including Notes issued under the Programme, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

GENERAL INFORMATION

1. LISTING

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only, and for the permission to deal in, and for the listing of, Notes issued under the Programme. The issue price of Notes listed on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the next business day following the date of listing of the relevant Notes.

2. AUTHORISATION

The update of the Programme and the issue of the Notes thereunder were authorised by board minutes of the directors of the Issuer dated 30 August 2011, the written resolutions of the directors of the Issuer dated 12 October 2018 and a resolution of the committee of the board of directors of the Issuer passed on 3 May 2022 and by the written resolutions of the directors of the Guarantor dated 30 August 2011, the written resolutions of the directors of the Guarantor dated 18 October 2018 and a resolution of the committee of the board of directors of the Guarantor passed on 3 May 2022. The Issuer and the Guarantor have obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the giving of the Guarantee relating to them.

3. LEGAL AND ARBITRATION PROCEEDINGS

None of the Issuer, the Guarantor and any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), which may have, or have had during the 12 months prior to the date of this Offering Circular, a significant effect on the financial position or profitability of the Issuer, the Guarantor or the Group.

4. SIGNIFICANT/MATERIAL CHANGE

Since 31 December 2021, there has been no material adverse change in the financial position or prospects nor any significant change in the financial or trading position of the Issuer, the Guarantor and the Group.

5. AUDITOR

KPMG (Certified Public Accountants), the Guarantor's independent auditor has audited, and rendered unqualified audit reports on, the consolidated financial statements of the Guarantor at and for the years ended 31 December 2020 and 2021.

KPMG has acknowledged the issue of this document with the inclusion of the audit report dated 22 March 2022 on the audited consolidated financial statements of the Group for the year ended 31 December 2021 in the form and context in which it is so incorporated or included.

6. DOCUMENTS ON DISPLAY

Copies of the following documents may be inspected during normal business hours on any weekday (Saturday's and public holidays excepted) at the registered office of the Guarantor at 72-76/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong and the specified office of the CMU Lodging and Paying Agent at Level 24, Three Pacific Place, 1 Queen's Road East, Hong Kong for so long as the Notes are capable of being issued under the Programme:

(i) the memorandum and articles of association of the Issuer and the Guarantor;

(ii) the audited consolidated financial statements of the Guarantor for the financial years ended 31 December 2020 and 2021;

(iii) copies of the latest annual report of the Guarantor;

(iv) each Pricing Supplement (save that a Pricing Supplement relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the EU Prospectus Regulation will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Notes and identity);

(v) a copy of this Offering Circular together with any Supplement to this Offering Circular;

(vi) the Agency Agreement;

(vii) the Dealer Agreement;

(viii) the Deed of Guarantee;

(ix) the Deed of Covenant given by the Issuer; and

(x) the Programme Manual (which contains the forms of the Notes in global and definitive form).

7. CLEARING OF THE NOTES

The Notes may be accepted for clearance through Euroclear, Clearstream and CMU. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The Legal Entity Identifier of the Issuer is 25490062URZHNZQBTW39.

INDEX TO FINANCIAL STATEMENTS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR FOR THE YEAR ENDED 31 DECEMBER 2021

Report of the Independent Auditor

Independent auditor's report to the members of Henderson Land Development Company Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Henderson Land Development Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 183 to 304, which comprise the consolidated statement of financial position as at 31 December 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 31 December 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.

Key audit matters (continued)

Valuation of investment properties and investment properties under development	
Refer to note 16 to the consolidated financial statements on pages 257 to 263 and the accounting policy 2(j)(i) on page 201.	
The key audit matter	**How the matter was addressed in our audit**
The Group holds either directly or through its joint ventures and associates, a portfolio of investment properties and investment properties under development located in Hong Kong and in certain first and second-tier cities across mainland China. These properties comprise office premises, industrial premises, shopping malls, residential premises and car parking bays. The fair values of investment properties and investment properties under development as at 31 December 2021 were assessed by the management based on valuations prepared by a firm of qualified external property valuers. The net changes in fair value of investment properties and investment properties under development are recorded in the consolidated statement of profit or loss. We identified valuation of the 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 total assets and the significance of changes in fair value of investment properties and investment properties under development to the Group's profit before taxation and because the valuation of investment properties and investment properties under development can be inherently subjective and requires significant management judgement and estimation which increases the risk of error or potential management bias, particularly given the number and the diverse nature and location of the investment properties and investment properties under development.	Our audit procedures to address the valuation of investment properties and investment properties under development, either directly held by the Group or through its joint ventures and associates, included the following: • obtaining and inspecting the valuation reports prepared by the external property valuers on which the management's assessment of the fair values of investment properties and investment properties under development was based; • assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity; • with the assistance of our internal property valuation specialists and utilising their industry knowledge and experience, discussing with the external property valuers, without the presence of management, their valuation methodologies; and assessing the key estimates and assumptions adopted in the valuation by comparing capitalisation rates, prevailing market rents and comparable market transactions with the available market data; • comparing tenancy information, including committed rents and occupancy rates, provided by the management to the external property valuers, with underlying contracts and related documentation, on a sample basis; • conducting site visits to investment properties under development, on a sample basis, to observe the development progress and evaluating management's development budgets reflected in the latest forecasts with reference to market statistics about estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects.

Key audit matters (continued)

Assessing the net realisable value of properties held for/under development for sale and completed properties for sale in mainland China	
Refer to note 26 to the consolidated financial statements on pages 274 to 275 and the accounting policy 2(o) on pages 208 to 209.	
The key audit matter	**How the matter was addressed in our audit**
As at 31 December 2021, the Group held either directly or through its joint ventures and associates, properties held for/under development for sale and completed properties for sale located in certain cities across mainland China. These properties are stated at the lower of cost and net realisable value. The determination of the net realisable value of these properties requires estimations, including expected future selling prices and costs necessary to complete the sale of these properties, and is assessed by the management with reference to the valuations carried out by the external property valuers for certain properties. Changes in government policies, which affect interest rates, the required reserve ratio for banks and/or mortgage requirements for second-home buyers, could lead to volatility in property prices, particularly for properties in mainland China. We identified the assessment of the net realisable value of the properties in mainland China as a key audit matter because of the significance of these properties to the Group's total assets and because the assessment of net realisable value is inherently subjective and requires significant management judgement and estimation in relation to estimating future selling prices and future construction costs which increases the risk of error or potential management bias.	Our audit procedures to assess the net realisable value of properties held for/under development for sale and completed properties for sale in mainland China, either directly held by the Group or through its joint ventures and associates, included the following: • obtaining and inspecting management's valuation assessments and/or the external valuation reports prepared by external property valuers and on which the management's assessment of the net realisable value of the properties held for/under development for sale and completed properties for sale was based; • assessing the qualifications, experience and expertise of the management and/or the external property valuers in the nature and locations of the properties being valued; • with the assistance of our internal property valuation specialists and utilising their industry knowledge and experience, discussing with management and/or the external property valuers their valuation methodologies; and assessing the key estimates and assumptions adopted in the valuation, including expected future selling prices and costs to completion, by comparing expected future selling prices to, where available, recently transacted prices for similar properties or the prices of comparable properties located in the vicinity of each development, and publicly available construction cost information for properties of a similar nature and location; • conducting site visits to properties under development for sale, on a sample basis, to observe the development progress and evaluating the management's development budgets reflected in the latest forecasts with reference to market statistics about estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects.

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.

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 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, 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 the directors for the consolidated financial statements

The directors are responsible for the preparation of the 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 have 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.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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 and 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 Yau Ngai Lun, Alan.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

22 March 2022

Consolidated Statement of Profit or Loss

for the year ended 31 December 2021

	Note	**2021** **HK$ million**	2020 HK$ million
Revenue	6	**23,527**	25,020
Direct costs		**(11,445)**	(9,717)
		12,082	15,303
Other net income/(loss)	7	**3,127**	(98)
Selling and marketing expenses		**(1,038)**	(1,053)
Administrative expenses		**(2,181)**	(1,981)
Profit from operations before changes in fair value of investment properties and investment properties under development		**11,990**	12,171
Increase/(decrease) in fair value of investment properties and investment properties under development	16(a)	**59**	(2,413)
Profit from operations after changes in fair value of investment properties and investment properties under development		**12,049**	9,758
Finance costs	8(a)	**(600)**	(558)
Bank interest income		**109**	354
Net finance costs		**(491)**	(204)
Share of profits less losses of associates		**2,193**	2,524
Share of profits less losses of joint ventures		**1,627**	636
Profit before taxation	8	**15,378**	12,714
Income tax	11(a)	**(2,018)**	(2,431)
Profit for the year		**13,360**	10,283
Attributable to:			
Equity shareholders of the Company		**13,195**	10,192
Non-controlling interests		**165**	91
Profit for the year		**13,360**	10,283
Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)			
Basic and diluted	*14(a)*	***HK$2.73***	*HK$2.11*
Earnings per share excluding the effects of the Group's aggregate attributable share of changes in fair value of investment properties and investment properties under development (net of deferred tax) (underlying earnings per share)			
Basic and diluted	*14(b)*	***HK$2.81***	*HK$3.08*

The notes on pages 192 to 304 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 12.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2021

	Note	2021 HK$ million	2020 HK$ million
Profit for the year		**13,360**	10,283
Other comprehensive income for the year-net, after tax and reclassification adjustments:	13(a)		
Items that will not be reclassified to profit or loss:			
– Investments in equity securities designated as financial assets at fair value through other comprehensive income		**(7)**	(29)
– Share of other comprehensive income of associates and joint ventures		**(49)**	(172)
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences (note 13(b))		**1,569**	3,484
– Cash flow hedges (note 13(b))		**103**	(156)
– Share of other comprehensive income of associates and joint ventures		**1,149**	2,144
Other comprehensive income for the year		**2,765**	5,271
Total comprehensive income for the year		**16,125**	15,554
Attributable to:			
Equity shareholders of the Company		**15,937**	15,454
Non-controlling interests		**188**	100
Total comprehensive income for the year		**16,125**	15,554

The notes on pages 192 to 304 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2021

	Note	**At 31 December 2021 HK$ million**	At 31 December 2020 HK$ million
Non-current assets			
Investment properties	16	**260,241**	186,593
Other property, plant and equipment	16	**4,599**	400
Right-of-use assets	17	**507**	750
Goodwill	18	**262**	262
Trademarks	19	**106**	–
Interest in associates	21	**53,955**	64,838
Interest in joint ventures	22	**80,887**	70,043
Derivative financial instruments	23	**769**	1,319
Other financial assets	24	**9,103**	11,186
Deferred tax assets	11(c)	**698**	633
		411,127	336,024
Current assets			
Deposits for acquisition of properties	25	**801**	1,052
Inventories	26	**109,180**	101,059
Trade and other receivables	27	**16,844**	15,864
Cash held by stakeholders		**1,405**	1,281
Cash and bank balances	29(a)	**10,947**	5,807
		139,177	125,063
Current liabilities			
Trade and other payables	30	**28,480**	22,304
Amounts due to related companies	35	**111**	–
Lease liabilities	31	**290**	338
Bank loans	32	**30,207**	26,254
Guaranteed notes	33	**1,577**	3,078
Tax payable		**2,582**	2,762
		63,247	54,736
Net current assets		**75,930**	70,327
Total assets less current liabilities		**487,057**	406,351

Consolidated Statement of Financial Position

at 31 December 2021

	Note	At 31 December 2021 HK$ million	At 31 December 2020 HK$ million
Non-current liabilities			
Bank loans	32	**44,151**	42,412
Guaranteed notes	33	**23,804**	15,675
Amount due to a fellow subsidiary	34	**53,710**	4,389
Amounts due to related companies	35	**3,065**	2,137
Derivative financial instruments	23	**720**	1,190
Lease liabilities	31	**251**	435
Provisions for reinstatement costs		**5**	17
Deferred tax liabilities	11(c)	**9,172**	7,904
		134,878	74,159
NET ASSETS		**352,179**	332,192
CAPITAL AND RESERVES	37		
Share capital	44(c)	**52,345**	52,345
Other reserves		**282,675**	275,262
Total equity attributable to equity shareholders of the Company		**335,020**	327,607
Non-controlling interests	36	**17,159**	4,585
TOTAL EQUITY		**352,179**	332,192

Approved and authorised for issue by the Board of Directors on 22 March 2022.

Dr Lee Ka Kit
Dr Lee Ka Shing
Directors

The notes on pages 192 to 304 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

		Attributable to equity shareholders of the Company										
	Note	Share capital HK$ million	Property revaluation reserve HK$ million	Exchange reserve HK$ million	Fair value reserve (recycling) HK$ million	Fair value reserve (non-recycling) HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2020		52,345	16	(2,261)	(1)	464	43	201	270,044	320,851	4,542	325,393
Changes in equity for 2020:												
Profit for the year		–	–	–	–	–	–	–	10,192	10,192	91	10,283
Other comprehensive income for the year	13(c)	–	–	5,640	–	(227)	(179)	–	28	5,262	9	5,271
Total comprehensive income for the year		–	–	5,640	–	(227)	(179)	–	10,220	15,454	100	15,554
Transfer from other reserves		–	–	–	–	–	–	(10)	10	–	–	–
Dividend approved in respect of the previous financial year	12(b)	–	–	–	–	–	–	–	(6,294)	(6,294)	–	(6,294)
Dividend declared and paid in respect of the current year	12(a)	–	–	–	–	–	–	–	(2,421)	(2,421)	–	(2,421)
Share of associates' and joint ventures' reserves		–	–	–	–	22	–	–	(5)	17	–	17
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(113)	(113)
Advance from non-controlling interests, net	29(b)	–	–	–	–	–	–	–	–	–	56	56
Balance at 31 December 2020		52,345	16	3,379	(1)	259	(136)	191	271,554	327,607	4,585	332,192

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	Note	Attributable to equity shareholders of the Company										
		Share capital HK$ million	Property revaluation reserve HK$ million	Exchange reserve HK$ million	Fair value reserve (recycling) HK$ million	Fair value reserve (non-recycling) HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2021		52,345	16	3,379	(1)	259	(136)	191	271,554	327,607	4,585	332,192
Changes in equity for 2021:												
Profit for the year		–	–	–	–	–	–	–	13,195	13,195	165	13,360
Other comprehensive income for the year	13(c)	–	–	2,700	1	(95)	101	–	35	2,742	23	2,765
Total comprehensive income for the year		–	–	2,700	1	(95)	101	–	13,230	15,937	188	16,125
Transfer to retained profits upon disposal of equity investments		–	–	–	–	(5)	–	–	5	–	–	–
Deregistration of a subsidiary		–	–	–	–	–	–	(2)	–	(2)	–	(2)
Dividend approved in respect of the previous financial year	12(b)	–	–	–	–	–	–	–	(6,294)	(6,294)	–	(6,294)
Dividend declared and paid in respect of the current year	12(a)	–	–	–	–	–	–	–	(2,421)	(2,421)	–	(2,421)
Share of associates' reserves		–	–	–	–	(3)	–	–	192	189	–	189
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(239)	(239)
Advance from non-controlling interests, net	29(b)	–	–	–	–	–	–	–	–	–	115	115
Additions due to the Group's obtaining of control in a former listed associate *(note)*		–	–	–	–	–	–	–	–	–	12,450	12,450
Reclassification from amounts due to non-controlling interests		–	–	–	–	–	–	–	–	–	72	72
Acquisition of additional equity interest in a listed subsidiary		–	–	–	–	–	–	–	4	4	(12)	(8)
Balance at 31 December 2021		52,345	16	6,079	–	156	(35)	189	276,270	335,020	17,159	352,179

Note: This relates to the non-controlling interests of Miramar Hotel and Investment Company, Limited ("Miramar") in which the Group had obtained control on 14 April 2021 (see note 5).

The notes on pages 192 to 304 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2021

	Note	**2021 HK$ million**	2020 HK$ million
Operating activities			
Profit before taxation		**15,378**	12,714
Adjustments for:			
– Interest income		**(1,107)**	(1,152)
– Dividend income from investments designated as financial assets at fair value through other comprehensive income ("FVOCI") and investments measured as financial assets at fair value through profit or loss ("FVPL")	8(d)	**(116)**	(88)
– Net gain on disposal of investment properties	7	**(162)**	(229)
– Gain on re-measurement of previously held interest in a former associate upon obtaining of control	7	**(1,889)**	–
– (Reversal of provision)/provision on inventories, net	7	**(77)**	4
– Impairment loss on trade debtors	7	**1**	6
– Net fair value (gain)/loss on investments measured as financial assets at FVPL	7	**(174)**	366
– Net fair value (gain)/loss on derivative financial instruments at FVPL:			
Interest rate swap contracts, cross currency interest rate swap contracts, cross currency swap contracts and foreign exchange forward contracts (for which no hedge accounting was applied during the year)	7	**(259)**	507
– (Increase)/decrease in fair value of investment properties and investment properties under development	16(a)	**(59)**	2,413
– Finance costs			
– On bank and other borrowings	8(a)	**2,073**	2,158
– On lease liabilities	8(a)	**20**	22
– Amount capitalised	8(a)	**(1,493)**	(1,622)
– Amortisation of trademarks	8(d)	**3**	–
– Depreciation			
– On other property, plant and equipment	8(d)	**146**	77
– On right-of-use assets	8(d)	**356**	351
– Share of profits less losses of associates		**(2,193)**	(2,524)
– Share of profits less losses of joint ventures		**(1,627)**	(636)
– Net foreign exchange gain		**(24)**	(259)
– Other cash flows from operating activities		**(139)**	67
Operating profit before changes in working capital		**8,658**	12,175
Decrease/(increase) in instalments and loans receivable		**1,748**	(91)
Decrease in deposits for acquisition of properties		**261**	227
(Increase)/decrease in inventories (other than through obtaining of control in Miramar, acquisitions of subsidiaries, transfers to investment properties and investment properties under development and transfers from other land and buildings)		**(7,934)**	953
Decrease in debtors, prepayments and deposits		**335**	1,555
Decrease/(increase) in gross amount due from customers for contract work		**1**	(24)

Consolidated Cash Flow Statement

for the year ended 31 December 2021

	Note	2021 HK$ million	2020 HK$ million
Operating profit before changes in working capital (continued)			
(Increase)/decrease in cash held by stakeholders		**(124)**	95
Increase in cash restricted for use		**(171)**	(112)
Increase/(decrease) in creditors and accrued expenses		**1,998**	(75)
Increase in gross amount due to customers for contract work		**2**	–
Increase/(decrease) in rental and other deposits received		**70**	(55)
Decrease in forward sales deposits received and other contract liabilities		**(2,509)**	(6,441)
Cash generated from operations		**2,335**	8,207
Interest received		**613**	399
Tax paid			
– Hong Kong		**(1,375)**	(826)
– Outside Hong Kong		**(888)**	(708)
Net cash generated from operating activities		**685**	7,072
Investing activities			
Payment for purchase of investment properties and other property, plant and equipment		**(54,850)**	(2,562)
Proceeds from disposal of investment properties and other property, plant and equipment		**681**	630
Repayment from associates, net		**1,069**	412
Repayment from/(advances to) joint ventures, net		**4,042**	(1,180)
Additional investments in associates		**(2)**	(254)
Additional investments in joint ventures		**(8,406)**	(2,692)
Payment for purchase of investments measured as financial assets at FVPL		**(2)**	(381)
Payment for purchase of corporate bonds		**(8)**	–
Proceeds from disposal of investments in equity securities designated as financial assets at FVOCI and investments measured as financial assets at FVPL		**36**	–
Net cash inflow arising from the Group's obtaining of control in a former listed associate	5	**5,176**	–
Net cash outflow in respect of the acquisitions of subsidiaries	39	**–**	(124)
Interest received		**495**	492
Dividends received from associates		**2,723**	2,894
Dividends received from joint ventures		**1,106**	935
Dividends received from investments in equity securities designated as financial assets at FVOCI and investments measured as financial assets at FVPL		**116**	88
(Increase)/decrease in deposits with banks and other financial institutions over three months of maturity at acquisition		**(2,219)**	626
(Increase)/decrease in structured bank deposits		**(1)**	142
Net cash used in investing activities		**(50,044)**	(974)

	Note	2021 HK$ million	2020 HK$ million
Financing activities			
Advance from non-controlling interests, net	29(b)	**115**	56
Proceeds from new bank loans	29(b)	**59,777**	29,706
Repayment of bank loans	29(b)	**(53,341)**	(41,952)
Proceeds from issue of guaranteed notes	29(b)	**9,589**	8,487
Repayment of guaranteed notes	29(b)	**(3,074)**	(1,484)
Increase in amount due to a fellow subsidiary	29(b)	**49,321**	3,652
Increase in amounts due to related companies	29(b)	**881**	2,085
Payments of principal portion of lease liabilities	29(b)	**(389)**	(348)
Interest and other borrowing costs paid	29(b)	**(1,874)**	(2,125)
Dividends paid to equity shareholders of the Company	12	**(8,715)**	(8,715)
Dividends paid to non-controlling interests		**(239)**	(113)
Net cash generated from/(used in) financing activities		**52,051**	(10,751)
Net increase/(decrease) in cash and cash equivalents		**2,692**	(4,653)
Cash and cash equivalents at 1 January		**5,357**	9,634
Effect of foreign exchange rate changes		**55**	376
Cash and cash equivalents at 31 December	29(a)	**8,104**	5,357

The notes on pages 192 to 304 form part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2021

1 General information

Henderson Land Development Company Limited ("the Company") is incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the Company's registered office and principal place of business is 72/F-76/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are property development and investment, operation and management of department stores and supermarket-cum-stores, hotel operation and management, construction, finance, investment holding, project management, property management, agency services, cleaning and security guard services, food and beverage operation and travel operation.

2 Significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance (Cap. 622) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (collectively referred to as "the Group") is set out below.

2 Significant accounting policies (continued)

(b) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company, which are relevant to the Group's consolidated financial statements for the current accounting period:

- Amendment to HKFRS 16, *COVID-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

Amendment to HKFRS 16, COVID-19-related rent concessions beyond 30 June 2021 ("2021 amendment")

The Group previously applied the practical expedient under HKFRS 16, *Leases* such that the Group or any of its subsidiaries, as lessee, was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before 30 June 2021.

Under the 2021 amendment, such time limit is extended to 30 June 2022. With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit has now become eligible. These rent concessions are recognised in profit or loss in the period during which the event or condition which triggers the lease payments has occurred.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications; and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR") ("IBOR reform").

During the year ended 31 December 2021, the Group had certain outstanding bank loans advanced from a bank and which are hedged against interest rate risk and foreign currency risk by way of cross currency interest rate swap contracts. Prior to 13 December 2021, 22 December 2021 and 30 December 2021 (as the case may be) (the "Relevant Dates"), the Group paid interest expenses to such bank on those bank loans, and the Group received interest payments from such bank on the swap contracts, on the basis of the same IBOR and in equal amounts. On the Relevant Dates, the Group and such bank had both selected Tokyo Overnight Average Rate ("TONA") as the alternative benchmark rate ("Benchmark Rate") under the IBOR reform. As a result, commencing from the Relevant Dates, the Group paid interest expenses to such bank on those bank loans, and the Group received interest payments from such bank on the swap contracts, on the basis of the same Benchmark Rate and in equal amounts. The directors of the Company ("Directors") have assessed and considered that under the adoption of IBOR or the Benchmark Rate in respect of those bank loans, there is minimal mismatch risk.

