

Leading the way

2022 marked the 30th year since we first expanded into mainland China. Our pioneering developments in Shanghai cemented us as a leader in our field and reaffirmed our long-standing commitment to growth and diversification. With a relentless focus on customer-centricity, we have since built a thriving portfolio of malls, office towers, hotels, and premium residences in eight more major cities across the Mainland. We have also successfully established the leading position of our luxury-branded “66” malls and Grade A office towers in their respective cities.

This year’s covers and thematic pages represent our innovative leadership, strategic vision, and signature aesthetic as a world-class property developer. The cover of the Hang Lung Group report highlights the stunning architecture of Grand Gateway 66 in Shanghai – our first project in mainland China, while the Hang Lung Properties report showcases the impressive design of our latest Mainland development, Heartland 66 in Wuhan.

These perspectives are symbolic of our continued pursuit of excellence, quality, and growth. We remain inspired to cultivate an exceptional Hang Lung branded experience by creating engaging spaces that surpass expectations, enrich lives, and ultimately express our brand motto of **We Do It Well**.



30 YEARS OF MAINLAND MILESTONES

In 1992, we invested in our first mainland China development, Grand Gateway 66 in Shanghai. With a commitment to delivering growth and impact, we have since developed 10 exceptional commercial complexes in key cities and prime locations. Our Mainland projects all carry the widely recognized “66” brand and include shopping malls, office towers, residences, and hotels.

Portfolio
spans
across **9**
cities

Completed
investment
properties **>2 million**
square meters

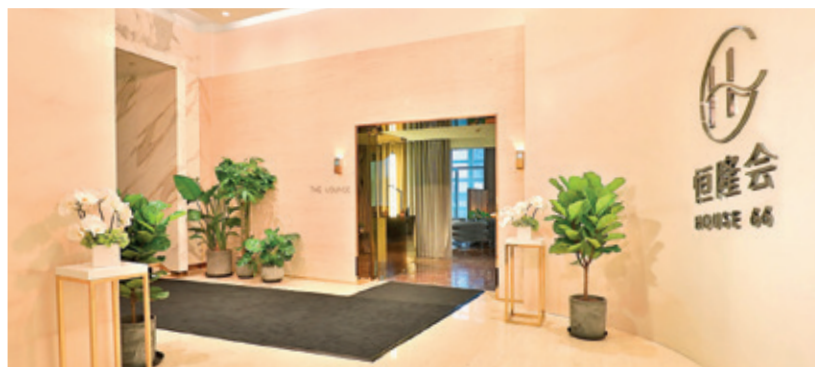






CURATING BRANDED EXPERIENCES

We continue to inspire and connect with people at every touchpoint. In the retail space, our Customer Relationship Management (CRM) programs offer superior shopping experiences, prestigious privileges, and bespoke services. Our future-focused offices provide the highest quality experiences and services that attract leading tenants, and our self-operated multifunctional workspace, HANGOUT, delivers individualized solutions for members.



BUILDING SUSTAINABLE FUTURES

Our clear agenda, from the immediate to the long-term, reaffirms our dedication to creating sustainable value and reflects our ambition to become one of the world's most sustainable real estate companies. We endeavor to give back to society and enhance the wellbeing of the wider community through impactful initiatives that address a broad spectrum of societal issues.

Since 2012,

Cumulative number
of volunteers

>11,400

Accumulated
service hours

>135,000

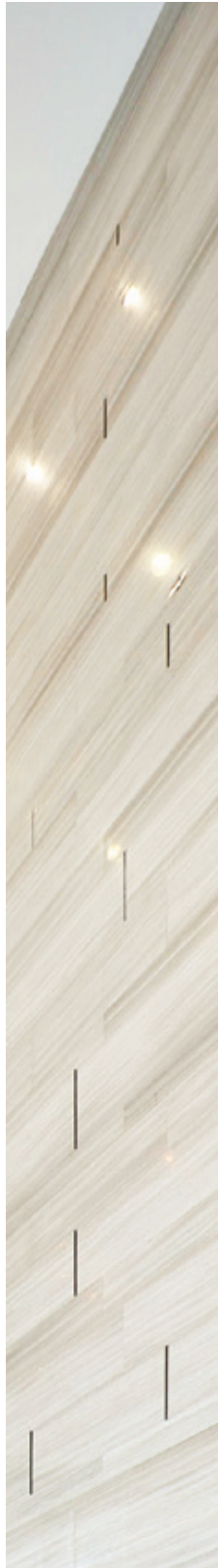






Contents

10	Financial Highlights
12	2022 Highlights
16	Chair's Letter to Shareholders
28	Vice Chair's Notes
32	Review of Operations
74	Financial Review
86	Sustainability
92	Corporate Governance Report
122	Profile of the Directors
127	Profile of Key Executives
130	Report of the Directors
139	Independent Auditor's Report
144	Financial Statements
206	Ten-Year Financial Summary
208	Glossary
210	Corporate Information
211	Financial Calendar
212	Listing Information



Corporate Profile

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

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

Our pursuit of sustainable growth by connecting customers and communities has made us a driving force in enhanced sustainability initiatives in the real estate sector. Further to our outlined 2030 Sustainability Goals and Targets, we have set out 25 new targets to be achieved by the end of 2025 ("25 x 25 Sustainability Targets" or "25 x 25"), as well as a long-term target to achieve net-zero greenhouse gas emissions across the value chain by 2050, pursuing quantifiable measures that will address significant sustainability challenges. These targets also provide a clear agenda for our long-term ambition to become one of the most sustainable real estate companies in the world.

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

Our Vision

We create compelling spaces that enrich lives

Our Mission

We pursue sustainable growth by connecting our customers and communities

Our Values

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

Integrity
Sustainability
Excellence
Openness

10 Financial Highlights

Results

in HK\$ Million (unless otherwise stated)

	2022			2021		
	Property Leasing	Property Sales	Total	Property Leasing	Property Sales	Total
Revenue	10,031	316	10,347	10,321	–	10,321
– Mainland China	6,752	–	6,752	6,939	–	6,939
– Hong Kong	3,279	316	3,595	3,382	–	3,382
Operating profit/(loss)	7,166	87	7,253	7,462	(91)	7,371
– Mainland China	4,554	(51)	4,503	4,693	(38)	4,655
– Hong Kong	2,612	138	2,750	2,769	(53)	2,716
Underlying net profit/(loss) attributable to shareholders	4,135	64	4,199	4,430	(65)	4,365
Net decrease in fair value of properties attributable to shareholders	(363)	–	(363)	(497)	–	(497)
Net profit/(loss) attributable to shareholders	3,772	64	3,836	3,933	(65)	3,868
				At December 31, 2022	At December 31, 2021	
Shareholders' equity				133,381	141,719	
Net assets attributable to shareholders per share (HK\$)				\$29.6	\$31.5	

Earnings and Dividends (HK\$)

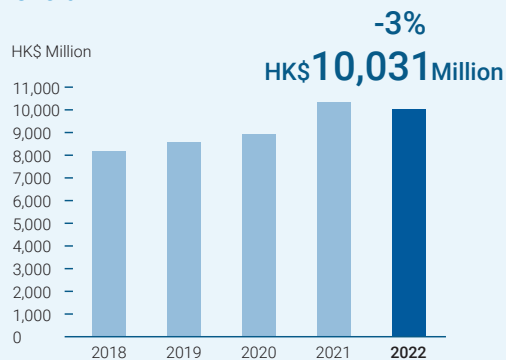
	2022	2021
Earnings per share		
– Based on underlying net profit attributable to shareholders	\$0.93	\$0.97
– Based on net profit attributable to shareholders	\$0.85	\$0.86
Dividends per share	\$0.78	\$0.78
– Interim	\$0.18	\$0.18
– Final	\$0.60	\$0.60