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

The details of the accounting policies and related disclosures about risks, financial instruments indexed to interbank offered rates and hedge accounting are disclosed in note 2(i) and note 4(e)(i) respectively.

The Directors have assessed and considered that none of the abovementioned amendments has any material impact on the Group's financial position at 31 December 2021 or the Group's financial performance for the year then ended.

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments to HKFRSs which are not yet effective for the financial year ended 31 December 2021 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*	1 January 2022
Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – costs of fulfilling a contract*	1 January 2022
Amendments to HKFRS 3, *Business combinations: Reference to the Conceptual Framework*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1, P*resentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments 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 consolidated financial statements.

2 Significant accounting policies (continued)

(c) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise those of the Company and its subsidiaries and have equity accounted for the Group's interests in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investments designated as financial assets at fair value through other comprehensive income (see note 2(g));

– investments measured as financial assets at fair value through profit or loss (see note 2(g));

– derivative financial instruments (see note 2(h)); and

– investment properties and certain investment properties under development (see note 2(j)(i)).

The preparation of these consolidated financial statements in conformity with HKFRSs requires management to make judgements, 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Given that the COVID-19 pandemic and the subsequent Omicron variant have caused and will likely continue to cause disruptions to economic activities, the uncertainties associated with accounting estimates and assumptions may also be increased accordingly.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and the key sources of estimation uncertainty are discussed in note 3.

2 Significant accounting policies (continued)

(d) 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 unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, 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. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

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' attributable share of 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 recognised.

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 recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, where appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(n)).

2 Significant accounting policies (continued)

(e) Associates and joint arrangements

(i) An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in financial and operating policy decisions.

A joint venture is a joint arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(n)). Any excess of acquisition-date fair value over cost, the Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or 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 investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not re-measured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or 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 recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note 2(n)).

(ii) A joint operation is a joint arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises its interest in the joint operation by combining the assets, liabilities, revenues and expenses attributable to its interest with similar items on a line-by-line basis. Consistent accounting policies are applied for like transactions and events in similar circumstances.

2 Significant accounting policies (continued)

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, and is tested annually for impairment (see note 2(n)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except for those investments measured at fair value through profit or loss for which transaction costs are recognised directly in profit or loss and where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– Amortised cost, if the investment is held for the collection of contractual cash flows which represents solely payments of principal and interest. Interest income from the investment is calculated using the effective interest rate method (see note 2(x)(iii)).

– Fair value through other comprehensive income ("FVOCI") (recycling), if the contractual cash flows of the investment comprises solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses ("ECLs"), interest income (calculated using the effective interest rate method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– Fair value through profit or loss ("FVPL") if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2 Significant accounting policies (continued)

(g) Other investments in debt and equity securities (continued)

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividend income from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as dividend income in accordance with the accounting policy set out in note 2(x)(vii).

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period, the fair value is re-measured. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(i)).

(i) Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with changes in foreign exchange rate and variable rate of certain borrowings (cash flow hedges). The Group has elected to adopt the new general hedge accounting model in HKFRS 9, *Financial instruments* on 1 July 2020. Depending on the complexity of the hedge, this new accounting model allows a more qualitative approach to assessing hedge effectiveness compared to HKAS 39, *Financial instruments: Recognition and measuremen*t, and the assessment is always forward-looking. The adoption of HKFRS 9 has not had a significant impact on the consolidated financial statements of the Group in this regard because all the previous hedging relationships were revoked on 1 January 2020, prior to the Group's adoption of the new general hedge accounting model in HKFRS 9 on 1 July 2020.

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

Forward element of forward foreign exchange contracts and foreign currency basis spread of financial instruments may be separated and excluded from the designated hedging instruments. If the Group excludes the forward element of a forward foreign exchange contract or the foreign currency basis spread of a financial instrument (the "excluded elements") from the designation of a hedging instrument, then the excluded elements may be separately accounted for as a cost of hedging. The fair value changes of the excluded elements are recognised in a separate component of equity to the extent that it relates to the hedged items.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

For cash flow hedges other than those covered by the preceding policy statement, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

2 Significant accounting policies (continued)

(i) Cash flow hedges (continued)

If a hedge no longer meets the criteria for hedge accounting (including when a hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point in time remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

Hedges directly affected by IBOR reform

The Group has adopted the Phase 2 amendments of IBOR reform and retrospectively applied them from 1 January 2021.

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising in relation to the cash flows of the hedged item or the hedging instrument, the Group amends the hedge documentation of that hedging relationship to reflect the change(s) required by IBOR reform. For this purpose, the hedge designation is amended only to effect one or more of the following changes:

– designating an alternative benchmark rate as the hedged risk;

– updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or

– updating the description of the hedging instrument.

The Group amends the description of the hedging instrument only if all of the following conditions are met:

– it makes a change required by IBOR reform in changing the basis for determining the contractual cash flows of the hedging instrument, or uses another economically equivalent approach in changing the basis for determining the contractual cash flows of the original hedging instrument; and

– the original hedging instrument is not derecognised.

The Group amends the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those changes required by IBOR reform described above, then the Group firstly considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Group amends the formal hedge documentation for changes required by IBOR reform as mentioned above.

Where, as required by IBOR reform, there is a change in the interest rate benchmark on which the hedged future cash flows had been based, for the purpose of determining whether the hedged future cash flows are expected to occur, the Group deems that the hedging reserve recognised in other comprehensive income for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

2 Significant accounting policies (continued)

(j) Investment properties and other property, plant and equipment

(i) 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 and investment properties under development 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 recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(x)(ii).

(ii) Other property, plant and equipment

The following items of other property, plant and equipment are stated at cost less accumulated depreciation (see note 2(k)) and impairment losses (see note 2(n)):

– hotel properties;

– other land and buildings (except for freehold land); and

– plant and equipment.

Freehold land is stated at cost less impairment losses (see note 2(n)).

The cost of self-constructed items of other property, plant and equipment includes the costs of materials and direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs capitalised (see note 2(z)).

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 recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the property revaluation reserve to retained profits and is not reclassified to profit or loss.

2 Significant accounting policies (continued)

(k) Depreciation

(i) Investment properties, investment properties under development and freehold land

No depreciation is provided on investment properties, investment properties under development and freehold land classified under other land and buildings.

(ii) Other land and buildings (except for freehold land) and hotel properties

Depreciation is provided on the cost of the leasehold land of properties over the unexpired terms of the leases. Cost of buildings thereon is depreciated on a straight-line basis over the unexpired terms of the respective leases or 40 years, if shorter.

Hotel properties are depreciated on a straight-line basis over the remaining lease terms.

(iii) Plant and equipment

Depreciation is calculated to write off the cost of plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

–	Leasehold improvements, furniture and fixtures	4 to 14 years
–	Others	4 to 14 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(iv) Right-of-use assets

Depreciation charge on the right-of-use assets is recognised using the straight-line method over a period of 2 years to 8 years, being the period from the date of the commencement/modification of a lease (other than a short-term lease and a lease of low-value asset of which the Company or any of its subsidiaries is a lessee and in relation to which the recognition exemption under HKFRS 16 is applicable) to the end of the term of the lease, taking into consideration any renewal options attaching thereto (if any).

(l) Trademarks

Trademarks are recognised due to consolidation of Miramar upon obtaining of control on 14 April 2021 (see note 5). Trademarks are recognised in relation to the hotel operation, food and beverage operation and travel operation of Miramar.

The trademark of Miramar's hotel operation has an indefinite useful life, and is assessed for impairment (see note 2(n)(iii)) annually by measuring its recoverable amount at the end of each reporting period and by comparison against its carrying amount on the same date.

The trademarks of Miramar's food and beverage operation and travel operation have finite useful lives, and are stated at cost less accumulated amortisation which is provided to write off the cost of such trademarks using the straight-line method over (i) a period of 20 years in relation to the trademarks of food and beverage operation; and (ii) a period of 30 years in relation to the trademarks of travel operation, commencing from the date on which these trademarks were recognised in the Group's consolidated financial statements, and both the period and method of amortisation are reviewed annually.

2 Significant accounting policies (continued)

(m) Leased assets

At the inception of a contract, the Group assesses whether the 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 monetary consideration payable by the recipient of such right (i.e. the lessee). The right to control an identified asset is conveyed when the lessee has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Under HKFRS 16, at the lease commencement date, the Group (as the lessee) recognises a right-of-use asset and a lease liability, except for (i) short-term leases that have lease term of 12 months or less; and (ii) leases of low-value assets to which the "practical expedient" under HKFRS 16 is applicable. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

When a lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest rate method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

When a lease is capitalised, the right-of-use asset recognised 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. Where applicable, the cost of the right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset on the site at which it is located, discounted to their present value and less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(k)(iv) and 2(n)(iii) respectively), except for the right-of-use asset that meets the definition of an investment property (see note 2(j)) and an inventory (see note 2(o)).

The lease liability is re-measured when there is (i) a change in the future lease payments arising from a change in an index or rate; (ii) a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or (iii) a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents the right-of-use asset that does not meet the definition of an investment property separately from the lease liabilities in the consolidated statement of financial position.

2 Significant accounting policies (continued)

(n) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for ECLs on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates and joint ventures);

– contract assets as defined in HKFRS 15, *Revenue from contracts with customers* (see note 2(p));

– debt securities measured at FVOCI (recycling);

– lease receivables (which is included under "Debtors" within trade and other receivables); and

– loan commitments issued, which are not measured at FVPL.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling), unlisted investment fund and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected 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).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan; and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– lease receivables: discount rate used in the measurement of the lease receivable;

– loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2 Significant accounting policies (continued)

(n) Credit losses and impairment of assets (continued)

(i) *Credit losses from financial instruments, contract assets and lease receivables (continued)*

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

2 Significant accounting policies (continued)

(n) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Significant increases in credit risk (continued)

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 2(x)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 Significant accounting policies (continued)

(n) Credit losses and impairment of assets (continued)

(ii) Credit losses from financial guarantees issued

The accounting policy for financial guarantees is set out in note 2(w)(i).

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "Trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increases in credit risk as described in note 2(n)(i) apply.

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 ECL 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.

(iii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– other property, plant and equipment;

– right-of-use assets;

– goodwill;

– trademarks; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 Significant accounting policies (continued)

(n) Credit losses and impairment of assets (continued)

(iii) Impairment of other assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measureable), or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the aforementioned interim period, the Group applies the same impairment testing, recognition and reversal criteria (see notes 2(n)(i), 2(n)(ii) and 2(n)(iii)) as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which such interim period relates.

(o) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost and net realisable value are determined as follows:

(i) Leasehold land held for development for sale

The cost of leasehold land, which is held for development for sale, represents the cost of acquisition and the premium, if any, payable to the relevant government authorities. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

(ii) Properties held for/under development for sale

The cost of properties held for/under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of production overheads and borrowing costs capitalised (see note 2(z)). Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

2 Significant accounting policies (continued)

(o) Inventories (continued)

(iii) Completed properties for sale

The cost of completed properties for sale comprises the total land and development costs for that project, being all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, and is determined by apportionment attributable to the unsold properties at the end of the reporting period. Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs to be incurred in selling the property.

(iv) Retail, catering stocks, trading goods and consumable stores

Cost is calculated using the weighted average cost formula and comprises all costs of purchase. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(p) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on real estate assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

A contract asset is recognised when the Group recognises contract revenue (see note 2(x)(iv)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 2(n)(i) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related contract revenue (see note 2(x)(iv)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related contract revenue. In such cases, a corresponding receivable would also be recognised (see note 2(q)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(q) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(p)).

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest rate method, less allowance for credit losses (see note 2(n)), except where the receivables are interest-free loans made to related parties 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.

2 Significant accounting policies (continued)

(r) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest rate method.

(s) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(w)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in 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, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the accounting policy set out in note 2(n)(i).

(u) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued for in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(v) Income tax

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 recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised 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 utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2 Significant accounting policies (continued)

(v) Income tax (continued)

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 or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination), 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.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(j)(i), the amount of deferred tax recognised 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 recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets or 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 utilised. 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 recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to realise the assets and settle the liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or realised, intend to realise the current tax assets and settle the current tax liabilities on a net basis, or to realise the current tax assets and settle the current tax liabilities simultaneously.

2 Significant accounting policies (continued)

(w) Financial guarantees issued, provisions and contingent liabilities

(i) 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.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference 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 recognised 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 recognised in profit or loss.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a 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 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.

(x) Revenue recognition

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised in the Group's consolidated statement of profit or loss on the basis that control over the ownership of the property has been passed to the customer during the current accounting period, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all the benefits of ownership of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under forward sales deposits received.

(ii) Rental income from leases

Rental income receivable under leases is recognised in profit or loss in equal instalments over the accounting periods covered by the lease term, 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 recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

2 Significant accounting policies (continued)

(x) Revenue recognition (continued)

(iii) Interest income

Interest income is recognised as it accrues using the effective interest rate method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of allowance) of the asset.

(iv) Contract revenue

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in note 2(w)(ii).

(v) Hotel, food and beverage and travel operations

Income from hotel, food and beverage and travel operations is recognised when the relevant services are provided.

(vi) Department stores and supermarket-cum-stores operations

Revenue arising from the sale of goods from department stores and supermarket-cum-stores operations is recognised at a point in time when the Group sells a product to the customer, which is taken to be the point in time when the customer has obtained control of the goods sold. Revenue is recognised after deduction of any trade discounts. Commission income from consignment and concessionaire counters is recognised at a point in time of the sale of goods by counter suppliers. Promotion income is recognised over time when the services are provided.

(vii) Dividend income

– Dividend income from unlisted investments is recognised when the shareholder’s right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(viii) Government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grants will be received and all the attached conditions (if any) will be complied with. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2 Significant accounting policies (continued)

(y) Translation of foreign currencies

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 recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the transaction dates. Items in the statement of financial position, including goodwill arising on consolidation of foreign operations acquired on or after 1 July 2005, are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 July 2005 is translated into Hong Kong dollars at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

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 recognised.

(z) Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation 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. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or are completed.

(aa) Related parties

(a) 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.

(b) 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 a joint venture of the other entity (or an associate or a 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.

2 Significant accounting policies (continued)

(aa) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies: (continued)

(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 (a) above.

(vii) A person identified in (a)(i) above 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 the Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close family members 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.

(ab) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly 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 businesses and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting estimates and judgements

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

(a) Valuation of investment properties and certain investment properties under development

As described in note 16, investment properties and certain investment properties under development are stated at fair value based on the valuation performed by a firm of professional surveyors.

In determining the fair value of investment properties, the valuers have based on a method of valuation which involves, inter alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

Certain investment properties under development are valued by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

3 Accounting estimates and judgements (continued)

(b) Write-down of inventories for property development

Management performs a regular review on the carrying amounts of inventories for property development. Based on management's review, write-down of inventories for property development will be made when the estimated net realisable value has declined below the carrying amount.

In determining the net realisable value of completed properties for sale, management refers to prevailing market data such as recent sales transactions, market survey reports available from property surveyors and internally available information, as bases for evaluation.

In respect of leasehold land held for development for sale and properties held for/under development for sale, the estimate of net realisable value requires the application of a risk-adjusted discount rate to the estimated future cash flows to be derived from those properties. These estimates require judgement as to the anticipated selling prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the estimated costs to completion of properties, the legal and regulatory framework and general market conditions.

(c) Impairment of non-current assets

If circumstances indicate that the carrying amounts of non-current assets may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the recoverable amount which requires significant judgements, the Group estimates the future cash flows to be derived from the continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

(d) Recognition of deferred tax assets

At 31 December 2021, the Group has recognised deferred tax assets in relation to the unused tax losses and deductible temporary differences as set out in note 11(c). The realisability of deferred tax assets mainly depends on whether it is probable that future taxable profits will be available against which related tax benefits under the deferred tax assets can be utilised, in which case a partial reversal of deferred tax assets may arise and which amount will be recognised in profit or loss for the period in which such a reversal takes place.

4 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, foreign currency and interest rate risks arises in the normal course of the Group's business. The Group is also exposed to price risk arising from its financial investments. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, derivative financial instruments as well as instalments, loans, rental and other trade receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

4 Financial risk management and fair values of financial instruments (continued)

(a) Credit risk (continued)

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Transactions involving derivative financial instruments are also executed with counterparties of sound credit standing. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties and loans receivable which enable management to assess their recoverability and to minimise the exposure to credit risk. In relation to property sales for which the buyers have entered into mortgage loans advanced by the Group, management mitigates the credit risk by holding collateral in the form of properties to cover the amounts of mortgage loans advanced by the Group to the property buyers. In respect of rental income from leasing properties, monthly rents are received in advance and sufficient rental deposits are held to cover potential exposure to credit risk. For other trade receivables, credit terms given to customers are generally based on the financial strength and repayment history of each customer, and (i) for property sales transactions, credit terms are granted to buyers in accordance with the sales plans of the projects; and (ii) for property leasing transactions, credit terms granted to tenants generally ranged between 30 days and 60 days from the due date. As such, the Group does not obtain collateral from its customers. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with the receivables. Adequate allowances for impairment losses have been made for estimated irrecoverable amounts.

The Group has made advances to certain of its associates and joint ventures in mainland China which are interest-bearing, unsecured and have various repayment dates. Management assesses the credit risk on the loans receivable from such associates and joint ventures based on their financial conditions and the profitability of the projects operated by such associates and joint ventures, as well as the counterparty risks of the joint venture partners with reference to their credit ratings.

The Group has no concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. Except for the financial guarantees given by the Group as disclosed in note 42 to these financial statements, the Group does not provide any other guarantee which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 27 to these financial statements.

(b) Liquidity risk

The treasury function of the Group is arranged centrally to cover expected cash demands. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Given that the COVID-19 pandemic and the subsequent Omicron variant have caused and will likely continue to cause disruptions to economic activities, the Group has adopted appropriate policies for its liquidity risk management practices which takes into account the use of alternative sources of funding where necessary. This includes the Group's available cash and bank balances (see note 29(a)), the Group's investments in listed securities (see note 24) which are realisable into cash, the committed and uncommitted banking facilities available to the Group (see note 32), and the capacity for the issuance of guaranteed notes under the Group's Medium Term Note Programme (see note 33).

4 Financial risk management and fair values of financial instruments (continued)

(b) Liquidity risk (continued)

Given the amount due to a fellow subsidiary (see note 34), amounts due to certain associates and certain joint ventures (see note 30) have no fixed terms of repayment, it is not practical to disclose their remaining contractual maturities at the end of the reporting period. Except for these, the following tables set out the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date on which the Group can be required to pay:

	2021 Contractual undiscounted cash outflow						2020 Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Carrying amount HK$ million	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Carrying amount HK$ million
Bank loans	30,801	12,301	13,352	19,604	76,058	74,358	26,747	14,641	13,479	15,333	70,200	68,666
Guaranteed notes	2,240	9,855	8,945	7,155	28,195	25,381	3,585	2,006	8,862	7,219	21,672	18,753
Lease liabilities	304	169	97	–	570	541	351	266	177	–	794	773
Creditors and accrued expenses	8,582	–	–	–	8,582	8,582	6,182	–	–	–	6,182	6,182
Rental and other deposits received	816	549	526	75	1,966	1,966	698	506	379	37	1,620	1,620
Amounts due to associates and joint ventures	2,466	–	–	–	2,466	2,426	1,608	–	–	–	1,608	1,569
Amounts due to related companies	111	2,724	552	–	3,387	3,176	17	151	2,187	–	2,355	2,137
	45,320	25,598	23,472	26,834	121,224	116,430	39,188	17,570	25,084	22,589	104,431	99,700

	2021 Contractual undiscounted cash inflow/(outflow)					2020 Contractual undiscounted cash inflow/(outflow)				
	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Derivative settled net:										
Interest rate swap contracts held as cash flow hedging instruments:	(80)	(80)	(169)	(79)	(408)	(78)	(70)	(195)	(107)	(450)
Other interest rate swap contracts	(116)	(109)	(79)	67	(237)	(155)	(111)	(192)	83	(375)
Derivative settled gross:										
Cross currency interest rate swap contracts held as cash flow hedging instruments:										
– outflow	(2,684)	(6,451)	(9,772)	(3,935)	(22,842)	(2,779)	(2,614)	(8,563)	(5,831)	(19,787)
– inflow	2,965	6,721	9,822	3,938	23,446	3,006	2,911	8,820	6,075	20,812
Other cross currency interest rate swap contracts and cross currency swap contracts:										
– outflow	(165)	(3)	(88)	–	(256)	(2,016)	(165)	(10)	(81)	(2,272)
– inflow	166	4	90	–	260	2,012	165	12	81	2,270

4 Financial risk management and fair values of financial instruments (continued)

(c) Financial risk management of the exposure of the Group's borrowings to foreign currency risk and interest rate risk

At 31 December 2021 and 31 December 2020, the Group's borrowings, namely, bank loans and guaranteed notes, were denominated in Hong Kong dollars ("HK$" or "HKD") as well as foreign currencies such as United States dollars ("US$" or "USD"), Renminbi ("RMB"), Japanese Yen ("¥" or "JPY") and Australian dollars ("AUD"). Certain of these borrowings also bear floating interest rates during their tenure. Therefore, foreign currency risk and/or interest rate risk arise(s) during the tenure of these borrowings.

The Group hedges the foreign currency risk of its borrowings which are denominated in foreign currencies by way of cross currency interest rate swap contracts, cross currency swap contracts or combinations of cross currency interest rate swap contracts and interest rate swap contracts which were entered into between the Group and certain counterparty banks. The Group also hedges the interest rate risk of its borrowings which are denominated in HKD by way of interest rate swap contracts which were entered into between the Group and certain counterparty banks.