Financial Ratios

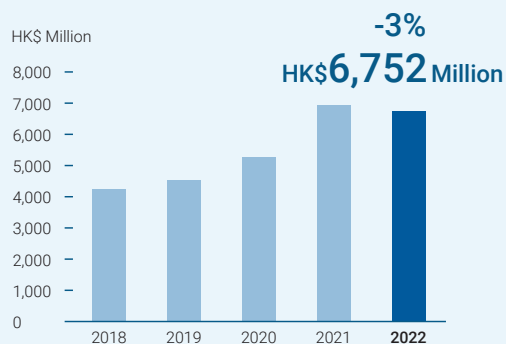
	2022	2021
Payout ratio (based on net profit attributable to shareholders)		
– Total	91%	91%
– Property leasing	93%	89%
– Property leasing (after deducting amount of interest capitalized)	114%	108%
Payout ratio (based on underlying net profit attributable to shareholders)		
– Total	84%	80%
– Property leasing	85%	79%
– Property leasing (after deducting amount of interest capitalized)	102%	94%
	At December 31, 2022	At December 31, 2021
Net debt to equity ratio	28.1%	24.4%
Debt to equity ratio	31.8%	30.0%

Property Leasing Revenue

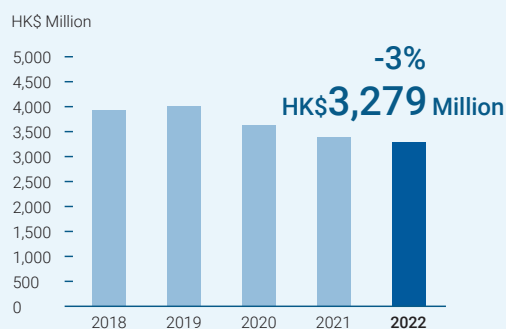
Overall



Mainland China



Hong Kong



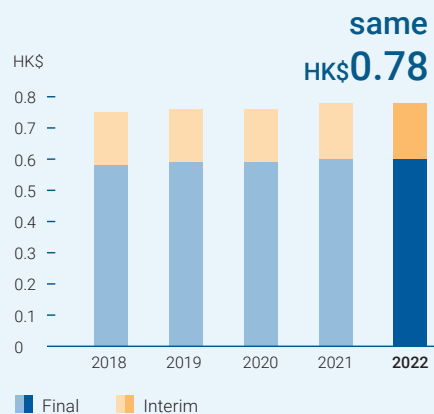
Underlying Net Profit



Net Assets Attributable to Shareholders per Share



Dividends per Share



Accelerating Climate and Sustainability Actions



Photo credit: Marie Rouge

First-of-its-Kind Sustainability Partnership

Hang Lung and LVMH Group reimagine the relationship between property owners and leading retail brands on sustainability with a three-year innovative collaboration on climate and sustainability action



Inaugural Real Estate & Climate Forum

One month after the signing of the partnership, about 200 participants including 96 changemakers from the real estate and retail sectors attended the two-day innovative event jointly hosted by Hang Lung and LVMH. Over 200 ideas were generated at the Forum, which will form the basis of a Common Charter to be announced in the first quarter of 2023



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Achieve Net-Zero by 2050

We are the first real estate company in Hong Kong and mainland China and in the first group of companies globally to receive approval from the Science Based Target initiative (SBTi) for near- and long-term company-wide emissions reduction targets in line with the SBTi Net-Zero Standard



Another Project Becoming 100% Powered by Renewable Energy

With Parc 66 becoming the first commercial property in Jinan and Shandong Province to be 100% powered by renewable energy from January 1, 2023, almost 25% of our mainland China portfolio's electricity demand is now met by renewable energy sources

Promote Youth Development and Diversity & Inclusion

Hang Lung Future Women Leaders Program

The launch of this new nationwide program aims to unleash the potential and sharpen the competitive edge of young female university students



Strive and Rise Program

Over 40 employees take part in the HKSAR government-led mentorship program that aims to facilitate upward mobility for secondary school students from underprivileged families



Marking a Decade of Community Action

Established in Hong Kong in 2012, the Hang Lung As One Volunteer Team actively cooperates with various community groups and charitable organizations to support wellbeing in society



Fostering Mathematics and Research Talents

At the Hang Lung Mathematic Awards Winners Gala, young winners are inspired by the sharing of experts across disciplines on how mathematics and big data science help create a more sustainable way of life for humanity and the planet

Riding out Challenges side-by-side Communities

Hang Lung COVID-19 Relief Fund 2.0

We injected a total of HK\$13 million into the fund in support of pandemic countermeasures in Hong Kong and mainland China, including a HK\$6 million donation to support the construction of the HKSAR government's "mobile cabin hospitals"



Awards and Recognition

We garnered 12 prestigious awards for our Annual Reports 2021




Our sustainability efforts garnered a number of major awards from well-recognized awarding bodies



- Distinction Award (Large Organization Category)
- Special Award (Excellence in Pandemic Resilience)



- Grad Award in Best ESG Report (Large-Cap)
- Grand Award in Newcomer Award
- Carbon Neutral Award – Commendation



- Excellence Award in ESG Reporting

Our relentless effort to strive for excellence in all we do has gained industry recognition

Deloitte's "China Best Managed Companies 2022"



Best Companies to Work for in Asia 2022 – for Headquarters (Hong Kong), Headquarters (Shanghai) and all operating projects in mainland China



International Customer Relationship Excellence Awards 2022 – Employee Engagement Program of the Year (Property Management)



Asia's Best E-Tailing Awards 2022 – Grand Award and Best Mobile App (Shopping Mall)



Plaza 66, Shanghai is the first operating property and the largest commercial complex in mainland China to receive platinum ratings for LEED V4.0 Existing Building: Operations and Maintenance and WELL V2 Core certifications*



MIPIM Asia Awards 2022 – Best Mixed-use Development Heartland 66, Wuhan

* The information is based on the result announced on the LEED and WELL official websites as of January 15, 2023



Ronnie C. Chan
Chair



Results and Dividend

For the year ended December 31, 2022, overall revenue remained stable at HK\$10,347 million. Rental revenue decreased slightly by 3% to HK\$10,031 million. The drop owed primarily to the depreciation of the Renminbi (RMB) since the second quarter of 2022.

When excluding all the effects of property revaluation, underlying net profit attributable to shareholders retreated by 4% to HK\$4,199 million. Underlying earnings per share decreased likewise to HK\$0.93.

Net profit attributable to shareholders, after considering all the effects of property revaluation, fell by less than 1% to HK\$3,836 million. Earnings per share stood at HK\$0.85.

The Board recommends a final dividend of HK60 cents per share payable on May 19, 2023 to shareholders of record on May 5, 2023. If approved by shareholders, total dividends per share for the year ended December 31, 2022 will be HK78 cents.

Business Review

2022 was one of the most peculiar years in over three decades of my doing business in mainland China. It was fraught with unforeseen challenges. In light of this, I consider the results presented here rather satisfactory.

I refer particularly to the way the pandemic was managed in mainland China. It was set against the backdrop of two monumental events: deteriorating China-U.S. relations and the Ukraine War. I have written extensively on both before, the former in recent years and the latter six months ago, so I will not belabor the two points here. I will merely give an update on each.

Employing time-honored methods in combating any pandemic, no one can deny that China had been hugely successful in preserving lives as well as the economy in the first two years of the three-year public health threat. Compare it to other major countries in the world, and one will readily see that the per capita pandemic death rate in the most populous nation in the world is a fraction of other countries. The Chinese have every reason to be rightfully proud.

There are, however, two troubling issues. First, what is the economic cost to the country when her people were essentially cut off from the international community? Second, as seen in previous pandemics, the virus has become significantly less deadly, yet this time much more contagious. Frankly, it has become uncontrollable. In the end, it was precisely these two factors and their derivative social consequences that forced the country to abruptly reopen towards the end of last year.

To remind my readers, the first half of 2022 saw varying periods of complete closure of six of our ten malls on the Mainland. The most devastating impacts were in Shanghai, where our two facilities could not do any business for two months, and no dine-in services were allowed for three and a half months. Compared to the same period in 2021, the second quarter footfall and sales both fell by over 70%. Shenyang, where we also have two retail properties, saw a month of complete closure. All our malls experienced either restrictions to dine-in services and/or shuttering of entertainment and education outlets.

Given such ruinous circumstances, it was quite remarkable that our total retail rents received for the first half of the year hardly dropped compared to the same period in 2021. Total Mainland rental revenue actually rose, thanks to the strong performance of our luxury malls outside Shanghai, as well as our portfolio of offices across the board.

While counting ourselves fortunate, we were hopeful that the worst might have been behind us, as I wrote you six months ago. Well, it was not. The second half of the year managed to outdo the first in terms of troubling news. While Shanghai improved, Shenyang and Wuhan worsened. Our Dalian mall experienced almost a month of complete shutdown, while Wuhan fared only slightly better. Tianjin, on the other hand, was plagued by the virus year-round.

In usual times, the second half of a year is typically stronger in sales than the first. There are the summer vacations, the early October long National Day holidays, commonly called the "Golden Week", as well as Christmas. (While Christmas is not officially celebrated on the Mainland, it is an occasion for gifting, and hence a good time for retail business.) By the time the government suddenly lifted pandemic restrictions on December 7, the virus had already spread everywhere, more so in certain cities.

As our staff infection records showed, the climb in new cases was very steep during the second and third weeks of December. By Christmas, it had peaked. Nevertheless, people dared not leave their homes for another week or so, hence footfall remained low. Around New Year's Day, things were already on the mend. Within a week, almost all our staff were back at work. By January 14, it was all over. Fortunately, we did not have any deaths.

All told, about 81% of our Mainland staff caught COVID-19 in a matter of about five to six weeks. Different cities ranged between 71% and 94%. If our sample is somewhat representative of the country, then it is truly amazing how fast the virus spread and how quickly herd immunity was achieved. Needless to say, Management remains vigilant of any further adverse developments.



Heartland 66, Wuhan

The downside is that we did not have a Christmas season. Together with the unpredictable restrictions on business across our portfolio in the second half of the year, those six months became even more difficult than the previous six. For the full year, our portfolio was fully open for business for only a little more than half of the time.

For our business, footfall in the first quarter of 2022 already demonstrated weaknesses. By the second quarter, all ten malls noted diminishing number of shoppers compared to a year before. In the third quarter, only Heartland 66 in Wuhan recorded growth from the previous year. However, during the fourth quarter, that city was hit hard by the virus, and our mall joined other properties and recorded less footfall.

Compared to 2021, overall we had 21% fewer shoppers across all ten malls. However, total tenant sales fell by only 9%. Expectedly, where market disruption was more severe, we had less footfall and sales. Besides Shanghai, Shenyang and Tianjin were hit the hardest. In Shenyang, for example, dine-in services were prohibited for almost eight months of the year. In Tianjin, entertainment and educational facilities were shuttered for almost nine months.



Center 66, Wuxi



Olympia 66, Dalian

An interesting phenomenon was observed: a drop in footfall had less of a negative impact on sales in luxury malls. This was the case in Shanghai and even more so elsewhere. For example, Center 66 in Wuxi, which was hit hard by the pandemic, had 21% fewer shoppers, but sales still rose by 1%. Olympia 66 in Dalian saw a 6% drop in footfall, but sales jumped by 67%. The two numbers for Spring City 66 in Kunming, a tourist destination, were minus 6% and minus 4%, respectively.

A special case was our newest property Heartland 66 in Wuhan which was inaugurated in late March 2021. Many top fashion brands only opened towards the end of 2021 and into 2022. As such, the mall started the year powerfully. However, the pandemic began to affect the city in the second quarter. The number of visitors fell by 11%, but sales rose by a whopping 300%. In the third quarter, footfall recovered and climbed 12% higher than the year before. Sales skyrocketed some 240%. The fourth quarter then took a beating, when the number of shoppers dropped by 39% and tenant sales by 24%. For the full year, footfall was 2% less than in 2021, but tenant sales still rose by a remarkable 158%.

As I had predicted previously, the other bright spot among our luxury malls was Olympia 66 in Dalian. It was our only facility that had a consistent increase in tenant sales in all four quarters, even though footfall fell in three of the four quarters, all pandemic-related. Only the first quarter saw more visitors than the year before.

Center 66 in Wuxi and Spring City 66 in Kunming both performed relatively well. Of the three sub-luxury kind, Parc 66 in Jinan did the best.

The above results clearly show that, while COVID-19 had spooked many citizens from venturing out to shop, tenant sales were less affected. For example, during the Golden Week of National Day holidays in early October, our entire portfolio experienced a drop in footfall of 24% compared to the year before, but the total sales achieved were 2% higher. Our luxury malls attracted 16% fewer shoppers, but total sales were up 5%. The two numbers for the sub-luxury malls were minus 34% and minus 19%, respectively.

Given all the restrictions imposed throughout 2022, any comparison in performance with 2021 would not be meaningful. Last year should be considered an anomaly. If some stability returns in 2023, then its performance should be compared to that of 2021.

Whatever the case, and troubling environment notwithstanding, mainland China's rental revenue for the year increased by 1% in RMB terms. Because the RMB depreciated 3.1% during the year against the Hong Kong Dollar, Mainland rentals fell by about 3% overall in our reporting currency. When excluding the mall of Heartland 66 in Wuhan, the like-for-like comparison showed a decline of 1% in RMB terms relative to 2021, or a 4% drop in the Hong Kong Dollar.

Revenue from our seven luxury malls fell by only 1% in RMB terms. If Heartland 66 in Wuhan (which opened in March 2021) is excluded, revenue retreated by 3%. Sub-luxury malls collected 4% less rents than a year ago.

Due to government enforced closedown for two months last spring, our two Shanghai properties suffered significantly. Rental revenue was down by 10% at Plaza 66 and 1% at Grand Gateway 66. The strong performance in our luxury malls outside Shanghai, and a continued rise in office rents, made up much of the loss.

Rental margin of all our Mainland retail properties generally held up. For the luxury kind, all improved except Plaza 66 in Shanghai which retreated by two points. Given the two-month business suspension with effectively zero tenant sales, this is understandable. Nevertheless, it still stood at 90%. Grand Gateway 66 remained unchanged, while Olympia 66 in Dalian did superbly with a 24-point improvement. Occupancy rates everywhere held steady. Their sub-luxury cousins performed less satisfactorily.