4 Financial risk management and fair values of financial instruments (continued)

(c) Financial risk management of the exposure of the Group's borrowings to foreign currency risk and interest rate risk (continued)

Set out below is a table which summarises the Group's hedging arrangement in relation to the Group's borrowings at 31 December 2021 and 31 December 2020:

	2021				2020			
			Notional amount				Notional amount	
Hedged item	Denominating currency	Hedging risk category	in foreign currency million	in HKD million	Denominating currency	Hedging risk category	in foreign currency million	in HKD million
(I) Hedging arrangement at the end of the reporting period								
(a) Under cash flow hedge								
Bank loans	HKD	(i)	**1,000**	**1,000**				
	RMB	(ii)	**2,000**	**2,447**	RMB	(ii)	2,000	2,374
	JPY	(iii)	**58,000**	**3,931**	JPY	(iii)	58,000	4,359
	AUD	(iii)	**436**	**2,466**	AUD	(iii)	845	5,048
Guaranteed notes	HKD	(i)	**968**	**968**	HKD	(i)	968	968
	RMB	(iii)	**4,532**	**5,545**	RMB	(iii)	200	237
	USD	(iii)	**930**	**7,252**	USD	(iii)	900	6,977
	JPY	(iii)	**1,994**	**135**	JPY	(iii)	1,994	150
Sub-total: under cash flow hedge				**23,744**				20,113
(b) Under economic hedge								
Bank loans	HKD	(i)	**5,850**	**5,850**	HKD	(i)	10,500	10,500
					USD	(ii)	257	1,994
Guaranteed notes	HKD	(i)	**2,915**	**2,915**	HKD	(i)	4,115	4,115
	USD	(iii)	**30**	**234**	USD	(iii)	30	233
Sub-total: under economic hedge				**8,999**				16,842
Total: Hedging arrangement at the end of the reporting period				**32,743**				36,955

4 Financial risk management and fair values of financial instruments (continued)

(c) Financial risk management of the exposure of the Group's borrowings to foreign currency risk and interest rate risk (continued)

	2021				2020			
			Notional amount				Notional amount	
Hedged item	Denominating currency	Hedging risk category	in foreign currency million	in HKD million	Denominating currency	Hedging risk category	in foreign currency million	in HKD million
(II) No hedging arrangement at the end of the reporting period								
Bank loans	HKD		**57,373**	**57,373**	HKD		43,434	43,434
	RMB		**1,116**	**1,366**	RMB		882	1,046
Guaranteed notes	HKD		**8,391**	**8,391**	HKD		6,136	6,136
Total: No hedging arrangement at the end of reporting period				**67,130**				50,616
				99,873				87,571
Less: Deferred expenditure set off				**(134)**				(152)
Total bank and other borrowings (in HKD equivalent)				**99,739**				87,419
Represented by:								
Bank loans			**(note 32)**	**74,358**			(note 32)	68,666
Guaranteed notes			**(note 33)**	**25,381**			(note 33)	18,753
Total bank and other borrowings (in HKD equivalent)				**99,739**				87,419

Notes:

Category (i): Interest rate risk is/was being hedged

Category (ii): Foreign currency risk is/was being hedged

Category (iii): Foreign currency and interest rate risks are/were being hedged

4 Financial risk management and fair values of financial instruments (continued)

(c) Financial risk management of the exposure of the Group's borrowings to foreign currency risk and interest rate risk (continued)

As referred to in the table above, (i) "cash flow hedge" refers to the hedging relationship between the Group's hedging instrument (being the swap contract) and hedged item (being the borrowing) under which hedge effectiveness is ensured and hence the Group applies hedge accounting; and (ii) "economic hedge" refers to the hedging relationship between the Group's hedging instrument (being the swap contract) and hedged item (being the borrowing) under which the Group does not apply hedge accounting.

Further details regarding the Group's financial risk management over the foreign currency risk and interest rate risk of the Group's financial assets and financial liabilities are referred to in note 4(d) and note 4(e) respectively.

(d) Foreign currency risk

The Group owns assets and conducts its businesses primarily in Hong Kong and mainland China with its cash flows substantially denominated in Hong Kong dollars and Renminbi, respectively. The Group reports its results in Hong Kong dollars.

The Group's primary foreign currency exposure arises from its property development and investment activities in mainland China, as the functional currency of these operations is Renminbi. Where appropriate and cost efficient, the Group seeks to finance these investments by Renminbi borrowings with reference to the future Renminbi funding requirements from the investments and the related returns to be generated therefrom, and thereby establishing a natural hedge against any foreign currency risk arising from assets and liabilities denominated in Renminbi.

The Group is also exposed to foreign currency risk in respect of cash deposits denominated in United States dollars, Pound sterling, Renminbi and other currencies (all of which were not hedged at 31 December 2021 and 31 December 2020, except for a substantial portion of cash deposits denominated in Pound sterling at 31 December 2021). At 31 December 2021, the Group's cash deposits denominated in United States dollars amounted to US$104 million which was equivalent to HK$809 million (2020: US$47 million which was equivalent to HK$364 million). The Group does not expect that there will be any significant foreign currency risk associated with the aforementioned cash deposits denominated in United States dollars given that the Hong Kong dollar is pegged to the United States dollar. At 31 December 2021, the Group's cash deposits denominated in Renminbi amounted to RMB1,570 million which was equivalent to HK$1,920 million (2020: RMB2,374 million which was equivalent to HK$2,821 million). Since such cash deposits denominated in Renminbi were not hedged against the foreign currency risk arising from the difference in the exchange rates between Renminbi and Hong Kong dollar at the beginning and the end of the reporting period, the Group recognises an exchange gain or loss in the event of an appreciation or a depreciation of Renminbi against Hong Kong dollar during the reporting period. For cash deposits denominated in other currencies (other than the substantial portion of cash deposits denominated in Pound sterling which was hedged at 31 December 2021), since the balances were insignificant, the Group considered the exposure to foreign currency risk to be low.

4 Financial risk management and fair values of financial instruments (continued)

(d) Foreign currency risk (continued)

(i) *Hedging*

The following tables summarise and demonstrate the profile of the Group's hedging instruments at 31 December 2021 and 31 December 2020, as referred to in note 23, which provide cash flow hedge to the Group's bank loans and guaranteed notes during the years then ended.

	2021		
Currency	**Weighted average fixed interest rate**	**Weighted average exchange rate against HKD**	**Maturity profiles**
RMB	**1.55%**	**1.173**	**2 to 5 years**
USD	**2.68%**	**7.783**	**2 to 5 years or after 5 years**
JPY	**2.54%**	**0.072**	**2 to 5 years or after 5 years**
AUD	**2.22%**	**5.274**	**Within 1 year**
HKD	**1.51%**	**Not applicable**	**2 to 5 years**

	2020		
Currency	Weighted average fixed interest rate	Weighted average exchange rate against HKD	Maturity profiles
RMB	2.43%	1.101	Within 1 year, 2 to 5 years or after 5 years
USD	2.69%	7.783	2 to 5 years or after 5 years
JPY	2.54%	0.072	2 to 5 years or after 5 years
AUD	2.03%	5.322	Within 1 year or 2 to 5 years
HKD	2.34%	Not applicable	2 to 5 years

The hedging instruments, which were stated at fair value at 31 December 2021 (both assets and liabilities), are shown in note 23 "Derivative financial instruments".

The Group's hedging objective is to hedge the foreign currency exposure to the cash flows variability arising from the interest/coupon payments and principal repayments of the bank loans and guaranteed notes (as referred to above), as a result of the movements in the exchange rates between Hong Kong dollar (being the issuing entity's functional currency) and United States dollar, Japanese Yen, Renminbi and Australian dollar during the tenure and upon the maturity of such bank loans and guaranteed notes, so as to ensure cash flow certainty in Hong Kong dollar terms over a significant proportion of the Group's bank loans and guaranteed notes denominated in foreign currencies whilst the Group's overall effective financing cost could be maintained at a reasonably low level. Under the Group's cash flow hedge arrangement, the terms of the hedging instruments basically match with the terms of the hedged items, and the Group expects the value of the hedging instruments to move in the opposite direction as compared to the value of the hedged items, and thereby ensures hedge effectiveness. Therefore, the Group applies a hedge ratio of 1:1.

The main source of hedge ineffectiveness in these hedging relationships principally arises from any late designation of the hedging instrument.

4 Financial risk management and fair values of financial instruments (continued)

(d) Foreign currency risk (continued)

(i) *Hedging (continued)*

The following table sets out the Group's exposure at the end of the reporting period to foreign currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rates at 31 December 2021 and 31 December 2020:

	2021 Exposure to foreign currencies in relation to assets and liabilities for which no hedge accounting is applied (expressed in HK$ million)			
	United States dollars	**Renminbi**	**Euro dollars**	**Pound sterling**
Cash and cash equivalents	**809**	**1,920**	**9**	**1,024**
Bank loans (note 4(c))	**–**	**(1,366)**	**–**	**–**
Guaranteed notes (note 4(c))	**(234)**	**–**	**–**	**–**
Amounts due to related companies (note 35)	**–**	**(3,176)**	**–**	**–**
Gross exposure arising from recognised assets and liabilities	**575**	**(2,622)**	**9**	**1,024**
Less:				
Notional amounts of cross currency interest rate swap contracts designated as economic hedge	**(234)**	**–**	**–**	**–**
Notional amounts of foreign exchange forward contracts in relation to cash and cash equivalents	**–**	**–**	**–**	**1,020**
Net exposure arising from recognised assets and liabilities (for which no hedge arrangement has been made)	**809**	**(2,622)**	**9**	**4**

4 Financial risk management and fair values of financial instruments (continued)

(d) Foreign currency risk (continued)

(i) Hedging (continued)

	2020			
	Exposure to foreign currencies in relation to assets and liabilities for which no hedge accounting is applied (expressed in HK$ million)			
	United States dollars	Renminbi	Singapore dollars	Euro dollars
Cash and cash equivalents	364	2,821	4	2
Bank loans (note 4(c))	(1,994)	(1,046)	–	–
Guaranteed notes (note 4(c))	(233)	–	–	–
Amount due to a related company (note 35)	–	(2,137)	–	–
Gross exposure arising from recognised assets and liabilities	(1,863)	(362)	4	2
Less:				
Notional amounts of cross currency interest rate swap contracts and cross currency swap contracts designated as economic hedge	(2,227)	–	–	–
Net exposure arising from recognised assets and liabilities (for which no hedge arrangement has been made)	364	(362)	4	2

(ii) Sensitivity analysis

Assuming that the relevant foreign currencies had strengthened/weakened by not more than 5% (2020: 5%) at 31 December 2021 and the changes had been applied to each of the Group entities' exposure to foreign currency risk for both derivative and non-derivative financial instruments denominated in a currency other than the functional currency of the entity to which they relate and in existence at that date, with all other variables held constant, the Group's profit after tax and total equity attributable to equity shareholders of the Company would increase/decrease by HK$28 million (2020: the Group's profit after tax and total equity attributable to equity shareholders of the Company would decrease/increase by HK$34 million).

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2020.

4 Financial risk management and fair values of financial instruments (continued)

(e) Interest rate risk

(i) Hedging

For the profile of the Group's hedging instruments at 31 December 2021 and 31 December 2020 as referred to in note 23, which provide cash flow hedge to the Group's bank loans and guaranteed notes denominated in Hong Kong dollars during the years then ended, and for the profile of the Group's hedging instruments of interest rate swap contracts at 31 December 2021 and 31 December 2020 which provide cash flow hedge to the Group's guaranteed notes and bank loans denominated in United States dollars, Renminbi, Japanese Yen and Australian dollars, please refer to note 4(d) under foreign currency risk above.

The hedging instruments, which were stated at fair value at 31 December 2021 (both assets and liabilities), are shown in note 23 "Derivative financial instruments".

The Group's hedging objective is to hedge the interest rate exposure to the cash flows variability arising from the interest/coupon payments and principal repayments of the bank loans and guaranteed notes, denominated in Hong Kong dollars (as referred to above), as a result of the movements in the benchmark interest rates during the tenure and upon the maturity of such bank loans and guaranteed notes, so as to ensure cash flow certainty in Hong Kong dollar terms over a significant proportion of the Group's bank loans and guaranteed notes denominated in Hong Kong dollars whilst the Group's overall effective financing cost could be maintained at a reasonably low level. Under the Group's cash flow hedge arrangement, the terms of the hedging instruments basically match with the terms of the hedged items, and the Group expects the value of the hedging instruments to move in the opposite direction as compared to the value of the hedged items, and thereby ensures hedge effectiveness. Therefore, the Group applies a hedge ratio of 1:1.

The main source of hedge ineffectiveness in these hedging relationships principally arises from any late designation of the hedging instrument.

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Group's main IBOR exposure at 31 December 2020 was bank loans indexed to Japanese Yen LIBOR. The alternative reference rate for Japanese Yen LIBOR is TONA. Amendments were completed by 31 December 2021 to bank loans with contractual terms indexed to Japanese Yen LIBOR such that they incorporate TONA as the new benchmark rate.

The Group replaced its Japanese Yen LIBOR interest rate derivatives used in cash flow hedging relationships with economically equivalent interest rate derivatives referenced to TONA by the end of 2021. TONA is quoted each day and the IBOR cash flows are exchanged with counterparties as usual. Therefore, both hedged items and hedging instruments as at the reporting date are indexed to TONA and there is no longer uncertainty about when and how replacement may occur with respect to the relevant hedged items and hedging instruments.

4 Financial risk management and fair values of financial instruments (continued)

(e) Interest rate risk (continued)

(ii) Interest rate profile

The following table details the interest rate profile of the Group's bank loans and guaranteed notes after taking into account the effect of swap contracts, and of the lease liabilities, amount due to a fellow subsidiary and amounts due to related companies at the end of the reporting period.

	2021		
	Fixed/ floating	**Effective interest rate per annum**	**Amount HK$ million**
Lease liabilities	**Fixed**	**3.21%**	**541**
Bank loans	**Floating**	**0.61%-1.05%**	**51,041**
Bank loans	**Fixed**	**1.35%-3.65%**	**23,317**
Guaranteed notes	**Fixed**	**1.00%-5.74%**	**25,381**
Amount due to a fellow subsidiary	**Floating**	**0.72%-0.93%**	**53,710**
Amounts due to related companies	**Fixed**	**3.80%**	**3,176**

	2020		
	Fixed/ floating	Effective interest rate per annum	Amount HK$ million
Lease liabilities	Fixed	3.16%	773
Bank loans	Floating	0.49%-1.04%	41,088
Bank loans	Fixed	1.10%-3.68%	27,578
Guaranteed notes	Fixed	1.75%-5.74%	18,753
Amount due to a fellow subsidiary	Floating	1.60%	4,389
Amount due to a related company	Fixed	3.80%	2,137

(iii) Sensitivity analysis

Assuming that the interest rates had generally increased/decreased by not more than 100 basis points (2020: 100 basis points) at 31 December 2021 and the changes had been applied to the exposure to interest rate risk for both derivative and non-derivative financial liabilities in existence at that date, with all other variables held constant, the Group's profit after tax and total equity attributable to equity shareholders of the Company would decrease/increase by HK$180 million (2020: HK$85 million).

The sensitivity analysis above assumes the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the end of the reporting period. The analysis is performed on the same basis for 2020.

4 Financial risk management and fair values of financial instruments (continued)

(f) Movements in hedging reserve and cost of hedging reserve

The following table provides a reconciliation of the hedging reserve in respect of the foreign currency and interest rate risks and the interest rate risk and shows the effectiveness of the hedging relationships:

	Foreign currency and interest rate risks *(Note)* HK$ million	**Interest rate risk *(Note)* HK$ million**	**Total HK$ million**
Balance at 1 January 2021	**(281)**	**(13)**	**(294)**
Effective portion of the changes in fair value of hedging instruments recognised in other comprehensive income (below)	**(407)**	**22**	**(385)**
Other amounts reclassified to profit or loss	**(21)**	**–**	**(21)**
Reclassified to interest expenses	**102**	**6**	**108**
Reclassified to exchange differences	**642**	**–**	**642**
Related tax	**(52)**	**(5)**	**(57)**
Movement during the year	**264**	**23**	**287**
Balance at 31 December 2021	**(17)**	**10**	**(7)**
Change in fair value of hedged items during the year	**(407)**	**22**	**(385)**
Less:			
Hedge ineffectiveness recognised in profit or loss	**–**	**–**	**–**
Effective portion of the cash flow hedge recognised in other comprehensive income (above)	**(407)**	**22**	**(385)**

	Foreign currency and interest rate risks *(Note)* HK$ million	Interest rate risk *(Note)* HK$ million	Total HK$ million
Balance at 1 January 2020	(4)	–	(4)
Effective portion of the changes in fair value of hedging instruments recognised in other comprehensive income (below)	565	(15)	550
Cash flow hedges: reclassified from hedging reserve to profit or loss (note 7)	5	–	5
Other amounts reclassified to profit or loss	(7)	(1)	(8)
Reclassified to interest expenses	30	1	31
Reclassified to exchange differences	(925)	–	(925)
Related tax	55	2	57
Movement during the year	(277)	(13)	(290)
Balance at 31 December 2020	(281)	(13)	(294)
Change in fair value of hedged items during the year	570	(15)	555
Less:			
Hedge ineffectiveness recognised in profit or loss	(5)	–	(5)
Effective portion of the cash flow hedge recognised in other comprehensive income (above)	565	(15)	550

4 Financial risk management and fair values of financial instruments (continued)

(f) Movements in hedging reserve and cost of hedging reserve (continued)

The carrying balances of the hedging reserve at 31 December 2021 and 31 December 2020 relate to the Group's continuing cash flow hedge.

Note:

The foreign currency and interest rate risks are hedged by cross currency swap contracts and cross currency interest rate swap contracts, and the interest rate risk is hedged by interest rate swap contracts.

The following table provides a reconciliation of the cost of hedging reserve in respect of the foreign currency and interest rate risks and shows the effectiveness of the hedging relationships:

	Foreign currency basis spread HK$ million
Balance at 1 January 2020	–
Additions (note 13(b))	141
Reclassification adjustments for amounts transferred to profit or loss (note 13(b))	19
Related tax	(26)
Movement during the year	134
Balance at 31 December 2020	134
Balance at 1 January 2021	**134**
Fair value change on hedging instruments (note 13(b))	**(101)**
Reclassification adjustments for amounts transferred to profit or loss (note 13(b))	**(120)**
Related tax	**37**
Movement during the year	**(184)**
Balance at 31 December 2021	**(50)**

The carrying balances of the cost of hedging reserve at 31 December 2021 and 31 December 2020 relate to the Group's continuing cash flow hedge.

For the year ended 31 December 2021, the abovementioned increase in the hedging reserve of HK$287 million (after tax) (2020: decrease in hedging reserve of HK$290 million (after tax)) and the abovementioned decrease in the cost of hedging reserve of HK$184 million (after tax) (2020: increase in cost of hedging reserve of HK$134 million (after tax)) amount in aggregate to a net increase of HK$103 million (2020: net decrease of HK$156 million) in the Group's other comprehensive income, in the nature of cash flow hedges which may be reclassified subsequently to profit or loss during the year.

4 Financial risk management and fair values of financial instruments (continued)

(g) Price risk

The Group is exposed to risks arising from price and fair value changes in relation to investments designated as financial assets at FVOCI (non-recycling) and investments measured as financial assets at FVPL (see note 24).

Listed investments held in the portfolio have been chosen based on their long term growth potential and returns and are monitored regularly for performance against expectations. At 31 December 2021, assuming that the market value of the Group's listed investments designated as financial assets at FVOCI (non-recycling) had increased/decreased by not more than 10% (2020: 10%), with all other variables held constant, the total equity attributable to equity shareholders of the Company would increase/decrease by HK$12 million (2020: HK$8 million). Any increase or decrease in the market value of the Group's listed investments designated as financial assets at FVOCI (non-recycling) would not affect the Group's profit after tax. Assuming that the market value of the Group's listed investments measured as financial assets at FVPL had increased/decreased by not more than 10% (2020: 10%), with all other variables held constant, the Group's profit after tax and the total equity attributable to equity shareholders of the Company would increase/decrease by HK$137 million (2020: HK$113 million).

The sensitivity analysis above assumes that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to price risk at the end of the reporting period. It is also assumed that the fair value of the Group's financial investments would change in accordance with the historical correlation with the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2020.

(h) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised 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 is determined with reference to the observability and significance of the inputs used in the valuation technique 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.

4 Financial risk management and fair values of financial instruments (continued)

(h) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2021	Fair value measurements at 31 December 2021 categorised into		
		Level 1	Level 2	Level 3
	HK$ million	HK$ million	HK$ million	HK$ million
Recurring fair value measurement				
Financial assets:				
Investments in equity securities designated as financial assets at FVOCI (non-recycling):				
– Unlisted (note 24)	**59**	–	–	59
– Listed (note 24)	**124**	124	–	–
Investments in other securities measured as financial assets at FVPL:				
– Listed (note 24)	**1,364**	1,364	–	–
Financial assets measured at FVPL (note 27)	**388**	1	61	326
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 23)	**722**	–	722	–
– Interest rate swap contracts (note 23)	**204**	–	204	–
– Foreign exchange forward contracts (note 23)	**26**	–	26	–
Financial liabilities:				
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 23)	**351**	–	351	–
– Interest rate swap contracts (note 23)	**380**	–	380	–
– Foreign exchange forward contracts (note 23)	**25**	–	25	–

4 Financial risk management and fair values of financial instruments (continued)

(h) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2020	Fair value measurements at 31 December 2020 categorised into		
		Level 1	Level 2	Level 3
	HK$ million	HK$ million	HK$ million	HK$ million
Recurring fair value measurement				
Financial assets:				
Investments in equity securities designated as financial assets at FVOCI (non-recycling):				
– Unlisted (note 24)	79	–	–	79
– Listed (note 24)	78	78	–	–
Investments in other securities measured as financial assets at FVPL:				
– Listed (note 24)	1,133	1,133	–	–
Financial assets measured at FVPL (note 27)	326	–	–	326
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 23)	1,178	–	1,178	–
– Interest rate swap contracts (note 23)	400	–	400	–
– Foreign exchange forward contracts (note 23)	8	–	8	–
Financial liabilities:				
Derivative financial instruments:				
– Cross currency interest rate swap contracts (note 23)	144	–	144	–
– Cross currency swap contracts (note 23)	6	–	6	–
– Interest rate swap contracts (note 23)	1,099	–	1,099	–

During the years ended 31 December 2021 and 31 December 2020, there were no transfers between Level 1 and Level 2, or transfers into and out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period during which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair values of cross currency interest rate swap contracts, cross currency swap contracts, interest rate swap contracts and foreign exchange forward contracts are calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract, taking into account the current interest rates and the current creditworthiness of the swap counterparties.

4 Financial risk management and fair values of financial instruments (continued)

(h) Fair value measurement (continued)

(ii) Financial assets and liabilities measured at other than fair value

The carrying amounts of the Group's financial instruments measured at cost or amortised cost are not materially different from their fair values at 31 December 2021 and 31 December 2020 except as follows:

– **Amounts due from certain associates and certain joint ventures, and amounts due to certain associates and certain joint ventures**

Amounts due from certain associates and certain joint ventures, and amounts due to certain associates and certain joint ventures are unsecured, interest-free and have no fixed terms of repayment. Given these terms it is not meaningful to quantify their fair values and therefore they are stated at cost.

5 Business combination

On 14 April 2021, the Company announced that upon completion of the settlement process of the Group's acquisition of 103,000 shares in the issued share capital of Miramar ("Miramar Shares") on the open market on 14 April 2021 for an aggregate consideration of HK$1,574,040 (exclusive of transaction costs) (the "Acquisition"), the Company indirectly held 345,494,980 Miramar Shares in aggregate which represented approximately 50.002% of the total number of issued Miramar Shares. During the period from 15 April 2021 to 31 December 2021, the Group further acquired an aggregate of 505,000 Miramar Shares on the open market. At 31 December 2021, the Group indirectly held 345,999,980 Miramar Shares in aggregate which represents approximately 50.075% of the total number of issued Miramar Shares. Prior to the Acquisition, the Company indirectly held 345,391,980 Miramar Shares in aggregate which represented approximately 49.987% of the total number of issued Miramar Shares.