As reported before, our offices have become a significant and steady source of revenue. Primarily due to increased occupancy and also some organic growth, total office rental was 11% higher than the year before. Rental margin rose by six points. Occupancy was healthy everywhere. Understandably, the newer the property, the faster the take-up rate and hence the improvement in rental margin. For example, our latest addition, Heartland 66 in Wuhan, saw a 16-point increase in occupancy and an 82-point margin advancement.

The Hong Kong commercial property rental market remained sluggish, primarily due to the pandemic and a lethargic economy. Retail and office rents were down



Grand Gateway 66, Shanghai

by 3% and 5% for the year, respectively. However, both sectors improved in the second half, with retail up by 3% and office by 1%, respectively.

Retail space recorded a two-point drop in rental margin to 81%, while occupancy improved by one point to 98%. Office occupancy rose three points to 90%, but rental margin slipped three points to 82%.

A minor revaluation loss, some rent relief, and weakness of the RMB vis-à-vis the HKD, all adversely affected our final results for the full year. Rental revenue declined by 3% overall. Total revenue was marginally higher than in 2021 because we sold a house on Blue Pool Road and recorded a good profit.

The net after-tax profit attributable to shareholders as well as earnings per share both decreased by 1%. When the effects of revaluation were excluded, total underlying net profit attributable to shareholders retreated by 4%. Underlying earnings per share similarly fell.

Prospects

In writing to shareholders regarding the future, it is customary to add "barring unforeseen circumstances." Never has this phrase been more applicable than today. In our 30 years of investing in mainland China, there have been many ups and downs. However, not until now have we encountered so many externalities that were totally beyond our control.

Deteriorating China-U.S. relations has resulted in "a war without a war," at least for now. The significance of the conflict in Ukraine is that it is a proxy war between the West, led by the U.S., and Russia. COVID-19 is a war of nature in the form of a fast-mutating virus versus humankind. In recent years, I have written considerably on all three issues, so will only provide updates here, especially for the first two. However, the way in which Beijing handled the public health threat in the past year was a new development. It deserves some explanation as it has had a tremendous impact on the economy and our business.

But let me first give my conclusion on what may happen to our Mainland operations in 2023. Provided there are no drastic and unexpected external factors, our Mainland business should do well. I base this assessment on the following observations. First, even without certain government stimuli for the economy in general, and consumption in particular, tremendous pent-up demand is being unleashed. Second, I anticipate there will be a powerful push from the government to revive the economy. Consumption may not be the only sector covered, but will nevertheless be a beneficiary of such actions. Later, I will explain the rationale for my optimism but will need to first lay the groundwork for it. Suffice to say that 2023 has the potential to be a very good year for our Mainland rental business.

The Hong Kong economy might have already peaked for many years to come. I will comment on the fundamental changes in our home city. Over the past decade, our Mainland business has grown nicely. As a result, our profit has depended less on Hong Kong, which now accounts for barely a third of our rental income, and will likely diminish further over time due to anticipated faster growth up north. Nevertheless, Hong Kong is still our headquarters, and we have no intention of giving it up.

The groundwork to be laid here is to better understand the geopolitical scene as well as key happenings in mainland China. Like it or not, such assessments are no longer dispensable. The world around us has become a lot more complicated than the Cold War days, or the decade or two that followed. These changes have sparked a series of responses from Beijing that will affect not only China but also everywhere else.

Of the three critical issues, I will only add one remark each on the first two, namely China-U.S. conflict and the Ukraine War. Readers can read online my previous letters for my basic analyses. Mainland China, being our primary market, deserves a fuller discussion, especially in light of the extraordinary events in the year under review. Adequately understanding them is the only way to possibly predict the future.

Latest starting in the early 1990's, some in the U.S. such as the neocons already targeted China as the future prime enemy. They were the minority then, but barely 10 years later under the George W. Bush administration, they took center stage. During that period, there were repeated military encounters between the U.S. and China which were played down by the media. Consider the Yinhe incident in the Indian Ocean in 1993, the two U.S. aircraft carriers just outside the Taiwan Strait in 1996, the 1999 bombing of the Chinese Embassy in Belgrade, and the EP-3 spy plane collision around Hainan Island in 2001.

Once the 911 distractions to the Middle East were over, Obama declared the Pivot to Asia policy soon after assuming the U.S. presidency. No doubt the U.S. was targeting China. Since joining the WTO in 2001, her economy was greatly strengthened with concomitant advancements in technology. Such developments worried the U.S., a country not accustomed to coexist with others as equals, especially after World War II (WWII). The GDP gap between the two countries continued to narrow, and America's anxiety continued to rise.

All along, China has tried to avoid conflict with the U.S. Everyone in Beijing knew that no one who got on the wrong side of America ended well. Yet economic development has been hardwired into the Chinese minds since the economic opening in 1978. In 1980, the size of the Chinese economy was less than 7% that of the U.S. A decade later, China was still only 6% of America. In 2000, China was less than 12%, but by 2010, her economy was over 40% that of the U.S. Ten years later, China had caught up to 70%. The number for 2021 was 76%. With economic growth came political influence.

This set of figures clearly illustrates why the U.S. has been doing her best to contain China's growth. Since George W. Bush, who won the U.S. presidential election in 2000, there has been four presidents, two each of the two leading political parties. None had wavered in his policies to limit this rising power. In fact, the dial has only turned up. The attack has been bipartisan. Some were rough like Trump; others were more subtle.

Within two months after U.S. President Biden took office, Beijing was eager to learn if there was any possibility under the new U.S. administration of easing the tension, thus the March 2021 meeting in Alaska. The acrimonious first session told Beijing that all hopes were dashed. Nothing will stop the U.S., so China had better prepare for the worst. Since that time, every major decision taken by Beijing, domestic or international, must have that in view. It may get ugly.

In the past few months, some pundits have observed a slight thawing of this relationship. The reason is simple. While the U.S. is still by far the most powerful country on earth, she is not without constraints. Unlike right after WWII, no one is all-powerful today. Witness the U.S. who had to ask her nemeses Venezuela and Iran to increase energy production as the Ukraine War wore on was a case in point. In an already inflationary environment, Washington, D.C. would not like to see any holder of U.S. treasury bonds, let alone the number one or number two biggest holders like China, to sell or cease to buy more. To see the present apparent warming up as a sign of the conflict ending is wishful thinking. It is a misunderstanding of the cause and nature of the conflict in the first place.

This leads me to the one point I want to raise regarding the Ukraine War, which will circle back to China. Even before this conflict started, the U.S. declared that she would not send soldiers to fight. Besides assuring her own citizens back home that no American lives would be at risk, it also tells the world that the conflict between Russia and Ukraine is a proxy war.

At a time when the U.S. is provoking China, how the Americans handle Ukraine can be seen as a message to Beijing. Just as after the Alaska meeting mentioned above, everything that Beijing does would have the U.S. looming in the worst possible outcomes. After all, American body politics has long decided that the real threat to her hegemony is China, not Russia.

Now let me turn to China, as it affects our business. Besides geopolitical challenges, several domestic issues of recent years have led to a highly unusual 2022. The problems with residential real estate have long been in the making. Having written about them before, I shall not repeat myself here. Suffice to say that the debacle has left not only many private sector developers, and their contractors and suppliers, technically bankrupt, but a great number of home buyers financially and emotionally troubled. There was a pervasive sense of uncertainty among the corporates and disappointment for many citizens, resulting in a loss of confidence in the economy on the parts of many. This is, of course, in addition to the gigantic financial hole in public debt and private debt, as well as equity markets.