As a result of the Acquisition and during the year ended 31 December 2021, (i) Miramar was an associate of the Group for the period from 1 January 2021 to 13 April 2021 (both dates inclusive), and the financial results of Miramar for such period were accounted for in the Group's consolidated financial statements for the same period under the equity method of accounting; and (ii) Miramar became an indirect non-wholly-owned subsidiary of the Company commencing from 14 April 2021, and the financial results of Miramar for the period from 14 April 2021 to 31 December 2021 (both dates inclusive) were consolidated into the Group's consolidated financial statements for the year ended 31 December 2021. During the corresponding year ended 31 December 2020, Miramar was an associate of the Group and the financial results of Miramar for that year were accounted for in the Group's consolidated financial statements for the same year under the equity method of accounting.

Miramar holds a diversified service-oriented business portfolio comprising stylish hotels and serviced apartments, property rental, food and beverage and travel services in Hong Kong and mainland China. The Directors believe that the financial position of the Group will be enhanced by consolidating the financial results of Miramar into the consolidated financial statements of the Group. The Company's interest in the Miramar Shares is for long-term investment purpose. The Group has adopted the purchase price allocation method of acquisition accounting under HKFRS 3 (Revised), *Business combinations* under which the assets acquired and the liabilities assumed in relation to Miramar have been fair valued as at the date of the Acquisition upon consolidation by the Group. The Group's attributable share of the book net asset value of Miramar prior to the Acquisition amounted to HK$10,410 million at 14 April 2021. Therefore, for the year ended 31 December 2021, the Group recognised as "other income" a gain on re-measurement of previously held interest in Miramar upon obtaining of control in the aggregate amount of HK$1,889 million (see note 7), which comprises (i) a gain of HK$1,887 million on the re-measurement of the Group's 49.987% equity interest previously held in Miramar prior to the Acquisition; and (ii) a gain on bargain purchase of HK$2 million upon completion of the settlement process of the Acquisition.

5 Business combination (continued)

The fair value of the assets acquired and the liabilities assumed in relation to Miramar as at the date of the Acquisition, which resulted in the Group's recognition of a gain on bargain purchase of HK$2 million as referred to above, were as follows:

	HK$ million
Investment properties	**17,029**
Other property, plant and equipment	**3,474**
Right-of-use assets	**55**
Interest in associates	**1**
Trademarks *(note)*	**109**
Equity securities designated at fair value through other comprehensive income	**71**
Financial assets measured at fair value through profit or loss	**62**
Deferred tax assets	**13**
Inventories	**144**
Trade and other receivables	**191**
Cash and bank balances	**5,178**
Trade and other payables	**(297)**
Bank loan	**(3)**
Rental deposits received	**(257)**
Contract liabilities	**(71)**
Lease liabilities	**(70)**
Tax payable	**(20)**
Deferred tax liabilities	**(858)**
Non-controlling interests	**(150)**
Fair value of identifiable net assets	**24,601**
Gain on bargain purchase	**(2)**
	24,599
Represented by:	
Fair value of the consideration transferred for the Company to gain control over Miramar on the date of the Acquisition	**2**
Re-measured consolidated net assets of Miramar attributable to the non-controlling interests as at the date of the Acquisition (net of deferred tax)	**12,300**
Fair value of the Group's previously held interest in Miramar prior to the Acquisition (net of deferred tax)	**12,297**
	24,599

Note:

At 31 December 2021, the Group recognised trademarks at cost less amortisation during the period from 14 April 2021 to 31 December 2021, in the net carrying amount of HK$106 million at 31 December 2021 (see note 19).

5 Business combination (continued)

The re-measurement gain of the Group's previously held interest in Miramar prior to the Acquisition is determined as follows:

	HK$ million
Fair value of the Group's previously held interest in Miramar prior to the Acquisition (net of deferred tax)	**12,297**
Less:	
The Group's attributable share of the book net asset value of Miramar prior to the Acquisition at 14 April 2021 (see above)	**(10,410)**
Re-measurement gain of the Group's 49.987% equity interest previously held in Miramar prior to the Acquisition	**1,887**

	At 14 April 2021 HK$ million
Outflow of cash in the Group's obtaining of control in Miramar, net of cash acquired	
– cash consideration	**(2)**
– cash and bank balances of Miramar acquired	**5,178**
Net cash inflow arising from the Group's obtaining of control in Miramar	**5,176**

The Group has chosen to recognise the non-controlling interests at their proportionate share of the fair value of Miramar's identifiable net assets as at the date of the Acquisition.

The transaction costs related to the Acquisition in the amount of HK$551,000 were recognised in the Group's consolidated statement of profit or loss for the year ended 31 December 2021.

During the period from 14 April 2021 to 31 December 2021 (both dates inclusive), Miramar contributed consolidated revenue from external customers of HK$895 million and consolidated net profit after tax attributable to the Group's interest in Miramar during the period from 14 April 2021 to 31 December 2021 of HK$75 million to the Group. If the Acquisition had occurred on 1 January 2021, Miramar's contribution to the Group of consolidated revenue from external customers and consolidated net profit after tax attributable to the Group's interest in Miramar during the period from 1 January 2021 to 13 April 2021 would be HK$320 million and HK$38 million respectively.

6 Revenue

Revenue of the Group represents revenue from the sale of properties, rental income, operation and management of department stores and supermarket-cum-stores, and other businesses mainly including income from hotel operation and management, construction, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, food and beverage operation, travel operation, as well as the trading of building materials and disposal of leasehold land.

The major items are analysed as follows:

	2021 HK$ million	2020 HK$ million
Sale of properties	**12,630**	16,009
Rental income *(note (i))*	**6,505**	5,777
Department stores and supermarket-cum-stores operations *(note (ii))*	**1,791**	1,837
Other businesses	**2,601**	1,397
Total (note 15(b))	**23,527**	25,020

Notes:

(i) Cumulative up to 31 December 2021, the Group has granted approved rent concessions in the aggregate amount of HK$338 million (Cumulative up to 31 December 2020: HK$302 million) to certain tenants of the Group's investment properties in Hong Kong and mainland China due to the impact of COVID-19 pandemic on the economic outlook, and hence the adverse effect on such tenants' business operations, business viabilities and abilities to meet rental obligations.

Therefore, the Group's rental income for the year ended 31 December 2021 has been arrived at after deducting the rent concessions which were amortised for the year ended 31 December 2021 in the amount of HK$124 million (2020: HK$183 million).

(ii) Including commission income earned from consignment and concessionary counters of the department stores operation, and the commission income earned from consignment counters of the supermarket-cum-stores operation, in the aggregate amount of HK$424 million for the year ended 31 December 2021 (2020: HK$412 million).

In accordance with HKFRS 15, *Revenue from contracts with customers*, revenue from sale of properties and department stores and supermarket-cum stores operations are recognised at a point in time, as described in notes 2(x)(i) and 2(x)(vi) to these financial statements respectively. Rental income recognised from HKFRS 16 is categorically classified as revenue from other sources. Revenue from other businesses of HK$1,393 million (2020: HK$773 million) is recognised over time while the remaining is recognised at a point in time.

At 31 December 2021, the cumulative aggregate amount of revenue expected to be recognised in the consolidated statement of profit or loss in the future from pre-completion sales contracts entered into in relation to the Group's properties held for/under development for sale and completed properties for sale held by the Group's subsidiaries, which are pending assignment in Hong Kong and mainland China, amounted to HK$12,777 million (2020: HK$11,298 million), which will be recognised when the pre-sold properties are assigned to the customers.

7 Other net income/(loss)

	2021 HK$ million	2020 HK$ million
Net gain on disposal of investment properties (note 15(a))	**162**	229
Net fair value gain/(loss) on investments measured as financial assets at FVPL	**174**	(366)
Net fair value gain/(loss) on derivative financial instruments at FVPL:		
– Interest rate swap contracts, cross currency interest rate swap contracts, cross currency swap contracts and foreign exchange forward contracts (for which no hedge accounting was applied during the year)	**259**	(507)
Cash flow hedges: reclassified from hedging reserve to profit or loss (note 4(f))	**–**	(5)
Impairment loss on trade debtors (notes 15(c) and 27(b))	**(1)**	(6)
Reversal of provision/(provision) on inventories, net (note 15(a))	**77**	(4)
Exchange gain/(loss), net (note 8(d))	**85**	(100)
Government grants *(note)*	**–**	264
Gain on re-measurement of previously held interest in a former associate upon obtaining of control (notes 5 and 15(a))	**1,889**	–
Others	**482**	397
	3,127	(98)

Note:

Government grants recognised for the corresponding year ended 31 December 2020 related to the subsidy received from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the HKSAR Government.

8 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

		2021 HK$ million	2020 HK$ million
(a)	**Finance costs:**		
	Bank loans interest	**875**	1,351
	Interest on loans	**1,093**	716
	Finance cost on lease liabilities (note 31)	**20**	22
	Other borrowing costs	**105**	91
		2,093	2,180
	Less: Amount capitalised *(note)*	**(1,493)**	(1,622)
	Finance costs	**600**	558

Note: The borrowing costs have been capitalised at weighted average interest rates (based on the principal amounts of the Group's bank loans, guaranteed notes, amount due to a fellow subsidiary and amounts due to related companies during the period under which interest capitalisation is applicable) ranging from 1.67% to 3.83% (2020: 2.11% to 3.86%) per annum.

		2021 HK$ million	2020 HK$ million
(b)	**Directors' emoluments**	**209**	204

Details of the directors' emoluments are set out in note 9.

		2021 HK$ million	2020 HK$ million
(c)	**Staff costs (other than directors' emoluments):**		
	Salaries, wages and other benefits	**2,716**	2,384
	Contributions to defined contribution retirement plans	**108**	88
		2,824	2,472

8 Profit before taxation (continued)

Profit before taxation is arrived at after charging/(crediting): (continued)

		2021 HK$ million	2020 HK$ million
(d)	**Other items:**		
	Net foreign exchange (gain)/loss	**(727)**	1,025
	Cash flow hedges: net foreign exchange loss/ (gain) reclassified from equity	**642**	(925)
	Exchange (gain)/loss, net (note 7)	**(85)**	100
	Amortisation of trademarks (note 19)	**3**	–
	Depreciation		
	– on other property, plant and equipment (note 16(a))	**146**	77
	– on right-of-use assets (note 17)	**356**	351
		505	428
		(note 15(c))	(note 15(c))
	Cost of sales		
	– properties for sale	**6,595**	5,925
	– trading stocks and consumable stores	**1,032**	982
	Auditors' remuneration		
	– audit services	**22**	20
	– non-audit services	**7**	6
	Expense relating to short-term leases	**18**	47
	Rentals receivable from investment properties less direct outgoings of HK$1,979 million (2020: HK$1,640 million) *(note (i))*	**(4,326)**	(3,977)
	Dividend income from investments designated as financial assets at FVOCI and investments measured as financial assets at FVPL *(note (ii))*		
	– listed	**(84)**	(79)
	– unlisted	**(32)**	(9)

Notes:

(i) The rental income from investment properties included contingent rental income of HK$41 million (2020: HK$17 million).

(ii) During the year ended 31 December 2021, dividend income of HK$35 million related to investments designated as financial assets at FVOCI held at 31 December 2021 (2020: dividend income of HK$10 million related to investments designated as financial assets at FVOCI held at 31 December 2020).

9 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

	2021				
	Directors' fees HK$'000	Salaries, allowances and benefits-in-kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Dr Lee Ka Kit	200	21,535	1,445	18	23,198
Dr Lee Ka Shing	272	15,681	6,381	864	23,198
Dr Lam Ko Yin, Colin	236	10,149	21,270	607	32,262
Dr Lee Shau Kee	150	21,401	–	–	21,551
Yip Ying Chee, John	150	9,273	14,907	555	24,885
Suen Kwok Lam	150	7,740	7,760	463	16,113
Fung Lee Woon King	150	5,501	5,200	329	11,180
Kwok Ping Ho	250	5,298	1,468	316	7,332
Wong Ho Ming, Augustine	150	10,675	15,520	639	26,984
Fung Hau Chung, Andrew	150	12,208	3,000	609	15,967
Non-executive Directors					
Lee Pui Ling, Angelina	150	–	–	–	150
Lee Tat Man	150	–	–	–	150
Independent Non-executive Directors					
Kwong Che Keung, Gordon	300	750	–	–	1,050
Professor Ko Ping Keung	300	650	–	–	950
Wu King Cheong	551	650	–	–	1,201
Woo Ka Biu, Jackson	250	–	–	–	250
Professor Poon Chung Kwong	250	100	–	–	350
Au Siu Kee, Alexander	1,236	850	–	–	2,086
Total for the year ended 31 December 2021	5,045	122,461	76,951	4,400	208,857

9 Directors' emoluments (continued)

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows: (continued)

	2020				
	Directors' fees HK$'000	Salaries, allowances and benefits-in-kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Dr Lee Ka Kit	200	21,839	1,126	18	23,183
Dr Lee Ka Shing	200	15,738	6,381	864	23,183
Dr Lam Ko Yin, Colin	200	10,148	21,270	607	32,225
Dr Lee Shau Kee	150	23,700	–	–	23,850
Yip Ying Chee, John	150	9,270	14,907	555	24,882
Suen Kwok Lam	150	7,737	7,760	463	16,110
Fung Lee Woon King	150	5,543	5,200	329	11,222
Lau Yum Chuen, Eddie *	75	9	–	–	84
Kwok Ping Ho	250	5,293	1,468	316	7,327
Wong Ho Ming, Augustine	150	10,673	15,520	639	26,982
Fung Hau Chung, Andrew (appointed on 8 June 2020)	75	6,888	2,031	304	9,298
Non-executive Directors					
Lee Pui Ling, Angelina	150	–	–	–	150
Lee Tat Man	175	–	–	–	175
Independent Non-executive Directors					
Kwong Che Keung, Gordon	300	750	–	–	1,050
Professor Ko Ping Keung	300	650	–	–	950
Wu King Cheong	300	650	–	–	950
Woo Ka Biu, Jackson	250	–	–	–	250
Professor Poon Chung Kwong	250	100	–	–	350
Au Siu Kee, Alexander	1,200	850	–	–	2,050
Total for the year ended 31 December 2020	4,675	119,838	75,663	4,095	204,271

* *Mr Lau Yum Chuen, Eddie did not offer himself for re-election at the annual general meeting of the Company held on 8 June 2020 upon retirement by rotation in accordance with the articles of association of the Company. Accordingly, his directorship with the Company ceased at the conclusion of the aforementioned annual general meeting.*

9 Directors' emoluments (continued)

During the years ended 31 December 2021 and 31 December 2020:

(i) all the directors' fees payable to the executive directors of the Company were in respect of their services as directors of the Company and/ or its subsidiary undertakings, and all the salaries, allowances, benefits-in-kind, discretionary bonuses and retirement scheme contributions payable to the executive directors of the Company were in respect of their services in connection with the management of the affairs of the Company and/or its subsidiary undertakings; and

(ii) all the emoluments payable to the non-executive directors and the independent non-executive directors of the Company were in respect of their services as directors of the Company and/ or its subsidiary undertakings.

At 31 December 2021, there were no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities for disclosure pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance (Cap. 622) and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (2020: None).

During the year ended 31 December 2021 and at 31 December 2021, save as disclosed in note 43, there was no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company and his/her connected entities had a material interest, subsisted at the end of the reporting period or at any time during the year for disclosure pursuant to section 383(1)(e) of the Hong Kong Companies Ordinance (Cap. 622) and Part 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (2020: None).

There was no arrangement under which a director had waived or agreed to waive any remuneration during the current and prior years.

10 Emoluments of five highest paid individuals and senior management

(a) Emoluments of five highest paid individuals

Of the five individuals with the highest emoluments, all (2020: all) of them are directors whose emoluments are disclosed in note 9.

(b) Emoluments of senior management

Other than the emoluments of directors and five highest paid individuals disclosed in notes 9 and 10(a) respectively, the emoluments of the senior management whose profiles are set out in the section "Biographical Details of Directors and Senior Management" of the Company's annual report for the year ended 31 December 2021 (of which these financial statements form a part) fell within the following bands:

	2021 Number of individuals	2020 Number of individuals
Emolument band (HK$) ***(note)***		
$2,000,001 to $3,000,000	**–**	1
$3,000,001 to $4,000,000	**2**	1
$4,000,001 to $5,000,000	**1**	1
$5,000,001 to $6,000,000	**3**	4
$6,000,001 to $7,000,000	**3**	1
$7,000,001 to $8,000,000	**2**	2
$8,000,001 to $9,000,000	**–**	–
$9,000,001 to $10,000,000	**–**	–
$10,000,001 to $11,000,000	**1**	1
$11,000,001 to $12,000,000	**2**	3
$12,000,001 to $13,000,000	**1**	1
$13,000,001 to $14,000,000	**–**	1
$14,000,001 to $15,000,000	**2**	2
$15,000,001 to $16,000,000	**1**	–
$16,000,001 to $17,000,000	**1**	–
	19	18

Note: Including salaries, allowances and benefits-in-kind, discretionary bonuses and retirement scheme contributions.

11 Income tax

(a) Income tax in the consolidated statement of profit or loss represents:

	2021 HK$ million	2020 HK$ million
Current tax – Provision for Hong Kong Profits Tax		
Provision for the year	**867**	978
Under-provision in respect of prior years	**2**	12
	869	990
Current tax – Provision for taxation outside Hong Kong		
Provision for the year	**599**	598
Under-provision in respect of prior years	**106**	50
	705	648
Current tax – Provision for Land Appreciation Tax		
Provision for the year	**263**	296
	263	296
Deferred tax		
Origination and reversal of temporary differences	**181**	497
	181	497
	2,018	2,431

Provision for Hong Kong Profits Tax has been made at 16.5% (2020: 16.5%) on the estimated assessable profits for the year, taking into account a one-off reduction of 100% (2020: 100%) of the tax payable for the year of assessment 2020/21 subject to a ceiling of HK$10,000 (2019/20: HK$20,000) for each business allowed by the HKSAR Government.

Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the year on the estimated assessable profits arising in the relevant foreign tax jurisdictions during the year.

Land Appreciation Tax is levied on properties in mainland China developed by the Group for sale, at progressive rates ranging from 30% to 60% (2020: 30% to 60%) on the appreciation of land value, which under the applicable regulations is calculated based on the revenue from sale of properties less deductible expenditure including lease charges of land use rights, borrowing costs and property development expenditure.

11 Income tax (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2021 HK$ million	2020 HK$ million
Profit before taxation	**15,378**	12,714
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**2,793**	2,517
Tax effect of share of profits less losses of associates and joint ventures	**(672)**	(583)
Tax effect of non-deductible expenses	**240**	946
Tax effect of non-taxable revenue	**(576)**	(859)
Tax effect of current year's tax losses not recognised	**254**	288
Tax effect of prior years' tax losses utilised	**(45)**	(58)
Tax effect of unused tax losses not recognised in prior years now recognised	**(122)**	(102)
One-off rebate of Hong Kong Profits Tax	**(1)**	(2)
Land Appreciation Tax	**197**	222
(Over)/under-provision in respect of prior years, net	**(50)**	62
Actual tax expense	**2,018**	2,431

(c) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Depreciation allowances in excess of related depreciation HK$ million	Revaluation of properties HK$ million	Elimination and capitalisation of expenses HK$ million	Fair value adjustment on business combination HK$ million	Tax losses HK$ million	Others HK$ million	Total HK$ million
At 1 January 2020	1,839	3,601	269	1,024	(250)	11	6,494
Exchange adjustments	41	262	–	8	–	–	311
Charged/(credited) to profit or loss	226	547	(35)	–	(158)	(83)	497
Credited to reserves (note 13(a))	–	–	–	–	–	(31)	(31)
At 31 December 2020	2,106	4,410	234	1,032	(408)	(103)	7,271
At 1 January 2021	**2,106**	**4,410**	**234**	**1,032**	**(408)**	**(103)**	**7,271**
Exchange adjustments	**21**	**133**	**–**	**3**	**–**	**–**	**157**
Consolidation of Miramar upon obtaining of control (note 5)	**220**	**80**	**–**	**554**	**(9)**	**–**	**845**
Charged/(credited) to profit or loss	**196**	**56**	**3**	**(7)**	**(37)**	**(30)**	**181**
Charged to reserves (note 13(a))	**–**	**–**	**–**	**–**	**–**	**20**	**20**
At 31 December 2021	**2,543**	**4,679**	**237**	**1,582**	**(454)**	**(113)**	**8,474**

11 Income tax (continued)

(c) Deferred tax assets and liabilities recognised: (continued)

	2021 HK$ million	2020 HK$ million
Net deferred tax assets recognised in the consolidated statement of financial position	**(698)**	(633)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**9,172**	7,904
	8,474	7,271

(d) Deferred tax assets not recognised:

Deferred tax assets have not been recognised in respect of the following items:

	2021		2020	
	Deductible temporary differences/ unused tax losses HK$ million	Deferred tax assets not recognised HK$ million	Deductible temporary differences/ unused tax losses HK$ million	Deferred tax assets not recognised HK$ million
Deductible temporary differences	**4**	**1**	4	1
Future benefits of tax losses				
Hong Kong *(note (i))*				
– Assessed by the Inland Revenue Department	**3,698**	**610**	3,130	516
– Not yet assessed by the Inland Revenue Department	**10,915**	**1,801**	9,469	1,562
Outside Hong Kong *(note (ii))*	**540**	**127**	551	131
	15,153	**2,538**	13,150	2,209
	15,157	**2,539**	13,154	2,210

Notes:

(i) *These tax losses do not expire under current tax legislation.*

(ii) *These tax losses can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose.*

The Group has not recognised deferred tax assets in respect of deductible temporary differences and unused tax losses of certain subsidiaries as it is not probable that sufficient future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

12 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to profit for the year

	2021 HK$ million	2020 HK$ million
Interim dividend declared and paid of HK$0.50 (2020: HK$0.50) per share	**2,421**	2,421
Final dividend proposed after the end of the reporting period of HK$1.30 (2020: HK$1.30) per share	**6,294**	6,294
	8,715	8,715

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to profit for the previous financial year, approved and paid during the year

	2021 HK$ million	2020 HK$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK$1.30 (2020: HK$1.30) per share	**6,294**	6,294

13 Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

	2021			2020		
	Pre-tax amount HK$ million	**Tax charge HK$ million**	**Net-of-tax amount HK$ million**	Pre-tax amount HK$ million	Tax credit HK$ million	Net-of-tax amount HK$ million
Exchange differences	**1,569**	**–**	**1,569**	3,484	–	3,484
Cash flow hedges	**123**	**(20)**	**103**	(187)	31	(156)
Investments in equity securities designated as financial assets at FVOCI	**(7)**	**–**	**(7)**	(29)	–	(29)
Share of other comprehensive income of associates and joint ventures	**1,100**	**–**	**1,100**	1,972	–	1,972
Other comprehensive income for the year	**2,785**	**(20)**	**2,765**	5,240	31	5,271
		(note 11(c))			(note 11(c))	

(b) Components of other comprehensive income, including reclassification adjustments