Then came the restrictions on Internet platform companies such as Ant Financial as well as educational institutions. From what I can tell, the rationale behind these restrictions was sound and reasonable. However, the way these policies were executed left much to be desired.

Several years ago, I asked a friend, a founder of one of the biggest Internet platform companies in China, if he and his fellow founders had thought of voluntarily splitting the company into several separate entities. Frankly, every responsible government would take antitrust action when circumstances demand it. Remember the cases of Standard Oil and AT&T of the last century in the U.S.

Certain sectors in China today are undoubtedly ripe for similar measures. By voluntarily splitting the company, the process would still be in the hands of management, who can better control the execution as well as the outcome. Eventually, my friend told me that he and his fellow founders had contemplated it but decided not to act. Sadly for them, my fear came to pass.

Consider how huge and powerful some of those business enterprises have become. They have the financial wherewithal to easily buy up almost anything. This makes it extremely difficult for newer and smaller firms to grow big. Competition is stifled.

Huge, commercially driven educational enterprises have added social dimensions to their challenges. In the somewhat unique Chinese context, such institutions can affect social equality, which is a sensitive issue everywhere.

While recognizing the need for change, the execution in short successions may be particularly tricky. As we all know, policy execution can be as important as policy formulation. The combined effects of such measures have created a tremendous amount of uncertainty in the business community, resulting in a loss of confidence in the future. To make things worse, it took place at a time when the economy was already buffeted by the problematic housing sector. Given that, turning conservative is all but a natural defensive reaction. No one dares to make new investments, for fear of what the next wave of policies, real or imagined, might be.

Then, three years ago, COVID-19 hit. To be fair, Beijing did a superb job in the first two years in containing the spread and the loss of lives. Compared to most other countries, the Chinese economy was strong. They did it the time-tested way. The hierarchical society characteristic of the Chinese for millennia helped.

However, the economic costs gradually piled up directly and indirectly. Directly, the running of the containment machine became exorbitantly expensive. Indirectly, it siphoned off resources from more productive commercial activities, thus depressing the economy. When 2022 rolled in, the virus became more contagious and containment measures heightened. There began a serious interruption of normal economic activities such as manufacturing and transportation. The closure of shopping centers was only a minor side distraction.

By that time, most parts of the world had basically achieved herd immunity. Economies had recovered, and the public health threat was increasingly considered an endemic and no longer a pandemic. After all, newer variants of the virus, such as the dominant Omicron, while highly contagious, were not as deadly as the earlier ones. Widespread vaccination helped minimize severe symptoms and deaths. Normalcy had returned.

Meanwhile in China, some virus outbreaks were experienced in early 2022. When the leading commercial center of Shanghai was affected, the city was practically closed down for two months. Less drastic but nonetheless stringent measures continued on and off throughout the year until December. Multiple cities throughout the country experienced varying degrees of impositions. Uncertainty was rife everywhere, which extracted a psychological toll on citizens.

By December, at the latest, three issues became clear. First, fresh outbreaks almost everywhere seemed inevitable. Fortunately, these were not too lethal. Second, the economic cost to the country was becoming unbearable. Third, social pressure was building up. So, instead of the gradual opening-up planned for early 2023 as reported, it was abruptly brought forward to early December of last year. The haphazardness was thus understandable. Frankly, the country can count herself fortunate. If she did not open up in time when the virus was becoming uncontrollable amid increasingly stringent control measures, the social consequences might have been serious.

Over the past year, whenever the pandemic was less severe and government policies were relaxed, tenant sales of our luxury malls shot up. The pent-up demand was conspicuous. This was the case when we held our annual "Home to Luxury" Party at Plaza 66 in Shanghai in late November. Mall-wide tenant sales were 23% higher than that of a year ago, which was then a record high. Given stringent government regulations at the time, similar but less spectacular results were recorded at Grand Gateway 66 in Shanghai, Center 66 in Wuxi, and Spring City 66 in Kunming. The events at

Heartland 66 in Wuhan and Olympia 66 in Dalian had to be cancelled due to quarantine issues. So far, footfall as well as sales this month have been strong. This has also been true for our sub-luxury malls. Office enquiries have been healthy.

All this is positive news even without government economic stimulus. As long as there are no serious adverse externalities that cannot be foreseen or managed, it is a good omen for the year. Moreover, in recent weeks, Beijing is putting forth programs to vigorously spur the economy. They are pushing for a strong recovery in manufacturing and exports, and are also seeking inbound investments. Together with the government actions earlier to stabilize the housing market, all these efforts should gradually restore confidence to businesses and citizens alike. The economy should slowly pick up, which can only bode well for personal consumption. We would be able to benefit therefrom.

In my two letters to shareholders, both a year ago as well as six months ago, I wrote why I do not expect there would be much post-pandemic leakage of luxury sales dollars once the wealthy Chinese can travel overseas. Instead, I believe that, for the most part, consumers will continue to shop within mainland China rather than in the likes of London, Paris, New York City, Tokyo, or Hong Kong. I encourage my readers to review those two letters.

Now let me turn to Hong Kong, our home market. The geopolitical analyses above, if correct, cannot but lead to an external environment that is fundamentally different from what it was like in the 75 years after WWII. In those days, ours was a city at the confluence of the East and West, and our economy exploited those advantages to great benefit. We were seen as both East and West, yet neither solely East nor West. We could be whatever the circumstance required us to be. We were flexible. When China was closed to much of the world before 1979, we profited. When China opened her doors, she and the world both needed us to understand the other side, and we profited more. When the Berlin Wall came down and globalization took off, we were a huge beneficiary. All these have now changed.

Today, by fighting China on multiple fronts, the U.S. is bifurcating the world. Everyone eventually has to choose sides. You either side with the U.S. or with China. There is no middle ground. Very few countries like to choose, but almost all may feel compelled to oblige. Everyone will seek ways to circumvent it. Such consequences may last for many years to come. In the interim, everyone will suffer, including China and the U.S.

The first place to feel this coercion outside mainland China is Hong Kong. Since 1997, the West has said that Hong Kong should not be like the rest of China, and they wrongly accused Hong Kong of moving too close to Beijing. Today, with intent, they lump us as part of the Mainland, which inadvertently drive us closer to Beijing. Facts do not matter; this is politics.

Consequently, the game that Hong Kong played so well for over a century until a few years ago is now over. The U.S. wants to wreck the One-Country-Two-Systems construct. As the saying goes, it is not what you are; it is what they say you are, and you will be treated as such. International media is not in China's hands.

Another global phenomenon that will affect Hong Kong is deglobalization. This is a corollary to the point above. As a small but powerful entrepôt for over a century, Hong Kong thrived on globalization. But when the number one economy in the world wants to tear itself away from the number two, a considerable amount of deglobalization is inevitable. Whereas wholesale economic decoupling will not and cannot take place, it will still be painful. The resulting increase in economic friction will raise the cost of doing business and will be hugely inflationary. Hong Kong's middleman role, which we have skillfully performed for so long, will have to be modified.

I suspect that wholesale globalization will, to some extent, be replaced by regionalism. Some of Hong Kong's old tricks will remain useful, but the counterparties may be different. Our business

community will need to adapt. Trade links will change; cargo and passenger flight routes will be different from before; Hong Kong people may even have to learn new languages. Some of our former major trading partners may mean less to us going forward. Previously unfamiliar players will emerge. Capital flow always follows trade flow. This means that our role as a major international financial center will also have to adapt.