	2021 HK$ million	2020 HK$ million
Exchange differences:		
– translation of financial statements of foreign entities	**1,569**	3,484
Net movement in the exchange reserve during the year recognised in other comprehensive income	**1,569**	3,484
Cash flow hedges:		
– effective portion of changes in fair value of hedging instruments recognised during the year	**(385)**	550
– reclassification adjustments for amounts transferred to profit or loss	**729**	(897)
– cost of hedging – change in fair value (note 4(f))	**(101)**	141
– cost of hedging – reclassified to profit or loss (note 4(f))	**(120)**	19
– net deferred tax (charged)/credited to other comprehensive income	**(20)**	31
Net movement in the hedging reserve during the year recognised in other comprehensive income	**103**	(156)
Investments in equity securities designated as financial assets at FVOCI:		
– changes in fair value recognised during the year	**(7)**	(29)
Net movement in the fair value reserve (non-recycling) during the year recognised in other comprehensive income	**(7)**	(29)

13 Other comprehensive income (continued)

(c) For each component of equity

	Attributable to equity shareholders of the Company									
	Property revaluation reserve HK$ million	Exchange reserve HK$ million	Fair value reserve (recycling) HK$ million	Fair value reserve (non-recycling) HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total other comprehensive income HK$ million
2020										
Exchange differences:										
– translation of financial statements of foreign entities	–	3,473	–	–	–	–	–	3,473	11	3,484
Cash flow hedges:										
– effective portion of changes in fair value, net of deferred tax	–	–	–	–	459	–	–	459	–	459
– reclassification from equity to profit or loss, net of deferred tax	–	–	–	–	(749)	–	–	(749)	–	(749)
– cost of hedging – change in fair value, net of deferred tax	–	–	–	–	118	–	–	118	–	118
– cost of hedging - reclassified to profit or loss, net of deferred tax	–	–	–	–	16	–	–	16	–	16
Investments in equity securities designated as financial assets at FVOCI:										
– changes in fair value	–	–	–	(27)	–	–	–	(27)	(2)	(29)
Share of other comprehensive income of associates and joint ventures	–	2,167	–	(200)	(23)	–	28	1,972	–	1,972
Other comprehensive income for the year	–	5,640	–	(227)	(179)	–	28	5,262	9	5,271
2021										
Exchange differences:										
– translation of financial statements of foreign entities	–	**1,550**	–	–	–	–	–	**1,550**	**19**	**1,569**
Cash flow hedges:										
– effective portion of changes in fair value, net of deferred tax	–	–	–	–	**(322)**	–	–	**(322)**	–	**(322)**
– reclassification from equity to profit or loss, net of deferred tax	–	–	–	–	**609**	–	–	**609**	–	**609**
– cost of hedging – change in fair value, net of deferred tax	–	–	–	–	**(84)**	–	–	**(84)**	–	**(84)**
– cost of hedging – reclassified to profit or loss, net of deferred tax	–	–	–	–	**(100)**	–	–	**(100)**	–	**(100)**
Investments in equity securities designated as financial assets at FVOCI:										
– changes in fair value	–	–	–	**(11)**	–	–	–	**(11)**	**4**	**(7)**
Share of other comprehensive income of associates and joint ventures	–	**1,150**	**1**	**(84)**	**(2)**	–	**35**	**1,100**	–	**1,100**
Other comprehensive income for the year	–	**2,700**	**1**	**(95)**	**101**	–	**35**	**2,742**	**23**	**2,765**

14 Earnings per share

(a) Reported earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of HK$13,195 million (2020: HK$10,192 million) and the weighted average number of 4,841 million ordinary shares (2020: 4,841 million ordinary shares) in issue during the year.

Diluted earnings per share were the same as the basic earnings per share for the year and the corresponding year ended 31 December 2020 as there were no dilutive potential ordinary shares in existence during both years.

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the profit attributable to equity shareholders of the Company after excluding the effects of changes in fair value of investment properties and investment properties under development ("Underlying Profit") of HK$13,624 million (2020: HK$14,899 million). A reconciliation of profit is as follows:

	2021 HK$ million	2020 HK$ million
Profit attributable to equity shareholders of the Company	**13,195**	10,192
Fair value (gain)/loss of investment properties and investment properties under development during the year (after deducting non-controlling interests' attributable share and deferred tax) (note 16(c))	**(26)**	2,964
Share of fair value loss of investment properties (net of deferred tax) during the year:		
– associates (note 16(c))	**16**	445
– joint ventures (note 16(c))	**129**	1,159
The Group's attributable share of the cumulative fair value gain of investment properties disposed of during the year, net of tax:		
– subsidiaries	**310**	139
Underlying Profit	**13,624**	14,899
Underlying earnings per share, based on the weighted average number of ordinary shares in issue during the year (note 14(a))	**HK$2.81**	HK$3.08

15 Segment reporting

The Group manages its businesses by a mixture of business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

Property development	:	Development and sale of properties
Property leasing	:	Leasing of properties
Department stores and supermarket-cum-stores operations	:	Operation and management of department stores and supermarket-cum-stores
Other businesses	:	Hotel operation and management, construction, provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, food and beverage operation, travel operation, as well as the trading of building materials and disposal of leasehold land
Utility and energy	:	Production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases.

Revenue and expenses are allocated to the reportable segments with reference to revenues generated by those segments and the expenses incurred by those segments. Segment results form the basis of measurement used for assessing segment performance and represent profit or loss before reversal of provision/(provision) on inventories, net, sales of property interests, gain on re-measurement of previously held interest in a former associate upon obtaining of control, fair value change on investment properties and investment properties under development, net finance costs, income tax and items not specifically attributed to individual reportable segments, such as unallocated head office and corporate expenses, net.

15 Segment reporting (continued)

(a) Results of reportable segments

Information regarding the Group's and its share of associates and joint ventures on reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and performance assessment for the years ended 31 December 2021 and 31 December 2020 is set out below:

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures				Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue *(note (i))* HK$ million	Segment results HK$ million	Share of revenue HK$ million	Share of segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million	Revenue HK$ million	Segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million
For the year ended 31 December 2021										
Property development										
Hong Kong	10,805	3,920	902	322	11,707	4,242	(89)	(49)	11,618	4,193
Mainland China	1,825	759	4,984	844	6,809	1,603	–	–	6,809	1,603
	12,630	4,679	5,886	1,166	18,516	5,845	(89)	(49)	18,427	5,796
Property leasing										
Hong Kong	4,462	2,928	2,349	1,859	6,811	4,787	(277)	(231)	6,534	4,556
Mainland China	2,043	1,579	73	59	2,116	1,638	(19)	(12)	2,097	1,626
	(note (ii)) 6,505	4,507	2,422	1,918	8,927	6,425	(296)	(243)	8,631	6,182
Department stores and supermarket-cum-stores operations	1,791	200	–	–	1,791	200	(544)	(21)	1,247	179
Other businesses	2,601	995	317	(847)	2,918	148	(282)	31	2,636	179
	23,527	10,381	8,625	2,237	32,152	12,618	(1,211)	(282)	30,941	12,336
Utility and energy	–	–	32,139	4,085	32,139	4,085	–	–	32,139	4,085
	23,527	10,381	40,764	6,322	64,291	16,703	(1,211)	(282)	63,080	16,421
Reversal of provision/(provision) on inventories, net		*(note 7)* 77		(18)		59		(4)		55
Sales of property interests		*(note 7)* 162		–		162		–		162
Gain on re-measurement of previously held interest in a former associate upon obtaining of control		*(note 7)* 1,889		–		1,889		–		1,889
Unallocated head office and corporate expenses, net		(519)		(295)		(814)		6		(808)
Profit from operations		11,990		6,009		17,999		(280)		17,719
Increase/(decrease) in fair value of investment properties and investment properties under development		59		(152)		(93)		33		(60)
Finance costs	(note 8(a))	(600)		(756)		(1,356)		50		(1,306)
Bank interest income		109		170		279		(8)		271
Net finance costs		(491)		(586)		(1,077)		42		(1,035)
Profit before taxation		11,558		5,271		16,829		(205)		16,624
Income tax		(2,018)		(1,451)		(3,469)		40		(3,429)
Profit for the year		9,540		3,820		13,360		(165)		13,195

15 Segment reporting (continued)

(a) Results of reportable segments (continued)

In relation to the share of profits less losses of associates and joint ventures:

	Property development HK$ million	Property leasing HK$ million	Other businesses HK$ million	Sub-total HK$ million	Utility and energy HK$ million	Total HK$ million
For the year ended 31 December 2021						
Share of profits less losses of associates *(note (iii))*						
– Listed associates						
The Hong Kong and China Gas Company Limited	–	203	(955)	(752)	2,833	2,081
Miramar *(note)*	–	61	(16)	45	–	45
Hong Kong Ferry (Holdings) Company Limited	(10)	45	4	39	–	39
– Unlisted associates	38	37	(47)	28	–	28
	28	346	(1,014)	(640)	2,833	2,193
Share of profits less losses of joint ventures *(note (iv))*	683	1,010	(66)	1,627	–	1,627
	711	1,356	(1,080)	987	2,833	3,820

Note:

As referred to in note 5 to these financial statements, the Group has accounted for Miramar as an indirect non-wholly-owned subsidiary and consolidated Miramar's financial results for the period from 14 April 2021 to 31 December 2021 (both dates inclusive) into the Group's consolidated financial statements for the year ended 31 December 2021. For the period from 1 January 2021 to 13 April 2021 (both dates inclusive), Miramar was an associate of the Group and the financial results of Miramar for such period were accounted for in the Group's consolidated financial statements for the same period under the equity method of accounting.

15 Segment reporting (continued)

(a) Results of reportable segments (continued)

	Company and its subsidiaries (before deducting non-controlling interests)		Associates and joint ventures				Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue *(note (i))* HK$ million	Segment results HK$ million	Share of revenue HK$ million	Share of segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million	Revenue HK$ million	Segment results HK$ million	Combined revenue HK$ million	Consolidated segment results HK$ million
For the year ended 31 December 2020										
Property development										
Hong Kong	14,147	7,784	–	(6)	14,147	7,778	(105)	(48)	14,042	7,730
Mainland China	1,862	864	5,204	1,059	7,066	1,923	–	(4)	7,066	1,919
	16,009	8,648	5,204	1,053	21,213	9,701	(105)	(52)	21,108	9,649
Property leasing										
Hong Kong	3,985	2,697	2,797	2,307	6,782	5,004	(8)	(4)	6,774	5,000
Mainland China	1,792	1,442	37	25	1,829	1,467	–	–	1,829	1,467
	(note (ii)) 5,777	4,139	2,834	2,332	8,611	6,471	(8)	(4)	8,603	6,467
Department stores and supermarket-cum-stores operations	1,837	241	–	–	1,837	241	(562)	(55)	1,275	186
Other businesses	1,397	492	402	(379)	1,799	113	(111)	(25)	1,688	88
	25,020	13,520	8,440	3,006	33,460	16,526	(786)	(136)	32,674	16,390
Utility and energy	–	–	24,252	4,061	24,252	4,061	–	–	24,252	4,061
	25,020	13,520	32,692	7,067	57,712	20,587	(786)	(136)	56,926	20,451
(Provision)/ reversal of provision on inventories, net		*(note 7)* (4)		2		(2)		–		(2)
Sales of property interests		*(note 7)* 229		–		229		(1)		228
Unallocated head office and corporate expenses, net		(1,574)		(374)		(1,948)		3		(1,945)
Profit from operations		12,171		6,695		18,866		(134)		18,732
Decrease in fair value of investment properties and investment properties under development		(2,413)		(1,576)		(3,989)		(2)		(3,991)
Finance costs	(note 8(a))	(558)		(685)		(1,243)		33		(1,210)
Bank interest income		354		181		535		(3)		532
Net finance costs		(204)		(504)		(708)		30		(678)
Profit before taxation		9,554		4,615		14,169		(106)		14,063
Income tax		(2,431)		(1,455)		(3,886)		15		(3,871)
Profit for the year		7,123		3,160		10,283		(91)		10,192

15 Segment reporting (continued)

(a) Results of reportable segments (continued)

In relation to the share of profits less losses of associates and joint ventures:

	Property development HK$ million	Property leasing HK$ million	Other businesses HK$ million	Sub-total HK$ million	Utility and energy HK$ million	Total HK$ million
For the year ended 31 December 2020						
Share of profits less losses of associates *(note (iii))*						
– Listed associates						
The Hong Kong and China Gas Company Limited	–	14	(532)	(518)	3,013	2,495
Miramar	–	217	25	242	–	242
Hong Kong Ferry (Holdings) Company Limited	(6)	12	3	9	–	9
– Unlisted associates	(110)	(99)	(13)	(222)	–	(222)
	(116)	144	(517)	(489)	3,013	2,524
Share of profits less losses of joint ventures *(note (iv))*	639	44	(47)	636	–	636
	523	188	(564)	147	3,013	3,160

Notes:

(i) *The revenue figures above are arrived at after the elimination of inter-segment revenues, in the amounts of HK$356 million (2020: HK$335 million) and HK$1,458 million (2020: HK$1,079 million) in relation to the reportable segments under property leasing and others, respectively.*

(ii) *Revenue for the property leasing segment comprises rental income of HK$5,732 million (2020: HK$5,167 million) and rental-related income of HK$773 million (2020: HK$610 million), which in aggregate amounted to HK$6,505 million for the year (2020: HK$5,777 million) (see note 6).*

(iii) *The Group's share of profits less losses of associates contributed from the property leasing segment during the year of HK$346 million (2020: HK$144 million) includes the net decrease in fair value of investment properties (net of deferred tax) during the year of HK$16 million (2020: HK$445 million) (see note 16(c)).*

The Group's share of losses less profits of associates contributed from other businesses segment during the year of HK$1,014 million (2020: HK$517 million) includes the Group's share of loss after tax from hotel operation and management during the year of HK$19 million (2020: HK$31 million).

(iv) *The Group's share of profits less losses of joint ventures contributed from the property leasing segment during the year of HK$1,010 million (2020: HK$44 million) includes the net decrease in fair value of investment properties (net of deferred tax) during the year of HK$129 million (2020: HK$1,159 million) (see note 16(c)).*

The Group's share of losses less profits of joint ventures contributed from other businesses segment during the year of HK$66 million (2020: HK$47 million) includes the Group's share of loss after tax contributed from hotel operation and management during the year of HK$63 million (2020: HK$67 million).

15 Segment reporting (continued)

(b) Geographical information

The following table sets out information about the geographical segment location of (i) the Group's revenue from external customers; and (ii) the Group's investment properties, other property, plant and equipment, right-of-use assets, goodwill, trademarks, interests in associates and joint ventures (together, the "Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the Specified non-current assets is based on the physical location of the asset in the case of investment properties, other property, plant and equipment and right-of-use assets, the location of the operation to which the cash-generating unit(s) is(are) allocated in the case of goodwill and trademarks, and the location of operations in the case of interests in associates and joint ventures.

	Revenue from external customers		**Specified non-current assets**	
	For the year ended 31 December		**At 31 December**	
	2021	2020	**2021**	2020
	HK$ million	HK$ million	**HK$ million**	HK$ million
Hong Kong	**19,455**	21,336	**315,198**	249,825
Mainland China	**4,072**	3,684	**85,322**	73,061
The United Kingdom	**–**	–	**37**	–
	23,527	25,020	**400,557**	322,886
	(note 6)	(note 6)		

(c) Other segment information

	Depreciation and amortisation		**Impairment loss on trade debtors**	
	For the year ended 31 December		**For the year ended 31 December**	
	2021	2020	**2021**	2020
	HK$ million	HK$ million	**HK$ million**	HK$ million
Property development	**83**	92	**–**	–
Property leasing	**52**	34	**1**	5
Department stores and supermarket-cum-stores operations	**144**	144	**–**	–
Other businesses	**226**	158	**–**	1
	505	428	**1**	6
	(note 8(d))	(note 8(d))	**(notes 7 and 27(b))**	(notes 7 and 27(b))

16 Investment properties and other property, plant and equipment

(a) Reconciliation of carrying amount

	Investment properties HK$ million	Investment properties under development HK$ million	Sub-total HK$ million	Other land and buildings HK$ million	Plant and equipment HK$ million	Sub-total HK$ million	Total HK$ million
Cost or valuation:							
At 1 January 2020	139,884	43,079	182,963	242	1,262	1,504	184,467
Exchange adjustments	2,030	963	2,993	6	10	16	3,009
Additions	317	2,659	2,976	1	83	84	3,060
Disposals	(398)	–	(398)	–	(8)	(8)	(406)
Written off	–	–	–	–	(16)	(16)	(16)
(Deficit)/surplus on revaluation	(3,770)	1,357	(2,413)	–	–	–	(2,413)
Transfer to investment properties	3,749	(3,749)	–	–	–	–	–
Transfer from inventories	66	406	472	–	–	–	472
At 31 December 2020	141,878	44,715	186,593	249	1,331	1,580	188,173
Representing:							
Cost	–	1,357	1,357	249	1,331	1,580	2,937
Valuation	141,878	43,358	185,236	–	–	–	185,236
	141,878	44,715	186,593	249	1,331	1,580	188,173
Accumulated depreciation and impairment losses:							
At 1 January 2020	–	–	–	60	1,055	1,115	1,115
Exchange adjustments	–	–	–	–	8	8	8
Charge for the year (note 8(d))	–	–	–	6	71	77	77
Written back on disposals	–	–	–	–	(7)	(7)	(7)
Written off	–	–	–	–	(13)	(13)	(13)
At 31 December 2020	–	–	–	66	1,114	1,180	1,180
Net book value:							
At 31 December 2020	141,878	44,715	186,593	183	217	400	186,993

16 Investment properties and other property, plant and equipment (continued)

(a) Reconciliation of carrying amount (continued)

	Investment properties HK$ million	Investment properties under development HK$ million	Sub-total HK$ million	Hotel properties HK$ million	Other land and buildings HK$ million	Plant and equipment HK$ million	Sub-total HK$ million	Total HK$ million
Cost or valuation:								
At 1 January 2021	141,878	44,715	186,593	–	249	1,331	1,580	188,173
Exchange adjustments	988	268	1,256	–	2	10	12	1,268
Additions	115	55,179	55,294	–	–	134	134	55,428
Consolidation of Miramar upon obtaining of control (note 5)	17,029	–	17,029	3,406	99	1,537	5,042	22,071
Reclassification	(781)	–	(781)	790	–	(9)	781	–
Disposals	(483)	–	(483)	–	(21)	(97)	(118)	(601)
Written off	–	–	–	–	–	(34)	(34)	(34)
Surplus/(deficit) on revaluation	703	(644)	59	–	–	–	–	59
Transfer to investment properties	1,719	(1,719)	–	–	–	–	–	–
Transfer from/(to) inventories	–	1,274	1,274	–	(29)	–	(29)	1,245
At 31 December 2021	161,168	99,073	260,241	4,196	300	2,872	7,368	267,609
Representing:								
Cost	–	3,725	3,725	4,196	300	2,872	7,368	11,093
Valuation	161,168	95,348	256,516	–	–	–	–	256,516
	161,168	99,073	260,241	4,196	300	2,872	7,368	267,609
Accumulated depreciation and impairment losses:								
At 1 January 2021	–	–	–	–	66	1,114	1,180	1,180
Exchange adjustments	–	–	–	–	1	4	5	5
Consolidation of Miramar upon obtaining of control (note 5)	–	–	–	106	5	1,457	1,568	1,568
Charge for the year (note 8(d))	–	–	–	46	6	94	146	146
Written back on disposals	–	–	–	–	–	(86)	(86)	(86)
Written off	–	–	–	–	–	(34)	(34)	(34)
Transfer to inventories	–	–	–	–	(10)	–	(10)	(10)
At 31 December 2021	–	–	–	152	68	2,549	2,769	2,769
Net book value:								
At 31 December 2021	161,168	99,073	260,241	4,044	232	323	4,599	264,840

16 Investment properties and other property, plant and equipment (continued)

(b) The analysis of net book value of properties is as follows:

	2021 HK$ million	2020 HK$ million
In Hong Kong		
– under long leases	**12,446**	11,805
– under medium-term leases	**199,219**	125,159
	211,665	136,964
Outside Hong Kong		
– under long leases	**10**	10
– under medium-term leases	**52,805**	49,802
– freehold	**37**	–
	52,852	49,812
	264,517	186,776

(c) Fair value measurement of investment properties and investment properties under development

Fair value hierarchy

The fair value of the Group's investment properties and investment properties under development is measured at the end of the reporting period on a recurring basis, categorised 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 is determined with reference to the observability and significance of the inputs used in the valuation technique 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.

16 Investment properties and other property, plant and equipment (continued)

(c) Fair value measurement of investment properties and investment properties under development (continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2021 HK$ million	**Fair value measurements at 31 December 2021 categorised into Level 3 HK$ million**
Recurring fair value measurement		
Investment properties:		
– In Hong Kong	**126,475**	**126,475**
– In mainland China	**34,693**	**34,693**
Investment properties under development:		
– In Hong Kong	**77,320**	**77,320**
– In mainland China	**18,028**	**18,028**

	Fair value at 31 December 2020 HK$ million	Fair value measurements at 31 December 2020 categorised into Level 3 HK$ million
Recurring fair value measurement		
Investment properties:		
– In Hong Kong	108,892	108,892
– In mainland China	32,986	32,986
Investment properties under development:		
– In Hong Kong	26,628	26,628
– In mainland China	16,730	16,730

During the years ended 31 December 2021 and 31 December 2020, there were no transfers between Level 1 and Level 2, or transfers into and out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period during which they occur.

16 Investment properties and other property, plant and equipment (continued)

(c) Fair value measurement of investment properties and investment properties under development (continued)

Valuation process

The Group's investment properties and investment properties under development were revalued at 31 December 2021 by Cushman & Wakefield Limited, a firm of professional surveyors who have among their staff Members of The Hong Kong Institute of Surveyors with recent experience in the location and category of the properties being valued, on a market value basis.

The Group's management has reviewed the valuation results performed by the surveyors for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation. Such valuation is performed at each interim and annual reporting date and is reviewed and approved by senior management.

Valuation methodologies

The valuations of completed investment properties in Hong Kong and mainland China were based on income capitalisation approach which capitalised the net income of the properties and taking into account the reversionary potential of the properties after expiry of the current lease.

For certain investment properties in Hong Kong and mainland China which are still under development, the valuations were determined on redevelopment basis and by taking into account the fair value of the completed investment property and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

Inputs used in Level 3 fair value measurement

Below is a table which presents the significant unobservable inputs:

Completed investment properties

	Range of capitalisation rates		Range of occupancy rates	
	2021	2020	**2021**	2020
	%	%	**%**	%
In Hong Kong				
– Retail	**2.75%-6.0%**	2.75%-5.5%	**33%-100%**	44%-100%
– Office/industrial	**3.0%-4.125%**	3.0%-4.0%	**43%-100%**	73%-100%
In mainland China				
– Retail	**6.0%-8.5%**	5.5%-8.0%	**70%-100%**	45%-100%
– Office	**6.0%-7.5%**	6.0%-7.5%	**50%-100%**	37%-100%

The fair value measurement of completed investment properties is positively correlated to the occupancy rate and negatively correlated to the capitalisation rate.

16 Investment properties and other property, plant and equipment (continued)

(c) Fair value measurement of investment properties and investment properties under development (continued)

Inputs used in Level 3 fair value measurement (continued)

Investment properties under development

	Estimated project development cost	
	2021	2020
In Hong Kong	**HK$7 million to HK$11,626 million**	HK$8 million to HK$4,572 million
In mainland China	**HK$1,262 million to HK$2,358 million**	HK$2,065 million

The fair value measurement of investment properties under development is negatively correlated to the estimated cost to completion, being determined as the estimated project development cost less the actual amount of project development cost incurred up to the end of the reporting period.

Valuation

As a result, a net fair value gain on investment properties and investment properties under development in Hong Kong and mainland China (after deducting non-controlling interests' attributable share and deferred tax) in the aggregate amount of HK$26 million (2020: a net fair value loss on investment properties and investment properties under development in Hong Kong and mainland China (after deducting non-controlling interests' attributable share and deferred tax) in the aggregate amount of HK$2,964 million) has been recognised in the consolidated statement of profit or loss for the year (see note 14(b)).

In aggregate, the Group's attributable share of the net fair value losses (net of deferred tax) on investment properties and investment properties under development held by subsidiaries, associates and joint ventures for the year ended 31 December 2021 amounted to HK$119 million (2020: HK$4,568 million).

A reconciliation of the abovementioned figures is as follows:

	For the year ended 31 December 2021		
	Hong Kong HK$ million	**Mainland China HK$ million**	**Total HK$ million**
Fair value (loss)/gain on investment properties and investment properties under development held by			
– subsidiaries (before deducting non-controlling interests' attributable share and deferred tax)	**(149)**	**208**	**59**
Less:			
Deferred tax	**–**	**(66)**	**(66)**
Non-controlling interests' attributable share of the fair value loss/(gain) (net of deferred tax)	**34**	**(1)**	**33**
(after deducting non-controlling interests' attributable share and deferred tax) (note 14(b))	**(115)**	**141**	**26**
– associates (Group's attributable share) (notes 14(b) and 15(a)(iii))	**(16)**	**–**	**(16)**
– joint ventures (Group's attributable share) (notes 14(b) and 15(a)(iv))	**(105)**	**(24)**	**(129)**
	(236)	**117**	**(119)**

16 Investment properties and other property, plant and equipment (continued)

(c) Fair value measurement of investment properties and investment properties under development (continued)

Valuation (continued)

	For the year ended 31 December 2020		
	Hong Kong HK$ million	Mainland China HK$ million	Total HK$ million
Fair value (loss)/gain on investment properties and investment properties under development held by			
– subsidiaries (before deducting non-controlling interests' attributable share and deferred tax)	(4,487)	2,074	(2,413)
Less:			
Deferred tax	–	(549)	(549)
Non-controlling interests' attributable share of the fair value gain (net of deferred tax)	(2)	–	(2)
(after deducting non-controlling interests' attributable share and deferred tax) (note 14(b))	(4,489)	1,525	(2,964)
– associates (Group's attributable share) (notes 14(b) and 15(a)(iii))	(445)	–	(445)
– joint ventures (Group's attributable share) (notes 14(b) and 15(a)(iv))	(1,244)	85	(1,159)
	(6,178)	1,610	(4,568)

(d) All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

(e) Valuation uncertainty due to COVID-19

The impact of COVID-19 pandemic on the economic outlook may have an adverse effect on certain tenants' business operations, business viabilities and abilities to meet rental obligations. Such uncertainty has been considered in the valuation of investment property, especially in estimating the market rents and the market yields, all of which are significant inputs into the fair value measurement.

The market disruption caused by COVID-19 pandemic has also resulted in a reduction in transactional evidence and market yields. Whilst this would not invalidate the valuation of the Group's portfolio of investment properties at 31 December 2021, it nevertheless implies that there is more uncertainty than under normal market conditions.

17 Right-of-use assets

	2021 HK$ million	2020 HK$ million
Cost:		
At 1 January	**1,166**	1,113
Exchange adjustments	**1**	1
Additions for the year (note 31)	**170**	646
Addition due to the Group's obtaining of control in Miramar (note 5)	**191**	–
Elimination in relation to leasing activities between the Group's other subsidiaries and Miramar	**(154)**	–
Reinstatement cost	**–**	4
Written back on expiry of leases	**(69)**	(598)
At 31 December	**1,305**	1,166
Accumulated depreciation and impairment losses:		
At 1 January	**416**	662
Exchange adjustments	**1**	1
Addition due to the Group's obtaining of control in Miramar (note 5)	**136**	–
Elimination in relation to leasing activities between the Group's other subsidiaries and Miramar	**(51)**	–
Charge for the year (note 8(d))	**356**	351
Impairment loss	**9**	–
Written back on expiry of leases	**(69)**	(598)
At 31 December	**798**	416
Net book value:		
At 31 December	**507**	750

17 Right-of-use assets (continued)

Except for short-term leases and leases of low-value assets of the Group of which the Company or any of its subsidiaries is a lessee and in relation to which the recognition exemption under HKFRS 16 is applicable, the Group recognises for each of the remaining leases (the “Remaining Leases”) a right-of-use asset.

Depreciation charge on the right-of-use assets is recognised using the straight-line method over a period of 2 years to 8 years, being the period from the dates of the commencement/modification of the Remaining Leases to the end of the term of the Remaining Leases taking into consideration any renewal options attaching thereto (if any).

The carrying balances of the right-of-use assets are amortised to nil on the expiry dates of the Remaining Leases.

Indirect ownership interests in leasehold land and buildings relate to certain investment properties held by (i) an associate and a joint venture of the Group; and (ii) Sunlight Real Estate Investment Trust (“Sunlight REIT”). Other properties leased for own use relate to certain property interests held by external third parties.

Further analysis of right-of-use assets by category, at net book values, is as follows:

	2021 HK$ million	2020 HK$ million
At 1 January		
– Indirect ownership interests in leasehold land and buildings	**510**	145
– Other properties leased for own use	**240**	306
	750	451
At 31 December		
– Indirect ownership interests in leasehold land and buildings	**300**	510
– Other properties leased for own use	**207**	240
	507	750

18 Goodwill

Goodwill of HK$262 million had arisen from the acquisition of UNY (HK) Co., Limited (which was subsequently renamed as Unicorn Stores (HK) Limited on 27 July 2018) by Henderson Investment Limited, a listed subsidiary of the Company, in May 2018.

The Directors have assessed that there was no impairment on the goodwill at 31 December 2021 and 31 December 2020.

19 Trademarks

	HK$ million
Cost:	
At 1 January 2021	–
Addition due to the Group's obtaining of control in Miramar on 14 April 2021 (note 5)	**109**
At 31 December 2021	**109**
Accumulated amortisation:	
At 1 January 2021	–
Amortisation during the period from 14 April 2021 to 31 December 2021 (note 8(d))	**3**
At 31 December 2021	**3**
Carrying amount:	
At 31 December 2021	**106**

On 14 April 2021, the Group obtained control of Miramar (see note 5) and has adopted the purchase price allocation method and identified Miramar's trademarks as an identifiable asset measured at fair value at 14 April 2021 based on the Directors' valuation with reference to the valuation performed by a professional valuer.

The amortisation charge on the cost of the trademarks of Miramar's food and beverage operation and travel operation, in the aggregate amount of HK$3 million for the period from 14 April 2021 to 31 December 2021 (2020: Nil), is included in "administrative expenses" in the Group's consolidated statement of profit or loss.

20 Interest in subsidiaries

Details of the principal subsidiaries at 31 December 2021 which materially affected the results, assets or liabilities of the Group or whose business activities are representative of the Group's business portfolio are set out on pages 296 to 302.

The following table lists out the information relating to Miramar, the only subsidiary of the Group which has a material non-controlling interest not held by the Group ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination and consolidation adjustments.

	2021 HK$ million
NCI percentage	**49.925%**
Current assets	**5,604**
Non-current assets	**15,478**
Current liabilities	**(527)**
Non-current liabilities	**(513)**
Non-controlling interests	**(160)**
Net assets attributable to equity shareholders	**19,882**
Carrying amount of NCI	**9,926**
Revenue	**1,247**
Profit for the year	**336**
Total comprehensive income	**376**
Profit allocated to NCI for the period from 14 April 2021 to 31 December 2021	**128**
Dividends paid to NCI for the period from 14 April 2021 to 31 December 2021	**166**
Cash flows generated from operating activities	**202**
Cash flows used in investing activities	**(1,477)**
Cash flows used in financing activities	**(53)**

21 Interest in associates

	2021 HK$ million	2020 HK$ million
Unlisted		
Share of net assets	**3,447**	3,367
Amounts due from associates	**2,765**	3,581
Less: Impairment loss	**(44)**	–
	6,168	6,948
Listed in Hong Kong		
Share of net assets, including goodwill on acquisition	**47,787**	57,890
	53,955	64,838
Market value of listed shares	**94,721**	90,671

Except for the amounts due from associates of HK$24 million (2020: HK$33 million) which are interest-bearing at Hong Kong dollar prime rate less 3% (2020: Hong Kong dollar prime rate less 3%) per annum, all of the amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. The balances are not expected to be recovered within one year from the end of the reporting period and are not past due.

21 Interest in associates (continued)

All of the associates are accounted for using the equity method in the consolidated financial statements. Details of the principal associates at 31 December 2021 are set out on page 303.

Summarised financial information of the material associate, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	The Hong Kong and China Gas Company Limited *(note)*	
	2021 HK$ million	2020 HK$ million
Gross amounts of the associate's:		
Current assets	**24,188**	20,157
Non-current assets	**144,021**	130,356
Current liabilities	**(38,534)**	(29,806)
Non-current liabilities	**(47,713)**	(41,339)
Equity	**81,962**	79,368
Revenue	**53,564**	40,927
Profit from continuing operation	**6,226**	7,212
Other comprehensive income	**2,095**	3,227
Total comprehensive income	**8,321**	10,439
Dividend received from the associate	**2,627**	2,502
Reconciled to the Group's interest in the associate:		
Gross amount of net assets of the associate	**81,962**	79,368
Carrying amount of perpetual capital securities	**(2,384)**	(2,384)
Non-controlling interests	**(12,028)**	(10,011)
Equity attributable to equity shareholders	**67,550**	66,973
Group's interest	**41.53%**	41.53%
Group's share of the associate's equity attributable to equity shareholders	**28,054**	27,814
Goodwill	**17,519**	17,519
Carrying amount in the consolidated financial statements	**45,573**	45,333
Market value of the listed shares	**94,069**	85,457

Note: The principal activities of The Hong Kong and China Gas Company Limited are the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses. Its distinctive business nature forms a supplement to the Group's core business of property development and property investment to smooth out the cyclicality of the Group's property development business.

21 Interest in associates (continued)

Aggregate information of associates that are not individually material:

	2021 HK$ million	2020 HK$ million
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**8,382**	19,505
Aggregate amounts of the Group's share of those associates:		
Profit from continuing operation	**112**	29
Other comprehensive income	**102**	239
Total comprehensive income	**214**	268

22 Interest in joint ventures

	2021 HK$ million	2020 HK$ million
Share of net assets	**53,593**	44,279
Less: Impairment loss	**(2)**	(2)
	53,591	44,277
Amounts due from joint ventures	**27,296**	25,766
	80,887	70,043

The amounts due from joint ventures are unsecured, interest-free, have no fixed terms of repayment and are not expected to be recovered within one year from the end of the reporting period except for the amounts of HK$10 million (2020: HK$11 million), HK$3 million (2020: HK$196 million), HK$7,831 million (2020: HK$2,910 million) and HK$25 million (2020: HK$Nil) which are interest-bearing at Hong Kong dollar prime rate (2020: Hong Kong dollar prime rate) per annum, Hong Kong Interbank Offered Rate ("HIBOR") plus 0.5% (2020: HIBOR plus 0.5%) per annum, HIBOR plus 1% (2020: HIBOR plus 1%) per annum and Hong Kong dollar prime rate less 3% (2020: Nil) per annum respectively. The balances are not past due.

All of the joint ventures are accounted for using the equity method in the consolidated financial statements. Details of the principal joint ventures at 31 December 2021 are set out on page 304.

22 Interest in joint ventures (continued)

Summarised financial information of the material joint venture, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Central Waterfront Property Investment Holdings Limited *(note)*	
	2021 HK$ million	2020 HK$ million
Gross amounts of the joint venture's:		
Current assets	**505**	717
Non-current assets	**114,932**	114,627
Current liabilities	**(2,767)**	(2,434)
Non-current liabilities	**(17,551)**	(18,006)
Equity	**95,119**	94,904
Included in the above assets and liabilities:		
Cash and cash equivalents	**178**	190
Current financial liabilities (excluding trade and other payables and provisions)	**(1,000)**	(500)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(16,385)**	(16,875)
Revenue	**4,915**	5,121
Decrease in fair value of investment properties	**(21)**	(3,021)
Profit/(loss) from continuing operation	**2,657**	(149)
Other comprehensive income	**(22)**	26
Total comprehensive income	**2,635**	(123)
Dividend received from the joint venture	**828**	907
Included in the above profit/(loss):		
Depreciation and amortisation	**(73)**	(61)
Interest income	**–**	4
Interest expense	**(306)**	(417)
Income tax expense	**(512)**	(573)
Reconciled to the Group's interest in the joint venture:		
Gross amount of net assets of the joint venture	**95,119**	94,904
Group's interest	**34.21%**	34.21%
Group's share of net assets of the joint venture and its carrying amount in the consolidated financial statements	**32,540**	32,467

Note: Central Waterfront Property Investment Holdings Limited was incorporated in the British Virgin Islands by the Group and its joint venture partners and operates in Hong Kong. Its subsidiaries are mainly engaged in property investment and hotel operation in the International Finance Centre complex in Hong Kong.

22 Interest in joint ventures (continued)

Aggregate information of joint ventures that are not individually material:

	2021 HK$ million	2020 HK$ million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**48,347**	37,576
Aggregate amounts of the Group's share of those joint ventures:		
Profit from continuing operation	**718**	687
Other comprehensive income	**410**	637
Total comprehensive income	**1,128**	1,324

23 Derivative financial instruments

	2021		2020	
	Assets HK$ million	Liabilities HK$ million	Assets HK$ million	Liabilities HK$ million
Cash flow hedges:				
Cross currency interest rate swap contracts (note 4(h)(i))	**714**	**347**	1,161	131
Interest rate swap contracts (note 4(h)(i))	**5**	**74**	–	332
Total cash flow hedges	**719**	**421**	1,161	463
Fair value through profit or loss:				
Cross currency interest rate swap contracts (note 4(h)(i))	**8**	**4**	17	13
Cross currency swap contracts (note 4(h)(i))	**–**	**–**	–	6
Interest rate swap contracts (note 4(h)(i))	**199**	**306**	400	767
Foreign exchange forward contracts (note 4(h)(i))	**26**	**25**	8	–
	233	**335**	425	786
	952	**756**	1,586	1,249
Representing:				
Non-current portion	**769**	**720**	1,319	1,190
Current portion (notes 27 and 30)	**183**	**36**	267	59
	952	**756**	1,586	1,249

Details of the Group's derivative financial instruments under cash flow hedges, and derivative financial instruments which hedge against (i) foreign currency risk and interest rate risk but not under cash flow hedges; (ii) interest rate risk but not under cash flow hedges; and (iii) foreign currency risk but not under cash flow hedges (and where all of (i), (ii) and (iii) are referred to as "economic hedge"), at 31 December 2021 and 31 December 2020 are set out in note 4(c) to these financial statements.

24 Other financial assets

	2021 HK$ million	2020 HK$ million
Investments designated as financial assets at FVOCI (non-recycling)		
Investments in equity securities		
Unlisted (note 4(h)(i))	**59**	79
Listed (note 4(h)(i)):		
– in Hong Kong	**124**	78
	183	157
Investments measured as financial assets at FVPL		
Investments in other securities		
Listed (note 4(h)(i)):		
– in Hong Kong	**1,364**	1,133
	1,364	1,133
Financial assets measured at amortised cost		
Corporate bonds	**8**	–
Instalments receivable	**6,409**	7,672
Loans receivable	**1,139**	2,224
	7,556	9,896
	9,103	11,186

(a) Instalments receivable

Instalments receivable represent the proceeds receivable from the sale of properties due after more than one year from the end of the reporting period. The balance included in "Other financial assets" is not past due. Instalments receivable due within one year from the end of the reporting period are included in "Trade and other receivables" under current assets (see note 27).

Instalments receivable, which are due within one year (see note 27) and after more than one year from the end of the reporting period, included an amount of HK$5,329 million (2020: HK$6,529 million) representing the aggregate attributable amounts of the outstanding mortgage loans advanced by the Group to the property buyers and which were already drawdown by the property buyers at the end of the reporting period.

(b) Loans receivable

The Group's loans receivable comprised the following amounts:

	2021 HK$ million	2020 HK$ million
Secured loans	**949**	–
Unsecured loans	**190**	2,224
	1,139	2,224

24 Other financial assets (continued)

(b) Loans receivable (continued)

At 31 December 2021, except for an amount of HK$550 million which is interest-bearing at HIBOR plus 2.25% per annum, the remaining balance of the abovementioned secured loans in the aggregate amount of HK$399 million is interest-bearing at fixed interest rate of 5.5% per annum (2020: Nil).

The entire balance of the abovementioned unsecured loans is interest-bearing at fixed interest rates ranging from 3.8% to 7.5% (2020: 3.8% to 7.5%) per annum.

These balances are due after more than one year from the end of the reporting period and are not past due.

The balances of loans receivable which are expected to be recovered within one year from the end of the reporting period have been classified as "Trade and other receivables" under current assets (see note 27). The balances are not past due.

25 Deposits for acquisition of properties

The Group's deposits for acquisition of properties mainly include HK$339 million (2020: HK$329 million) and HK$Nil (2020: HK$261 million) paid relating to the acquisition of certain pieces of land/properties located in mainland China and Macau Special Administrative Region of the PRC ("Macau"), respectively.

On 27 April 2005, the Group entered into a shareholders' agreement with an independent third party for acquiring 51% beneficial interest in a company incorporated in Macau which had received a land concession relating to a development site situated in Macau. A deposit of HK$561 million was made by the Group in 2005 (the "Deposit") and the Group's recoverability of the Deposit was guaranteed by a registered bank in Macau. For the reason that the conditions precedent for acquisition of the land have not been fulfilled and the acquisition cannot proceed, pursuant to the shareholders' agreement, the Group had recovered part of the Deposit in the amount of HK$300 million in September 2020 and the remaining balance of the Deposit in the amount of HK$261 million in June 2021. As a result, the entire amount of the Deposit was fully recovered by the Group at 31 December 2021.

26 Inventories

	2021 HK$ million	2020 HK$ million
Property development		
Leasehold land held for development for sale	**10,851**	10,358
Properties held for/under development for sale	**75,739**	82,792
Completed properties for sale	**22,434**	7,774
	109,024	100,924
Other operations		
Trading stocks and consumable stores	**156**	135
	109,180	101,059

26 Inventories (continued)

The analysis of carrying value of inventories for property development is as follows:

	2021 HK$ million	2020 HK$ million
In Hong Kong		
– under long leases	**38,521**	37,258
– under medium-term leases	**64,614**	57,884
	103,135	95,142
In mainland China		
– under long leases	**4,963**	5,172
– under medium-term leases	**926**	610
	5,889	5,782
	109,024	100,924
Including:		
– Properties expected to be completed after more than one year	**58,347**	75,900

27 Trade and other receivables

	2021 HK$ million	2020 HK$ million
(i) Trade receivables		
Debtors	**7,060**	8,329
Prepayments and deposits	**5,043**	3,464
Gross amount due from customers for contract work (note 28) (^)	**82**	83
Amounts due from associates	**5**	44
Amounts due from joint ventures	**148**	31
	12,338	11,951
(ii) Other current financial assets		
Instalments receivable (note 24(a))	**221**	266
Loans receivable (note 24(b))	**3,714**	3,054
Financial assets measured at FVPL (note 4(h)(i))	**388**	326
Derivative financial instruments (note 23)	**183**	267
	4,506	3,913
	16,844	15,864

(^) *These balances represent the excess of cumulative revenue recognised in profit or loss over the cumulative payments made by customers at the end of the reporting periods, and are recognised as contract assets (see note 2(p)).*

Loans receivable, of which HK$63 million (2020: HK$779 million) are secured and HK$3,651 million (2020: HK$2,275 million) are unsecured, are expected to be recovered within one year from the end of the reporting period, and are not past due.

27 Trade and other receivables (continued)

Typical payment terms which impact on the amount of contract assets recognised are as follows:

Gross amount due from customers for contract work

The Group's construction contracts include payment schedules which require staged payments over the construction period once certain milestones are reached as certified by architects' certificates. At 31 December 2021, the Group had two construction contracts for agreed retention period of twelve months for 5% to 10% of the contract value (2020: the Group had two construction contracts for agreed retention periods of twelve months and twenty-four months respectively for 10% of the contract value), which amounts are included in contract assets until the end of the retention periods as the Group's entitlements to these final payments are conditional on the Group's construction works satisfactorily passing inspection.

All of the trade and other receivables are expected to be recovered or recognised as expense within one year except for various deposits, prepayments and other receivables of HK$3,499 million (2020: HK$3,667 million) which are expected to be recovered after more than one year from the end of the reporting period.

The amounts due from associates and joint ventures are unsecured, interest-free, have no fixed terms of repayment and are not past due.

(a) Ageing analysis

At the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the dates of invoices or demand notes and net of loss allowance, is as follows:

	2021 HK$ million	2020 HK$ million
Current or up to 1 month	**405**	405
More than 1 month and up to 3 months	**44**	83
More than 3 months and up to 6 months	**18**	31
More than 6 months	**37**	33
	504	552

Details of the Group's credit policy are set out in note 4(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 2(n)(i)).

The movement in the allowance account during the year is as follows:

	2021 HK$ million	2020 HK$ million
At 1 January	**22**	15
Exchange differences	**–**	1
Addition due to the Group's obtaining of control in Miramar	**10**	–
Impairment loss (notes 7 and 15(c))	**1**	6
Uncollectible amounts written off	**(2)**	–
At 31 December	**31**	22

28 Gross amount due from/(to) customers for contract work

	2021 HK$ million	2020 HK$ million
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus profits less losses	**678**	316
Progress billings	**(600)**	(235)
Net contract work	**78**	81
Represented by:		
Gross amount due from customers for contract work recognised as contract assets under "Trade and other receivables" (note 27)	**82**	83
Gross amount due to customers for contract work recognised as contract liabilities under "Trade and other payables" (note 30)	**(4)**	(2)
	78	81

29 Cash and bank balances and movements in the carrying amounts of items relating to financing activities

(a) Cash and cash equivalents comprise:

	2021 HK$ million	2020 HK$ million
Deposits with banks and other financial institutions	**8,937**	3,523
Structured bank deposits	**39**	38
Cash at bank and in hand	**1,971**	2,246
Cash and bank balances in the consolidated statement of financial position *(note)*	**10,947**	5,807
Less:		
Deposits with banks and other financial institutions over three months of maturity at acquisition	**(2,412)**	(193)
Cash restricted for use	**(392)**	(219)
Structured bank deposits	**(39)**	(38)
Cash and cash equivalents in the consolidated cash flow statement	**8,104**	5,357

Note:

Cash and bank balances in the consolidated statement of financial position of HK$10,947 million at 31 December 2021 included Miramar's cash and bank balances in the amount of HK$5,248 million at 31 December 2021 due to the consolidation of Miramar upon obtaining of control (see note 5) (2020: Nil).