To Hong Kong — or anywhere else — this is not all bad. The economies who first adjust appropriately will be the winners. Others who fail to adapt properly for whatever reason, such as not recognizing the changing environment, being complacent or otherwise, will be left behind. These are the days of monumental change. At such times, risks are exceptionally high but, at least theoretically, so are the potential rewards.

Over the past century, Hong Kong has had to endure many pivotal changes. Such a time has again arrived. We can no longer expect to perform the same acts as before, even if we do them better, to be assured of success. We need fresh thinking that aligns with the new global reality. Relying on the same industries that had made us wealthy in the past may now be a sure recipe for disaster. At the very least, we have to adapt in order to thrive in the new environment. We need new growth models and new industries that befit the time.

There are a few other dark clouds that may or may not disperse. The likelihood of their occurrence is low, but if they happen, the consequences could be humongous. One is the disruption of peace in the Taiwan Strait. Another is the weakening of the U.S. dollar's supremacy. A third is the further evolution of the energy security framework around the world, including in our region. And as the Ukraine War shows, even food security can easily become an issue, not just in poor countries.

Nevertheless, I do see some silver linings. Hong Kong should be able to turn some of the challenges outlined above to our own advantage. There are, however, two prerequisites. First, our metropolis must return to our roots of being primarily an economic city. For 20-some years until the enactment of the National Security Law (NSL) in June 2020, we have been hijacked by politics. Like everywhere else in the world, politics is an elixir that can get a community drunk or high. Under the British, this was strictly prohibited. But before their departure in 1997, they paved the way for this heady substance to flow freely in our streets. The result was a steady progression of social unrest that culminated in the riots of 2019.

The second prerequisite is that the people of Hong Kong must learn to acknowledge China and her people north of our border. The reality is that, with or without interference from the West, Hong Kong's economic future rests with the Mainland. Fortunately, our motherland is no longer the poor neighbor of the pre-economic opening past. Rather, it is a massive and relatively fast-growing economy, which is the second largest in the world and soon to become the largest.

To be sure, like everywhere else, China has tremendous and deep-seated problems that will take time to resolve. But none can deny the successes already scored, such as lifting hundreds of millions of people out of abject poverty in record time. It is just like saying that one should focus only on America's high violent gun crime rate and conclude that she is not an amazing country. After all, she is by far the strongest nation ever to have existed on earth. To me, both countries are wonderful.

As long as Hong Kong can overcome these two obstacles, our future should still be quite encouraging. There are still good things in our favor. Consider the following economic and social progression in three stages.

A few hundred years ago, the way for a nation to become wealthy was by owning land and natural resources with a sizeable population. Food production and extractive activities were key. After the Industrial Revolution, these traditional assets were gradually shadowed by knowledge, in particular science and engineering, as well as organizational skills. The production of manufactured goods became critical. Then, in the past few decades, another revolution took place. Advanced basic sciences, high technology (derived primarily from top-notch universities), and an abundance of capital are now essential to economic leadership in the world. For corporates and individuals alike, the best way in recent times to make a lot of money was with high tech or with other people's money, hence investment banking and funds management. We live in a digitalized world.

This begs the question: what is next? The above progression was for the most part enabled by globalization. A critical precondition for it was a relatively peaceful world. For example, globalization sped up at a furious pace after the fall of the U.S.S.R. But if, as described above, the world is rapidly reverting to turbulence and instability, some decoupling would become inevitable. Certain manufacturing will reshore. Regionalism will increasingly share the world stage with globalism.

Henceforth, the obtaining of critical resources like energy, food, and minerals, which were almost taken for granted in a globalized world, can no longer be counted upon. As such, a winner in tomorrow's world may have to possess most, if not all, factors of the above three stages — from natural resources to manufacturing to digitalization. Countries that have a large land mass, have access to natural resources, and have a sizable and well-educated population, will have a much greater chance of success.



In this regard, Hong Kong is fortunate to have big China next door, of which the city is a part. Sharing a common history, culture, and language helps reduce friction when the two sides work together. The same advantage does not exist in most other smaller, standalone economies. If all the resources at our disposal are wisely employed, Hong Kong can remain thriving for decades to come.

There are other silver linings that are of a shorter-term nature. Ever since the end of WWII, many people from the Mainland have enjoyed living in Hong Kong. Such new immigrants have always been an impetus for our economic growth. Because of the strict quarantine requirements in Shanghai and elsewhere on the Mainland, now even more are keen to move here. Of all my Hong Kong friends, the group that is the most bullish about our city's future is the "new Hongkongers" – those from the Mainland who have made Hong Kong their adopted home in the recent past.

Needless to say, Hong Kong must make many domestic adjustments properly, one of which is improving its working relationship with Beijing. For that, strong local leadership and time are both necessary. Provided that we can accomplish all that reasonably well, then our economy would not wane. There are still unique and meaningful roles that Hong Kong can play for our own benefit, as well as for our motherland. Conversely, the Mainland can offer Hong Kong many resources and opportunities.

Under this scenario, Hong Kong's real estate market would not be too weak. The best performing sector should be luxury housing. The market size is not large, but the profit margins, if well managed, can be lucrative. Mass residential market will become even more commoditized. Perpetual land shortages since the city's economic takeoff in the 1970's will soon become a thing of the past. This will inevitably keep housing prices in check. Since your Company did not play much in this sector for the past 20 years, I see little reason to jump in now. Only the luxury sector is of interest to us, but opportunities are rare.

The fortune of commercial real estate will reflect the overall economy. In particular, it will depend on our financial services industry. Opportunities to develop from scratch are limited, so companies add to their portfolio primarily through acquisition. Because the overall market is quite mature, and quality buildings in desirable locations are already concentrated in a few hands, I do not see this as a growth market for us.

As to our most immediate future, I believe that the worst should be behind us as far as our Hong Kong commercial property rental business is concerned.

This brings me back to our primary business of developing, managing, and owning world-class commercial real estate on the Mainland. There are still many opportunities to be embraced, and we will, in due course, add to our portfolio. Six months ago, I voiced caution. I still do, but I am feeling a little bit more relaxed though not yet enough to act. Risk everywhere is still too high, and I prefer much more clarity before we buy.

For our near-term performance, please allow me to repeat: barring unforeseen circumstances, 2023 should prove to be a very good year for us.

I want to thank Professor H.K. Chang for his almost eight years of faithful and diligent service on the Board. He will be leaving us by virtue of age.

Ronnie C. Chan

Chair

Hong Kong, January 31, 2023



Adriel Chan
Vice Chair



Thank you for your continued support of Hang Lung Properties. In these tumultuous times, that is not to be taken for granted, and you can rest assured that management is working hard to ensure we have earned – and continue to earn – your trust and confidence.

2022 was another challenging year. However, it differed from the previous year in several ways. One of the key differences was the almost continuous unexpected closures of our projects across mainland China, which were followed by stunted restarts and further stops, driven mainly by government requirements and insufficient shop staffing due to spikes in COVID infection rates. The frequency and unpredictability of these closures made operations especially difficult to plan and manage.

Our business suffered sudden closures and reopenings that ultimately affected over 230 mall-weeks. (I define one "mall-week" as a week in which a mall or its stores were closed in one project. We have 10 operating mall projects, so our annual mall-weeks total 520: 10 malls multiplied by 52 weeks.) This is significantly more closures than we saw in the previous two years.