At 31 December 2021, cash and bank balances in the consolidated statement of financial position included (i) bank balances in the aggregate amount of HK$392 million (2020: HK$219 million) which were restricted for use and primarily comprised the guarantee deposits for the construction of certain property development projects under pre-sales in mainland China; and (ii) structured bank deposits denominated in Renminbi in the equivalent amount of HK$39 million (2020: HK$38 million) which were capital-protected.

29 Cash and bank balances and movements in the carrying amounts of items relating to financing activities (continued)

(b) Movements in the carrying amounts of items relating to financing activities

	Lease liabilities HK$ million (note 31)	Bank loans HK$ million (note 32)	Guaranteed notes HK$ million (note 33)	Derivative financial instruments, net HK$ million (note 23)	Amount due to a fellow subsidiary HK$ million (note 34)	Amount due to a related company HK$ million (note 35)	Amounts due to non-controlling interests and joint ventures, net HK$ million	Total HK$ million
At 1 January 2020	474	79,925	11,727	(72)	737	–	5,516	98,307
Changes from financing cash flows:								
Advance from non-controlling interests, net	–	–	–	–	–	–	56	56
Proceeds from new bank loans/ guaranteed notes	–	29,706	8,487	–	–	–	–	38,193
Repayment of bank loans/guaranteed notes	–	(41,952)	(1,484)	–	–	–	–	(43,436)
Increase in amount due to a fellow subsidiary	–	–	–	–	3,652	–	–	3,652
Increase in amount due to a related company	–	–	–	–	–	2,085	–	2,085
Payments of principal portion of lease liabilities	(348)	–	–	–	–	–	–	(348)
Interest and other borrowing costs paid during the year	(22)	(1,178)	(495)	(211)	(28)	(16)	(175)	(2,125)
Total changes from financing cash flows	(370)	(13,424)	6,508	(211)	3,624	2,069	(119)	(1,923)
Exchange adjustments	1	951	10	–	–	52	–	1,014
Changes in fair value	–	–	–	(265)	–	–	–	(265)
Other changes:								
Interest expenses (before capitalisation) for the year (note 8(a))	22	1,101	524	223	28	16	175	2,089
Other borrowing costs (before capitalisation) for the year (note 8(a))	–	86	5	–	–	–	–	91
Increase in lease liabilities from entering into new leases during the year	646	–	–	–	–	–	–	646
Others	–	27	(21)	(12)	–	–	412	406
Total other changes	668	1,214	508	211	28	16	587	3,232
At 31 December 2020	773	68,666	18,753	(337)	4,389	2,137	5,984	100,365

29 Cash and bank balances and movements in the carrying amounts of items relating to financing activities (continued)

(b) Movements in the carrying amounts of items relating to financing activities (continued)

	Lease liabilities HK$ million (note 31)	Bank loans HK$ million (note 32)	Guaranteed notes HK$ million (note 33)	Derivative financial instruments, net HK$ million (note 23)	Amount due to a fellow subsidiary HK$ million (note 34)	Amounts due to related companies HK$ million (note 35)	Amounts due to non-controlling interests and joint ventures, net HK$ million	Total HK$ million
At 1 January 2021	773	68,666	18,753	(337)	4,389	2,137	5,984	100,365
Consolidation of Miramar upon obtaining of control (note 5)	70	3	–	–	–	–	–	73
Changes from financing cash flows:								
Advance from non-controlling interests, net	–	–	–	–	–	–	115	115
Proceeds from new bank loans/guaranteed notes	–	59,777	9,589	–	–	–	–	69,366
Repayment of bank loans/ guaranteed notes	–	(53,341)	(3,074)	–	–	–	–	(56,415)
Increase in amount due to a fellow subsidiary	–	–	–	–	49,321	–	–	49,321
Increase in amounts due to related companies	–	–	–	–	–	881	–	881
Payments of principal portion of lease liabilities	(389)	–	–	–	–	–	–	(389)
Interest and other borrowing costs paid during the year	(20)	(684)	(547)	(276)	(122)	(14)	(211)	(1,874)
Total changes from financing cash flows	(409)	5,752	5,968	(276)	49,199	867	(96)	61,005
Exchange adjustments	1	(762)	97	–	–	67	–	(597)
Changes in fair value	–	–	–	141	–	–	–	141
Other changes:								
Interest expenses (before capitalisation) for the year (note 8(a))	20	600	634	296	122	105	211	1,988
Other borrowing costs (before capitalisation) for the year (note 8(a))	–	101	4	–	–	–	–	105
Increase in lease liabilities from entering into new leases during the year	170	–	–	–	–	–	–	170
Others	(84)	(2)	(75)	(20)	–	–	936	755
Total other changes	106	699	563	276	122	105	1,147	3,018
At 31 December 2021	541	74,358	25,381	(196)	53,710	3,176	7,035	164,005

29 Cash and bank balances and movements in the carrying amounts of items relating to financing activities (continued)

(c) Total cash outflow for leases (under which the Group is the lessee)

Amounts included in the Group's consolidated cash flow statement for leases (under which the Group is the lessee) comprise the following:

	2021 HK$ million	2020 HK$ million
Within operating cash flows (relating to short-term leases which fall within the "practical expedient" under HKFRS 16 (before capitalisation))	**18**	47
Within financing cash flows (note 29(b))	**409**	370
Total cash outflows recognised in the Group's consolidated cash flow statement	**427**	417

30 Trade and other payables

	2021 HK$ million	2020 HK$ million
Creditors and accrued expenses	**8,582**	6,182
Gross amount due to customers for contract work (note 28) (#)	**4**	2
Rental and other deposits received	**1,966**	1,620
Forward sales deposits received and other contract liabilities (#)	**6,136**	8,587
Derivative financial instruments (note 23)	**36**	59
Provision for reinstatement costs	**12**	–
Amounts due to associates	**1,321**	1,105
Amounts due to joint ventures	**10,423**	4,749
	28,480	22,304

(#) *These balances represent the excess of cumulative payments made by customers over the cumulative revenue recognised in profit or loss at the end of the reporting periods, and are recognised as contract liabilities (see note 2(p)).*

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Forward sales deposits received
The Group receives 5% to 15% of the amount of sale consideration as deposits from customers when they sign the sale and purchase agreements relating to property sales. Such deposit is recognised as a contract liability until the property is completed and legally assigned to the customer. The rest of the sale consideration is typically paid when legal assignment is completed.

However, depending on market conditions, the Group may offer to customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the sale consideration early while construction is still ongoing, rather than upon legal assignment. Such advance payment schemes result in contract liabilities being recognised throughout the remaining property construction period for the full amount of the sale consideration.

30 Trade and other payables (continued)

Movements in contract liabilities

	Forward sales deposits and other contract liabilities received	
	2021 HK$ million	2020 HK$ million
At 1 January	**8,587**	14,897
Exchange differences	**–**	42
Addition due to the Group's obtaining of control in Miramar (note 5)	**71**	–
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(3,440)**	(9,491)
Increase in contract liabilities as a result of forward sales deposits received from customers during the year in relation to property projects held for/under development and completed property projects pending assignment/completion, and in relation to provision of services at the end of the year	**918**	3,139
At 31 December	**6,136**	8,587

(a) All of the Group's trade and other payables are expected to be settled within one year or are repayable on demand except for an amount of HK$1,150 million (2020: HK$922 million) which is expected to be settled after more than one year from the end of the reporting period.

(b) At the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the due dates for settlement, is as follows:

	2021 HK$ million	2020 HK$ million
Due within 1 month or on demand	**2,927**	2,107
Due after 1 month but within 3 months	**398**	358
Due after 3 months but within 6 months	**326**	187
Due after 6 months	**1,306**	1,467
	4,957	4,119

(c) The amounts due to associates and joint ventures at 31 December 2021 and 31 December 2020 are unsecured, interest-free and have no fixed terms of repayment except for aggregate amounts due to certain associates and certain joint ventures of HK$2,426 million (2020: HK$1,569 million) which are unsecured, interest-bearing at interest rates ranging from 3.80% to 3.85% (2020: 3.80% to 3.85%) per annum and wholly repayable between 24 January 2022 and 29 November 2022 (2020: between 15 January 2021 and 10 December 2021).

31 Lease liabilities

	2021 HK$ million	2020 HK$ million
At 1 January	**773**	474
Exchange adjustments	**1**	1
Additions for the year (notes 17 and 29(b))	**170**	646
Addition due to the Group's obtaining of control in Miramar (note 5)	**70**	–
Elimination in relation to leasing activities between the Group's other subsidiaries and Miramar	**(84)**	–
Lease payment made during the year (note 29(b))	**(409)**	(370)
Finance costs on lease liabilities for the year (notes 8(a) and 29(b))	**20**	22
At 31 December	**541**	773

	2021 HK$ million	2020 HK$ million
Represented by:		
Amount classified under current liabilities		
– contractual maturity within 1 year	**290**	338
Amounts classified under non-current liabilities		
– contractual maturity after 1 year but within 2 years	**163**	259
– contractual maturity after 2 years but within 5 years	**88**	176
	251	435
	541	773

The carrying balances of the lease liabilities are amortised to nil on the expiry dates of the Remaining Leases.

32 Bank loans

The Group's bank loans were repayable as follows:

	2021 HK$ million	2020 HK$ million
Within 1 year and included in current liabilities	**30,207**	26,254
After 1 year and included in non-current liabilities		
– After 1 year but within 2 years	**11,903**	14,260
– After 2 years but within 5 years	**12,703**	12,891
– After 5 years	**19,545**	15,261
	44,151	42,412
	74,358	68,666

At 31 December 2021 and 31 December 2020, all of the bank loans were unsecured.

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain ratios in the Group's statement of financial position and minimum net assets requirement, as are commonly found in lending arrangements with financial institutions. Any breach of the covenants by the Group would result in the drawdown facilities to become repayable on demand. The Group regularly monitors its compliance with those covenants. Further details of the Group's management of liquidity risk are set out in note 4(b). At 31 December 2021 and 31 December 2020, none of the covenants relating to the drawdown facilities had been breached.

33 Guaranteed notes

	2021 HK$ million	2020 HK$ million
Guaranteed notes due 2022	**156**	155
Guaranteed notes issued pursuant to the Medium Term Note Programme	**25,225**	18,598
	25,381	18,753

The Group's guaranteed notes were repayable as follows:

	2021 HK$ million	2020 HK$ million
Within 1 year and included in current liabilities	**1,577**	3,078
After 1 year and included in non-current liabilities		
– After 1 year but within 2 years	**9,337**	1,574
– After 2 years but within 5 years	**8,033**	7,825
– After 5 years	**6,434**	6,276
	23,804	15,675
	25,381	18,753

33 Guaranteed notes (continued)

(a) Guaranteed notes due 2022

On 25 July 2007, the Company through a wholly-owned subsidiary issued guaranteed loan notes (the "2007 Notes") with aggregate principal amounts of US$325 million and £50 million under private placements in the United States of America and in Europe, respectively. At 31 December 2021, the 2007 Notes with principal amount of US$20 million (2020: US$20 million) bore fixed interest rate at 6.38% (2020: 6.38%) per annum payable semi-annually in arrears. The 2007 Notes are guaranteed by the Company and will mature on 25 July 2022 (2020: 25 July 2022).

(b) Guaranteed notes issued pursuant to the Medium Term Note Programme (the "MTN Programme")

On 15 October 2018, the Company increased the maximum aggregate principal amount of notes to be guaranteed by the Company and outstanding at any one time under the MTN Programme, from US$3,000 million to US$5,000 million. The aggregate carrying amounts of the guaranteed notes issued under the MTN Programme during the year ended 31 December 2021 were HK$3,897 million, US$30 million and RMB4,532 million, and the guaranteed notes issued under the MTN Programme which remained outstanding at 31 December 2021 comprised HK$12,274 million, US$940 million, RMB4,532 million and ¥2,000 million (2020: the aggregate carrying amounts of the guaranteed notes issued under the MTN Programme during the year were HK$3,863 million and US$600 million, and the guaranteed notes issued under the MTN Programme which remained outstanding at 31 December 2020 comprised HK$11,219 million, US$910 million, RMB200 million and ¥2,000 million).

The guaranteed notes which remained outstanding at 31 December 2021 under the MTN Programme were issued by a wholly-owned subsidiary of the Company during the period between 20 October 2011 and 19 November 2021 (2020: between 23 September 2011 and 3 July 2020), and bear coupon rates ranging from 0.80% to 5.20% per annum (2020: 0.80% to 5.20% per annum) payable quarterly, semi-annually or annually in arrears, and have maturity dates between 4 February 2022 (which has already been repaid by the Group on the maturity date) and 9 March 2035 (2020: between 26 February 2021 and 9 March 2035).

34 Amount due to a fellow subsidiary

At 31 December 2021 and 31 December 2020, all of the amount due to a fellow subsidiary is unsecured, interest-bearing and is not expected to be settled within one year from the end of the reporting period, and has no fixed terms of repayment.

35 Amounts due to related companies

At 31 December 2021 and 31 December 2020, all of the amounts due to related companies are unsecured, interest-bearing and repayable as follows:

	2021 HK$ million	2020 HK$ million
Within 1 year and included in current liabilities	**111**	–
After 1 year and included in non-current liabilities		
– After 1 year but within 2 years	**2,527**	–
– After 2 years but within 5 years	**538**	2,137
	3,065	2,137
	3,176	2,137

36 Non-controlling interests

Included in the Group's non-controlling interests of HK$17,159 million at 31 December 2021 are (i) an amount of HK$12,300 million related to Miramar's consolidated net assets attributable to the non-controlling interests at 31 December 2021 due to consolidation of Miramar upon obtaining of control on 14 April 2021; and (ii) an amount of HK$160 million related to the non-controlling interests in Miramar's subsidiaries as 31 December 2021.

37 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances during the year of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of changes in the Company's individual components of equity between the beginning and the end of the year are set out in note 44(b).

(b) Nature and purpose of reserves

(i) Property revaluation reserve

The property revaluation reserve relates to other land and buildings. Where other land and buildings is reclassified to investment properties, the cumulative increase in fair value at the date of reclassification is included in the property revaluation reserve, and will be transferred to retained profits upon the retirement or disposal of the relevant property.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(y).

(iii) Fair value reserve (recycling)

The fair value reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (see note 2(g)).

(iv) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investment designated at FVOCI under HKFRS 9 held at the end of the reporting period (see note 2(g)).

(v) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of a derivative financial instrument which is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, in accordance with the accounting policy adopted for cash flow hedges in note 2(i).

(vi) Other reserves

Other reserves mainly comprise the statutory reserve set up for enterprises established in mainland China. According to the relevant rules and regulations in the People's Republic of China ("the PRC") applicable to wholly foreign-owned enterprises, a wholly foreign-owned enterprise is required to transfer at least 10% of its profit after taxation, as determined under the PRC Accounting Regulations, to a reserve fund until the reserve fund balance reaches 50% of the relevant enterprise's registered capital.

38 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 the Group can continue to provide financial returns to shareholders, and by securing access to financing sources at reasonable costs.

The Group regularly reviews and manages its capital structure under the policy of prudent financial management. The Group maintains a financially sound capital position and, where appropriate, makes adjustments to its capital structure in light of remarkable changes in the financial and capital markets and in economic conditions.

The Group monitors its capital structure on the basis of gearing ratio, which is one of the most commonly adopted measurement standards for capital management by companies engaged in the businesses of property development and property investment. Gearing ratio is calculated based on the net debt (being the aggregate of the Group's bank and other borrowings and the amounts due to related companies (collectively, the "Total debt") less cash and bank balances) and shareholders' funds of the Group at the end of the reporting period.

During the year ended 31 December 2021, the Group's strategy, which was unchanged from that for the corresponding year ended 31 December 2020, was to secure long-term funding sources at attractive borrowing costs so as to finance the development of the Group's land bank in Hong Kong and mainland China in the coming years. The Group continued to maintain a low gearing ratio during the year, which has the effect of minimising any unfavourable impact on the Group arising from any unforeseeable adverse changes in the local and/or international financial markets, capital markets and economic conditions.

The Group's gearing ratios at 31 December 2021 and 31 December 2020 were as follows:

	2021 HK$ million	2020 HK$ million
Bank and other borrowings (including guaranteed notes) repayable:		
– Within 1 year	**31,784**	29,332
– After 1 year but within 2 years	**21,240**	15,834
– After 2 years but within 5 years	**20,736**	20,716
– After 5 years	**25,979**	21,537
Amounts due to related companies	**3,176**	2,137
Total debt	**102,915**	89,556
Less: Cash and bank balances	**(10,947)**	(5,807)
Net debt	**91,968**	83,749
Shareholders' funds	**335,020**	327,607
Gearing ratio (%)	**27.5%**	25.6%

Neither the Company nor any of its subsidiaries was subject to externally imposed capital requirements during the year and at 31 December 2021 and 31 December 2020.

39 Acquisitions of subsidiaries

Save as disclosed in note 5, the Group did not acquire any subsidiaries during the year ended 31 December 2021.

The Group acquired certain subsidiaries during the corresponding year ended 31 December 2020. The fair value of the assets acquired for the Group's acquisitions of subsidiaries were as follows:

	2020 HK$ million
Inventories	123
Trade and other receivables	1
Net consideration	124
Representing:	
Cash consideration paid	124
Net cash outflow in respect of the acquisitions:	
Cash consideration paid	124
	124

40 Capital commitments

At 31 December 2021, the Group had capital commitments not provided for in these financial statements as follows:

		2021 HK$ million	2020 HK$ million
(a)	Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**11,237**	16,486
	Future development expenditure and the related costs of internal fixtures and fittings approved by the Directors but not contracted for	**16,896**	14,186
		28,133	30,672
(b)	**In relation to the capital commitments undertaken by joint ventures and certain associates attributable to the Group:**		
	Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**3,585**	2,245
	Future development expenditure and the related costs of internal fixtures and fittings approved by the Directors but not contracted for	**9,380**	4,789
		12,965	7,034

41 Significant leasing arrangements

(a) Lessor

The Group leases out a number of land/building facilities. The leases typically run for an initial period of one to three years, with an option to renew the lease after that date at which time all terms are re-negotiated. Further details of the carrying value of the properties are contained in note 16.

The total future minimum lease payments under non-cancellable leases are receivable as follows:

	2021 HK$ million	2020 HK$ million
Within 1 year	**5,124**	4,389
After 1 year but within 2 years	**3,206**	2,777
After 2 years but within 3 years	**1,568**	1,300
After 3 years but within 4 years	**684**	481
After 4 years but within 5 years	**438**	233
After 5 years	**800**	398
	11,820	9,578

(b) Lessee

The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date at which time all terms are re-negotiated.

42 Contingent liabilities

At 31 December 2021, contingent liabilities of the Group were as follows:

(a) an amount of HK$11 million (2020: HK$11 million) relating to the Group's undertaking to indemnify Sunlight REIT for any tax liabilities relating to events occurred on or before the completion of the sale of certain subsidiaries and shareholders' loans to Sunlight REIT (the "Completion") in December 2006, clawback of commercial building allowances and capital allowances granted up to the Completion and re-classification of the properties before or upon the Completion, pursuant to Deeds of Tax Covenant entered into between the Group and Sunlight REIT;

(b) an amount of HK$1,164 million (2020: HK$399 million) relating to performance bonds, guarantees and undertakings for the due and proper performance of the obligations of the Group's subsidiaries and projects, the increase of which is mainly attributable to the Group's guarantees to a bank in relation to the finance undertaking by such bank in favour of the HKSAR Government for the completion of the Group's two residential development projects at The Kai Tak Development Area and Un Chau Street, Kowloon, Hong Kong under the terms and conditions of the relevant land grants;

(c) an amount of HK$1,558 million (2020: HK$1,578 million) relating to guarantees given by the Group to financial institutions on behalf of purchasers of property units of the Group's development projects in mainland China in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 31 December 2021 (and such guarantees will be released upon the issuance of the Building Ownership Certificate);

(d) an amount of HK$430 million (2020: HK$430 million) relating to the Group's attributable and proportional share (in accordance with the Group's attributable interest in a joint venture engaged in the development of commercial properties in Citygate, Tung Chung, Lantau Island, Hong Kong and in which the Group has a 20% interest) of contingent liabilities in respect of an irrevocable, unconditional and several guarantee given by the Group to the lending bank in relation to the amount drawn down on a loan facility which was entered into on 26 April 2021 between such lending bank and the joint venture (which refinanced the previous loan facility pursuant to the loan facility agreement dated 2 May 2017);

(e) an irrevocable and unconditional guarantee issued by the Company in favour of the Urban Renewal Authority ("URA") in relation to the obligations of a wholly-owned subsidiary of the Company ("First Developer") under the Development Agreement dated 21 November 2018 between URA and the First Developer which includes the construction and delivery by the First Developer, on or before certain prescribed dates, of certain properties whose ownership shall be retained by URA absolutely for such purposes and usages to be decided by URA at its sole discretion in relation to a land parcel registered in the Land Registry as New Kowloon Inland Lot No. 6585;

(f) amounts of HK$1,670 million (2020: HK$1,670 million), HK$2,100 million (2020: HK$2,100 million), HK$1,314 million (2020: HK$1,314 million) and HK$2,940 million (2020: HK$2,940 million) relating to the Group's attributable and proportional shares (in accordance with the Group's attributable interests in four joint ventures engaged in the development of residential properties at The Kai Tak Development Area, and in which the Group has 29.3% interest, 30% interest, 18% interest and 30% interest respectively) of contingent liabilities in respect of irrevocable, unconditional and several guarantees given by the Group to certain lending banks in relation to the maximum amounts which may be drawn down on certain loan facilities which were entered into on 8 July 2019, 4 December 2019, 1 June 2020 and 30 October 2020 respectively between such lending banks and the four joint ventures; and

42 Contingent liabilities (continued)

At 31 December 2021, contingent liabilities of the Group were as follows: (continued)

(g) an irrevocable and unconditional guarantee issued by the Company in favour of URA to undertake and guarantee the fulfilment of all the obligations of another wholly-owned subsidiary of the Company ("Second Developer") under the Development Agreement dated 12 October 2021 between URA and the Second Developer which relates to the development of a site owned by URA at Bailey Street/ Wing Kwong Street, To Kwa Wan, Kowloon, Hong Kong. The said guarantee has been replaced by a new guarantee dated 24 February 2022 ("New Guarantee") which was executed by the Company, Empire Development Hong Kong (BVI) Limited ("Empire") and Hysan Development Company Limited ("Hysan") as guarantors in favour of URA in relation to the change in the shareholding structure of the Second Developer as referred to in note 45(b) to these financial statements. Under the New Guarantee, the Group's contingent liabilities shall be reduced to such amount which is proportional to the Group's attributable interest in the Second Developer as a joint venture.