Similarly, our construction sites were impacted for more than 105 site-weeks (construction site work weeks) across our five projects in mainland China and two in Hong Kong. The primary reasons for this were COVID-related construction worker management issues and logistical delays (e.g., transporting materials or machinery to a site or an inability to move soil from a site). This disruption comprised 77 site-weeks in mainland China and 28 in Hong Kong. Thus far, the time impact on construction has been relatively manageable, but we will only know the true extent once we emerge from the pandemic.

If our mall and construction site closures had been predictable or forewarned, then management could have adapted our workforce and operations accordingly. However, the fact that they were unpredictable and differed from city to city meant that our teams had to be on high alert at all times and react swiftly to sudden changes. Needless to say, customer sentiment and traffic were significantly disrupted by this, which resulted in a dent in most same-store sales figures.

Suffice it to say, if our teams were not as agile, professional, or committed as they are, our mainland China operations would not have been able to eke out the 1% total growth (in RMB terms) that we recorded. Considering the magnitude of the disruptions last year, this outcome is as favorable as I believe any observer could have hoped for. Projecting into 2023, this sets us up for what should be a strong year, provided there are no major external shocks.

Despite these challenges, this past year was a rewarding one for not only our business but our sustainability endeavors. It gives me great pleasure to report on the groundbreaking sustainability agreement that Hang Lung and LVMH, the French luxury conglomerate, signed in October. At the signing event, Antoine Arnault and I shared the stage in front of several hundred colleagues and other stakeholders – live in Paris and live-streamed to Hong Kong, Shanghai, and other cities – to jointly and publicly commit our groups to specific, measurable, and time-bound sustainable practices in the malls and stores where we cooperate. This numbers nearly 100 individual LVMH shops across 27,000 square meters of our rented space in seven Chinese cities. These numbers are expected to grow in the coming months and years, naturally deepening our ties and impact. This collaboration and its targets address the most pressing sustainability issues of our time, including energy, waste, biodiversity, water, wellness, and more. Both our groups consider this so important that we have agreed to meaningful financial impacts if we fall short of predetermined targets, as well as the right to check in on one another.

This is the first time a partnership of this depth and breadth has been signed between a tenant and a landlord anywhere in the world. However, rather than keeping this effort exclusive, we have, in fact, explicitly stated that we would like to increase the scope of the partnership in due course: for Hang Lung, to our other leasing partners, and for LVMH, to their other landlord partners. One day, we could even expand the agreement to cover broader aspects of real estate and the built environment.

If what we have committed to was the full extent of our collaboration, it would already be unprecedented. However, we went even further. After signing the agreement, Hang Lung and LVMH jointly organized and hosted the inaugural Real Estate and Climate Forum (the Forum) – a two-day, international event both in-person and online, which brought together hundreds of internal and external stakeholders of both companies to discuss relevant sustainability topics and find implementable solutions to some of our shared challenges. The Forum took place in November, just one month after the signing of our agreement, and is intended to be a regular series of events, which, like the agreement, we hope will grow to include other partners, stakeholders, and industry bodies.



Besides the typical outcomes expected of an industry forum, Hang Lung and LVMH wanted a more concrete next step. As such, we took the recommendations from the Forum, combined them with key elements of our agreement, and will be issuing a Common Charter for sustainability in March 2023 outlining our commitments and actions. The hope is that this charter will set a new standard for cooperation between landlords and tenants and will be adopted by others regionally and perhaps even globally. I believe this is the type of broad – yet deep – and comprehensive partnership that businesses must embrace to truly move the needle on sustainability.

With the end of the pandemic in sight, there is a sense of urgency for us to pick up the pace. Despite having three surprisingly strong COVID years, there is no doubt that we are emerging into the next normal, for which our organization must be more resilient yet also more flexible. The past few years have made clear that we can no longer expect relatively easy growth and that the stability and prosperity enjoyed by my generation as the norm can no longer be taken for granted. There are shifts in the states of all three main economic resources – nature, people, and capital – which are coming to a head, for which we must be prepared. Yet, it is during such shifts that some of the most interesting opportunities arise, so we must also keep an open mind.

Finally, I extend my heartfelt thanks to all my colleagues. We have made it through yet another strange year, and because of your commitment and perseverance, we have thrived. You have worked harder than ever and skillfully managed unprecedented challenges at our sites. I also know that you will have likely faced many personal challenges as well. The year's results – including the LVMH partnership – would not have been possible without your dedication and genuine care for our work. I truly believe that what Hang Lung is doing – what *you* are doing – improves our communities and our sector, and that gives us all the more reason to continue doing it well.

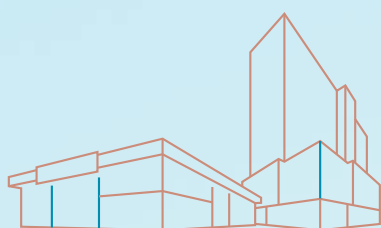
Adriel Chan

Vice Chair

Hong Kong, January 31, 2023

Our robust property portfolio

- 34 Portfolio Key Facts
- 42 Mainland China Property Leasing
- 56 Hong Kong Property Leasing
- 64 Mainland China Property Sales and Development
- 67 Hong Kong Property Sales and Development
- 69 Outlook
- 70 Major Properties of the Group



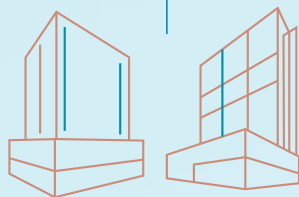
Causeway Bay Portfolio



Central Portfolio



Amoy Plaza



Mongkok Portfolio



Kornhill Plaza and
Kornhill Apartments

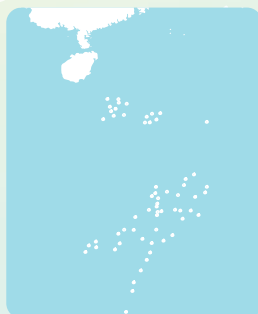


Peak Galleria





Hong Kong



- [Shopping Bag] Retail
- [Office] Office
- [Residential & Serviced Apartments] Residential & Serviced Apartments
- [Apartments for Sale] Apartments for Sale
- [Hotel] Hotel

* Held by HLG

Under Development

Portfolio Key Facts – Mainland China



Plaza 66, Shanghai

Positioned as the “Home to Luxury”, the five-story Plaza 66 mall accommodates more than 100 prestigious international luxury brands and dining outlets.

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



Total Gross Floor Area

213,255 sq.m.

Retail



25%

Office



75%

Number of Car Parking Spaces



804

Grand Gateway 66, Shanghai

Located atop one of the largest metro stations in the city, Xujiahui Station, Grand Gateway 66 boasts a spectrum of global luxury brands, along with an extensive portfolio of specialty retailers encompassing fashion, cosmetics, jewelry and watches, sports and fitness, digital home appliances, and children’s products. The mall also contains many first-in-China stores, successfully establishing its position as the “Gateway to Inspiration”.

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



Total Gross Floor Area

273,427 sq.m.

Retail



45%

Office*



25%

Residential & Serviced Apartments*



30%

Number of Car Parking Spaces



752

*Held by HLG

Palace 66, Shenyang

Optimally positioned in Shenyang's financial hub, Palace 66 showcases nearly 200 popular brands spanning fashion, leisure and entertainment, beauty and cosmetics, food and beverage, and more, making it a preferred destination for young and trendy consumers.