43 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year:

(a) Transactions with fellow subsidiaries

Details of material related party transactions during the year between the Group and its fellow subsidiaries are as follows:

	2021 HK$ million	2020 HK$ million
Rental income *(note (iii))*	**3**	5
Other interest expense *(note (i))*	**129#**	28#
Sales commission income *(note (iii))*	**11**	5
Administration fee income *(note (ii))*	**11**	11

(b) Transactions with associates and joint ventures

Details of material related party transactions during the year between the Group and its associates and joint ventures are as follows:

	2021 HK$ million	2020 HK$ million
Construction income *(note (iii))*	**680**	138
Rental income *(note (iii))*	**17**	23
Cash rental paid *(note (iii))*	**237**	226
Management fee income *(note (iii))*	**8**	2
Security guard service fee income *(note (iii))*	**30**	32
Other interest income *(note (i))*	**635**	446
Other interest expenses *(note (i))*	**179**	72
Rental commission income *(note (iii))*	**7**	6
Telecommunication network installation expenses *(note (iii))*	**18**	21

43 Material related party transactions (continued)

(c) Transactions with related companies

(i) Details of material related party transactions during the year between the Group and its related companies which are controlled by private family trusts of a director of the Company are as follows:

	2021 HK$ million	2020 HK$ million
Income from sale of construction materials *(note (iii))*	**–**	3
Rental income *(note (iii))*	**68#**	32#
Sales commission income *(note (iii))*	**1**	5

(ii) The Group's interest expenses (note (i)) payable to related companies controlled by relatives of certain directors of the Company during the year ended 31 December 2021 amounted in aggregate to HK$105 million (2020: HK$16 million).

Notes:

(i) Interest income and expense are calculated on the balance of loans outstanding from time to time by reference to Hong Kong Interbank Offered Rate, Hong Kong dollar prime rate, Renminbi benchmark loan rates announced by the People's Bank of China or interest rates stipulated in the loan agreements (as appropriate).

(ii) This transaction represents cost reimbursements or cost reimbursements plus certain percentage thereon as service fees.

(iii) In the opinion of the Directors, these transactions were carried out on normal commercial terms and in the ordinary course of business.

(iv) The amount due to a fellow subsidiary and the amounts due to related companies at 31 December 2021 and 31 December 2020 are referred to in the Group's consolidated statements of financial position at 31 December 2021 and 31 December 2020, and the terms of which are set out in notes 34 and 35 respectively. The amounts due from/to associates and joint ventures at 31 December 2021 and 31 December 2020 are set out in notes 21, 22, 27 and 30.

(d) Transactions with Sunlight REIT

Details of the material related party transactions during the year between the Group and Sunlight REIT (which is deemed as a connected person of the Company under the Listing Rules as from 30 April 2009) are as follows:

	2021 HK$ million	2020 HK$ million
Property and leasing management service fee income and other ancillary property service fee income	**48#**	46#
Asset management service fee income	**92#**	93#
Cash rental paid	**11**	11
Security service fee income	**2#**	4#

43 Material related party transactions (continued)

(d) Transactions with Sunlight REIT (continued)

The above transactions were conducted in accordance with the terms of the respective agreements/deeds entered into between the Group and Sunlight REIT. At 31 December 2021, the net amount due from Sunlight REIT was HK$31 million (2020: HK$31 million) and is unsecured, interest-free and has no fixed terms of repayment. The amount is included in "Trade and other receivables" under current assets (note 27).

(e) Transactions with a director of the Company and a company owned by him

(i) Dr Lee Ka Kit, a director of the Company, made an advance ("advance") in the outstanding balance of HK$44 million at 31 December 2021 (2020: HK$44 million) to Henderson (China) Investment Company Limited ("HCI"), an indirect wholly-owned subsidiary of the Group, for the purpose of funding HCI's business operation in mainland China. The advance is unsecured, interest-free and has no fixed terms of repayment.

(ii) Dr Lee Ka Kit, through a company owned by him (the "entity"), has separate interest in an associate of the Group and through which the Group holds its interest in a development project in mainland China. The entity agreed to provide and had provided finance in the form of non interest-bearing advances to such associate in accordance with the percentage of its equity interest in such associate. At 31 December 2021, the outstanding balance of the advance by the entity to the abovementioned associate amounted to HK$80 million (2020: HK$80 million). Such amount is unsecured and has no fixed terms of repayment.

(f) Key management personnel

Remuneration for key management personnel are disclosed in note 9.

These related party transactions (and, included in the rental income of HK$68 million (2020: HK$32 million) from related companies during the year ended 31 December 2021 as referred to in note (c) above, an amount of HK$41 million (2020: HK$22 million)) also constitute connected transactions and/or continuing connected transactions under the Listing Rules, details of which are set out in the paragraph headed "Interests in Transactions, Arrangements or Contracts and Connected Transactions/Continuing Connected Transactions" in the Report of the directors set out in the Company's annual reports for the years ended 31 December 2021 and 31 December 2020.

44 Statement of financial position and changes in equity of the Company

(a) Statement of financial position

	Note	At 31 December 2021 HK$ million	At 31 December 2020 HK$ million
Non-current assets			
Investment properties		**14**	14
Interest in subsidiaries	20	**134,160**	146,647
Interest in associates		**102**	147
Interest in joint ventures		**764**	677
		135,040	147,485
Current assets			
Trade and other receivables		**75**	76
Cash and bank balances		**3**	2
		78	78
Current liability			
Trade and other payables		**26**	27
		26	27
Net current assets		**52**	51
Total assets less current liability		**135,092**	147,536
Non-current liabilities			
Amounts due to subsidiaries		**21,272**	27,003
Amounts due to joint ventures		**27**	34
		21,299	27,037
NET ASSETS		**113,793**	120,499
CAPITAL AND RESERVE	44(b)		
Share capital	44(c)	**52,345**	52,345
Retained profits		**61,448**	68,154
TOTAL EQUITY		**113,793**	120,499

Approved and authorised for issue by the Board of Directors on 22 March 2022.

Dr Lee Ka Kit
Dr Lee Ka Shing
Directors

44 Statement of financial position and changes in equity of the Company (continued)

(b) Movement in equity

	Note	Share capital HK$ million	Retained profits HK$ million	Total HK$ million
Balance at 1 January 2020		52,345	75,543	127,888
Changes in equity for 2020:				
Profit and total comprehensive income for the year		–	1,326	1,326
Dividend approved in respect of the previous financial year	12(b)	–	(6,294)	(6,294)
Dividend declared and paid in respect of the current year	12(a)	–	(2,421)	(2,421)
Balances at 31 December 2020 and 1 January 2021		**52,345**	**68,154**	**120,499**
Changes in equity for 2021:				
Profit and total comprehensive income for the year		**–**	**2,009**	**2,009**
Dividend approved in respect of the previous financial year	12(b)	**–**	**(6,294)**	**(6,294)**
Dividend declared and paid in respect of the current year	12(a)	**–**	**(2,421)**	**(2,421)**
Balance at 31 December 2021		**52,345**	**61,448**	**113,793**

44 Statement of financial position and changes in equity of the Company (continued)

(c) Share capital

	The Group and the Company			
	Number of shares		Amount	
	2021 million	2020 million	**2021 HK$ million**	2020 HK$ million
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**4,841**	4,841	**52,345**	52,345

In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the shares of the Company do not have a par value.

There is no change to the Company's share capital as the Company's shares no longer have a par or nominal value in accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622).

(d) Distributability of reserves

At 31 December 2021, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap. 622), was HK$61,448 million (2020: HK$68,154 million). As stated in note 12(a), after the end of the reporting period, the Directors proposed a final dividend of HK$1.30 (2020: HK$1.30) per ordinary share, amounting to HK$6,294 million (2020: HK$6,294 million). This dividend has not been recognised as a liability at the end of the reporting period.

45 Non-adjusting events after the reporting period

(a) After the end of the reporting period, the Directors proposed a final dividend. Further details are disclosed in note 12.

(b) On 7 February 2022, Glodtex Enterprises Limited (a wholly-owned subsidiary of the Company) entered into a shareholders' agreement relating to the Second Developer ("Shareholders' Agreement") after URA granted its conditional consent to the change in the shareholding structure of the Second Developer from being an indirect wholly-owned subsidiary of the Company (before completion of the transactions contemplated under the Shareholders' Agreement ("Completion")) to a joint venture to be indirectly held as to 50% by the Company and 25% by each of Empire and Hysan respectively.

As referred to in note 42(g) to these financial statements, the Second Developer is engaged in the development of a site owned by URA at Bailey Street/Wing Kwong Street, To Kwa Wan, Kowloon, Hong Kong.

Pursuant to the Shareholders' Agreement, each of Brilliant Choice Group Limited (a wholly-owned subsidiary of Empire) and Lucida Enterprises Limited (a wholly-owned subsidiary of Hysan) (i) subscribed for one share in the Second Developer, representing 25% of the enlarged issued share capital of the Second Developer; and (ii) acquired 25% of the shareholders' loans owing by the Second Developer to the Group. Following the Completion, the Second Developer became a joint venture in which the Group has 50% beneficial interest, and the Group shall adopt equity accounting for the results of the Second Developer.

46 Immediate parent and ultimate controlling party

At 31 December 2021, the Directors consider that the immediate parent and ultimate controlling party of the Group to be Henderson Development Limited, which is incorporated in Hong Kong. Henderson Development Limited does not produce financial statements available for public use.

Principal Subsidiaries

at 31 December 2021

Details of the principal subsidiaries are as follows:

	Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	% of shares held by Subsidiaries
(a) Property development				
(i) Incorporated and operates in Hong Kong				
Asia Cheer International Limited		1	–	100
Avion Investment Limited	*(i)*	3,000,000	100	–
Borten Limited	*(i)*	1	–	100
Capital Matrix Limited		1	–	100
Carley Limited		2	–	100
City Castle Limited		1	–	100
Denco Properties Limited	*(i)*	1	–	100
Dynamic Hero Limited	*(i)*	1	–	100
Dynamic Talent Limited		1	–	100
Fairtex Development Limited		1	–	100
Gainbo Limited	*(i)*	2	–	100
Gentway Limited	*(i)*	1	–	100
Global Crystal Limited	*(i)*	1	–	100
Golden Sharp Limited		1	–	100
Harven Limited		10,000	–	100
Harvest Development Limited		840	–	82.86
Hongkong Island Construction Properties Co., Limited	*(i)*	500,000	–	100
Hung Shun Investment Company Limited	*(i)*	3,940,200	–	100
Joinbo Enterprises Limited	*(i)*	1	–	100
Landrich Development Limited	*(i)*	1,000	–	100
Nation Sheen Limited	*(i)*	2	–	100
Nation Star Development Limited		2	–	100
Onfine Development Limited	*(i)*	2	–	100
Pacific Gate Development Limited	*(i)*	1	–	100
Perfect Success Development Limited		2	–	100
Rich Silver Development Limited		2	–	100
Rise Cheer Investment Limited	*(i)*	1	–	100
Sky Rainbow Development Limited		10,000	–	100
Sunny Perfect Limited		1,000	–	100
Super Fortune Investment Limited	*(i)*	1	–	100
Supreme Hero Limited	*(i)*	1	–	100
Sure Partner Limited		1	–	100
Treasure Palace Limited		1	–	100
Triple Glory Limited	*(i)*	1	–	100
Union Citizen Limited	*(i)*	1	–	100
Victory Well Development Limited		2	–	100
Winjoy Development Limited	*(i)*	2	100	–

	Issued/ contributed registered capital	% of equity interest held by The Company	% of equity interest held by Subsidiaries	% of profit sharing by subsidiaries
(a) Property development (continued)				
(ii) Established and operates in mainland China				
Sino-Foreign Co-operative Joint Venture Enterprises				
Guangzhou Guang An Property Development Limited	US$68,706,000	–	100	100
Guangzhou Guang Hung Property Development Limited	US$73,836,000	–	100	100
Guangzhou Guang Nam Property Development Limited	US$87,458,000	–	100	100
Wholly Foreign-Owned Enterprises				
上海益基房地產開發有限公司	US$630,000,000	–	100	100
Shanghai Bin Heng Property Development Co., Limited	US$350,000,000	–	100	100
Limited Liability Company				
北京恒榆房地產開發有限公司	RMB10,000,000	–	100	100

	Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	% of shares held by Subsidiaries
(b) Property investment				
(i) Incorporated and operates in Hong Kong				
Bloomark Investment Limited	*(i)*	2	–	100
Carry Express Investment Limited	*(i)*	100,000	–	100
Century Base Development Limited	*(i)*	1	–	100
Deland Investment Limited	*(i)*	200	–	100
Easewin Development Limited	*(i)*	100,000	–	100
Evercot Enterprise Company, Limited	*(i)*			
– A Shares		14,990,000	100	–
– B Shares		200	–	–
Great Top Development Limited		1	–	100
Join Fortune Development Limited	*(i)*			
– A Shares		100	100	–
– B Shares		2	–	–
Luxmark Investment Limited		1,000	–	100
Millap Limited	*(i)*	2	100	–
Shahdan Limited	*(i)*	200,000	–	100
Shung King Development Company Limited	*(i)*			
– Ordinary A Shares		2	100	–
– Non-voting Deferred A Shares		2,000,000	100	–
– B Shares		2	–	–
Smart Bright Development Limited	*(i)*	100,100	–	100
Union Fortune Development Limited	*(i)*	10,000	–	100
Vansittart Investment Limited	*(i)*	2	–	100

Principal Subsidiaries

at 31 December 2021

		Issued/ contributed registered capital HK$ (unless otherwise stated)	% of equity interest held by The Company	% of equity interest held by Subsidiaries	% of profit sharing by subsidiaries
(b)	**Property investment** (continued)				
(ii)	**Established and operates in mainland China**				
	Wholly Foreign-Owned Enterprises				
	Beijing Gaoyi Property Development Co., Limited	US$81,000,000	–	100	100
	Guangzhou Jiejun Real Estate Development Co., Limited	207,796,800	–	100	100
	Shanghai Heng Cheng Real Estate Development Co., Ltd.	US$59,500,000	–	100	100
	Shanghai Hengzhi Properties Development Co., Ltd.	US$75,000,000	–	100	100

		Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	% of shares held by Subsidiaries
(c)	**Finance**				
(i)	**Incorporated and operates in Hong Kong**				
	Ever Supreme Development Limited		1	–	100
	Henderson (China) Finance Limited	*(i)*	10,000	–	100
	Henland Finance Limited	*(i)*	1,000,000	–	100
	Rich Chase Development Limited	*(i)*	2	–	100
	Smart Time International Limited		1	–	100
	Success Crown Development Limited		2	–	100
(ii)	**Incorporated and operates in the British Virgin Islands**				
	Henderson Land Finance Limited		US$1	100	–
	Henderson Land MTN Limited	*(i)*	US$1	–	100
	Henson Finance Limited	*(i)*	US$1	–	100
	St. Helena Holdings Co. Limited		US$3	–	100

	Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(d) Construction				
Incorporated and operates in Hong Kong				
E Man Construction Company Limited		35,000,000	100	–
Ginca Construction Machinery Limited		1	–	100
Granbo Construction Company Limited		1	–	100
Heng Lai Construction Company Limited		2	–	100
Heng Shung Construction Company Limited		2	–	100
Heng Tat Construction Company Limited		200	–	100
Hong Kong Concrete Precasting Product Company Limited		2	–	100

	Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(e) Property management				
Incorporated and operates in Hong Kong				
Beverly Hill (Estate Management) Limited		2	–	100
Flora Plaza Management Limited		10	–	60
Goodwill Management Limited		2	–	100
H-Privilege Limited		1	–	100
Hang On Estate Management Limited		2	–	100
Hang Yick Properties Management Limited		10,000,000	100	–
Henderson Sunlight Asset Management Limited	*(i)*	38,800,000	–	100
Henderson Sunlight Property Management Limited	*(i)*	1	–	100
Metro City Management Limited		2	–	100
Metro Harbourview Management Limited		2	–	100
Nathan Hill Management Company Limited		1	–	100
Star Management Limited		2	–	100
Sunshine City Property Management Limited		2	–	100
Well Born Real Estate Management Limited		2	100	–

Principal Subsidiaries

at 31 December 2021

		Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(f)	Investment holding				
(i)	**Incorporated and operates in Hong Kong**				
	Banshing Investment Limited		2	–	100
	Channel Best Limited	*(i)*	1	–	100
	China Investment Group Limited		300,000,000	–	100
	Citiright Development Limited		2	100	–
	Covite Investment Limited		2	–	100
	Darnman Investment Limited		2	–	100
	Disralei Investment Limited		2	–	100
	Fondoll Investment Limited		200	100	–
	Gainwise Investment Limited		2	–	100
	Graf Investment Limited	*(i)*	2	–	100
	Henderson (China) Investment Company Limited	*(i)*			
	– Ordinary Shares		2	–	100
	– Non-voting Deferred Shares		2	–	100
	Henderson China Properties Limited	*(i)*	3,000,000,000	–	100
	Henderson Investment Limited		612,926,901	–	69.27
	Macrostar Investment Limited		2	–	100
	Main Champion Development Limited	*(i)*	2	100	–
	Markshing Investment Limited		2	–	100
	Medley Investment Limited		2	–	100
	Mightymark Investment Limited		2	100	–
	Miramar Hotel and Investment Company, Limited	*(i)*	2,227,023,217	–	50.075
	Mount Sherpa Limited	*(i)*	2	–	100
	Paillard Investment Limited	*(i)*	2	–	100
	Wellfine Development Limited		55	100	–
	Wiselin Investment Limited	*(i)*	2	–	100
(ii)	**Incorporated in Hong Kong and operates in mainland China**				
	Hang Seng Quarry Company Limited	*(i)*	10,000	64	–
(iii)	**Incorporated and operates in the British Virgin Islands**				
	Cobase Limited		US$1	–	100
	Higgins Holdings Limited	*(i)*	US$1	–	100
	Midlink Limited	*(i)*	US$1	–	100
	Multiglade Holdings Limited	*(i)*	US$1	–	100
	Richful Resources Limited		US$1	–	100
	Starland International Limited		US$1	100	–
	Sunnice Investment Limited		US$1	–	100
	Threadwell Limited	*(i)*	US$1	–	100

	Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(g) Department stores and supermarket-cum-stores operation and management				
Incorporated and operates in Hong Kong				
Citistore (Hong Kong) Limited		1	–	100
Unicorn Stores (HK) Limited		35,000,000	–	100

	Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(h) Hotel operation and management				
Incorporated and operates in Hong Kong				
Contender Limited	*(i)*	200,000	–	100
Intelligent House Limited	*(i)*	10,000	–	100
Miramar Hotel Management Company Limited	*(i)*	10,000	–	100
Mira Moon Limited	*(i)*	1	–	100

	Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(i) Food and beverage operation				
Incorporated and operates in Hong Kong				
Merry King Resources Limited	*(i)*	1,000	–	100
Tsui Hang Village Restaurant Limited	*(i)*	500,000	–	100

	Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(j) Travel operation				
Incorporated and operates in Hong Kong				
Miramar Travel Limited	*(i)*	13,000,000	–	53.85
YMT Travel Limited	*(i)*	3,500,000	–	100

Principal Subsidiaries

at 31 December 2021

		Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(k)	Management and agency services				
	Incorporated and operates in Hong Kong				
	Henderson Car Park Management Limited	*(i)*	2	–	100
	Henderson Leasing Agency Limited	*(i)*	1	–	100
	Henderson Property Agency Limited		200,000	–	100
	Henderson Real Estate Agency Limited	*(i)*	200	100	–

		Note	Particulars of issued shares HK$ (unless otherwise stated)	% of shares held by The Company	Subsidiaries
(l)	Professional services and others				
	Incorporated and operates in Hong Kong				
	Hang Oi Charitable Foundation Limited		–	–	100
	Henderson Corporate Services Limited		1	–	100
	Henderson Warmth Foundation Limited		–	100	–
	Megastrength Security Services Company Limited	*(i)*			
	– Ordinary Shares		10,000	–	100
	– Non-cumulative Preference Shares		400	–	100

Note:

(i) *Companies audited by KPMG.*

The above list gives the principal subsidiaries of the Group which, in the opinion of the Directors, materially affected the results, assets or liabilities of the Group or whose business activities are representative of the Group's business portfolio.

Principal Associates

at 31 December 2021

Details of the principal associates, which are incorporated and operate in Hong Kong unless otherwise stated, are as follows:

	% of equity interest held by		
	The Company	Subsidiaries	Principal activities
Listed			
Hong Kong Ferry (Holdings) Company Limited	–	33.41	Property development, property investment, ferry, shipyard and related businesses, and securities investment
The Hong Kong and China Gas Company Limited	–	41.53	Production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses
Unlisted			
Star Play Development Limited	–	33.33	Property investment
Start Treasure Limited	–	22.80	Property development

The above list gives the principal associates of the Group which, in the opinion of the Directors, materially affected the results, assets or liabilities of the Group or whose business activities are representative of the Group's business portfolio.

Principal Joint Ventures

at 31 December 2021

Details of the principal joint ventures, which are incorporated and operate in Hong Kong unless otherwise stated, are as follows:

	% of equity interest held by The Company	Subsidiaries	Principal activities
Billion Ventures Limited (incorporated in the British Virgin Islands and operates in Hong Kong)	–	50	Investment holding
Central Waterfront Property Investment Holdings Limited (incorporated in the British Virgin Islands and operates in Hong Kong)	–	34.21	Investment holding
Double Cove Management Limited	–	50	Provision of property management services
Honster Investment Limited (incorporated in the British Virgin Islands and operates in Hong Kong)	–	50	Investment holding
Infinite Sun Limited	–	30	Property development
Long Global Investment (Chengdu) Limited (established and operates in mainland China)	–	30	Property development
Marble Edge Investments Limited	–	18	Property development
Newfoundworld Holdings Limited	–	20	Property investment and hotel operation
Special Concept Development Limited	–	25	Property development
Surbana-Henderson (Xian) Property Development Co., Ltd. (established and operates in mainland China)	–	50	Property development
Surbana-Henderson II (Xian) Property Development Co., Ltd. (established and operates in mainland China)	–	50	Property development
Teamfield Property Limited	–	49.18	Property development
The Reach Management Limited	–	50	Provision of property management services
Ultra Keen Holdings Limited	–	30	Property development
Voyage Mile Limited	–	29.30	Property development
合肥和卓房地產開發有限公司 (established and operates in mainland China)	–	50	Property development
上海富洲濱江開發建設投資有限公司 (established and operates in mainland China)	–	51	Property development
廣州奧昇置業有限公司 (established and operates in mainland China)	–	50	Property development
北京恒合天基房地產開發有限公司 (established and operates in mainland China)	–	50	Property development

The above list gives the principal joint ventures of the Group which, in the opinion of the Directors, materially affected the results, assets or liabilities of the Group or whose business activities are representative of the Group's business portfolio.

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