Total Gross Floor Area

109,307 sq.m.

Retail

 100%

Number of Car Parking Spaces

 **844**

Forum 66, Shenyang

Located in Shenyang's core commercial area, Forum 66 is a luxury-led specialty mall housing globally acclaimed labels and numerous first-in-Shenyang stores. The mall also offers a boutique supermarket, international cuisine options, and lifestyle services.

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

The remaining phases of Forum 66 consist of a retail mall, offices and apartments complementing the existing components of this thriving commercial complex.



Total Gross Floor Area

293,905 sq.m.

Retail

 35%

Office

 45%

Hotel

 20%

Number of Car Parking Spaces

 **2,001**

Parc 66, Jinan

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

Parc 66 has become 100% powered by renewable energy from January 1, 2023, making it the first commercial property in Jinan and Shandong Province to achieve net-zero carbon emission in terms of annual electricity consumption for both landlord and tenant operations, and also the second property of the Company to be fully powered by renewable energy.



Total Gross Floor Area

171,074 sq.m.

Retail

100%

Number of Car Parking Spaces

785

Center 66, Wuxi

Located in the most prosperous commercial district in downtown Wuxi, Center 66 is the “center” of luxury, featuring over 200 quality retail stores with a line-up of international luxury labels.

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

Center Residences and the Curio Collection by Hilton-branded hotel are currently under development.



Total Gross Floor Area

259,770 sq.m.

Retail

47%

Office

53%

Number of Car Parking Spaces

1,292

Riverside 66, Tianjin

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



Total Gross Floor Area

152,831 sq.m.

Retail

100%

Number of Car Parking Spaces

800

Olympia 66, Dalian

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



Total Gross Floor Area

221,900 sq.m.

Retail

100%

Number of Car Parking Spaces

1,214

Spring City 66, Kunming

Designed to “Bring the Best to Kunming; Showcase the Best of Kunming to the World”, Spring City 66 is our first development project in Southwest China. It houses a portfolio of prestigious international and local brands, with around 30% of its tenants making their debuts in Kunming and Yunnan Province.

Offering an accessible location and a spectrum of high-quality facilities and services, the Grade A office tower is the preferred choice among leading multinational corporations and domestic firms. Spring City 66 is 100% powered by renewable energy, marking it the first development of the Company to achieve net-zero carbon emissions in terms of annual electricity consumption for both landlords’ and tenants’ operations.


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



Total Gross Floor Area

333,112 sq.m.

Retail

 50%

Office

 50%

Number of Car Parking Spaces

 **1,629**

Heartland 66, Wuhan

Situated in Wuhan’s commercial and business heart with high accessibility, Heartland 66 is our first large-scale commercial development in Central China. The shopping mall offers world-class retail, leisure, and entertainment elements including numerous first-in-town flagship or specialty stores.

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

Construction of the Heartland Residences is underway and scheduled for completion in stages from the second half of 2023.



Total Gross Floor Area

328,612 sq.m.

Retail

 54%

Office

 46%

Number of Car Parking Spaces

 **2,265**

Review of Operations

Portfolio Key Facts – Hong Kong



Causeway Bay Portfolio

An elite shopping destination spanning three core areas – Paterson, Food Street, and Kingston – Fashion Walk features numerous internationally renowned fashion, beauty, and lifestyle brands. It is also home to a diverse array of culinary delights.

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



Total Gross Floor Area

70,375 sq.m.

Retail

57%

Office

31%

Residential & Serviced Apartments

12%

Number of Car Parking Spaces

126

Central Portfolio

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

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

1 Duddell Street, Printing House, and Baskerville House contain influential tenants from the financial and professional services sectors and are also known for their fine-dining establishments. Together with restaurants in the Standard Chartered Bank Building, these four buildings form a thriving fine-dining hub in Central.



Total Gross Floor Area

50,041 sq.m.

Retail

21%

Office

79%

Number of Car Parking Spaces

16

Peak Galleria

Ideally located atop Hong Kong's most famous attraction, Victoria Peak, Peak Galleria is a major tourist landmark that houses close to 50 popular brands, many of which have made their Hong Kong debuts here, including the world's first Monopoly-themed pavilion, Monopoly Dreams Hong Kong. Notable stores recently introduced to the mall include the experiential location GO@PEAK GALLERIA, and The Barkyard, which offers a swimming pool and grooming facilities for pets. Peak Galleria is also renowned for being one of the most popular pet-friendly shopping malls in town.



Total Gross Floor Area

12,446 sq.m.

Retail

100%

Number of Car Parking Spaces

493

Kornhill Plaza and Kornhill Apartments

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

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



Total Gross Floor Area

98,932 sq.m.

Retail

54%

Office

10%

Residential & Serviced Apartments

36%

Number of Car Parking Spaces

1,069

Mongkok Portfolio

Optimally located at the junction of Dundas Street and Nathan Road with high footfall, Gala Place houses a diverse array of merchants as well as a car park that offers about 500 car parking spaces. Accommodating Foot Locker Power Store and the mega lifestyle concept store AEON STYLE, along with a 15,000-square-foot dining floor at the basement level and a 18,000-square-foot dining floor on the 8th floor, Gala Place has strengthened its position as a one-stop shopping and dining destination.

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



Total Gross Floor Area

89,815 sq.m.

Retail

32%

Office

68%

Number of Car Parking Spaces

518

Amoy Plaza

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



Total Gross Floor Area

49,006 sq.m.

Retail

100%

Number of Car Parking Spaces

620

Mainland China Property Leasing



Rental revenue edged higher in RMB terms despite a two-month business suspension owing to the COVID situation in Shanghai, demonstrating the resilience of the portfolio and bearing testament to the benefits of our geographical diversification strategy.

Market Landscape

The commercial leasing sector in mainland China's cities had a rough ride in 2022 as pandemic containment measures led to business restrictions across multiple cities, including a two-month business suspension in Shanghai, the home of our flagship malls. Supply chains were disrupted along with domestic and international travel, weighing on growth in the world's second-largest economy and prompting many companies to rethink expansion plans. For smaller firms, this sometimes meant handing back the keys to their premises as finances were stretched to the brink.

In addition, downturns in mainland China's property and stock markets took their toll on consumer sentiment and a Bain & Company–Altagamma report released in November 2022 indicated that the nation was a rare black spot for global spending on luxury goods last year. Such products are the core offering of our shopping malls portfolio and the study predicted Chinese sales would only claw their way back to 2021 levels once pandemic controls were lifted, something that began in earnest toward the end of the year. In the office sector, the economic slowdown took its toll on demand and competition for tenants pressured rents with many major cities experiencing an abundance of supply following the completion of new developments. Hotels and serviced apartments fared poorly across the country amid the slump in tourism and business travel.

Business Overview

Rental revenue increased 1% from 2021's historical high in RMB terms as growth at our properties in Dalian, Kunming, Wuhan and Wuxi largely offset the negative impact of COVID-19 and RMB depreciation, bearing testament to the success of the Company's geographical diversification strategy. Our shopping centers in Shanghai and Shenyang endured the longest closures in the portfolio last year as a result of pandemic curbs, though none were free from disruption with trading and footfall frequently impacted by restrictions on beauty salons, cinemas, dining outlets and gyms.

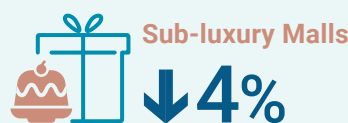
Occupying prime locations in their respective cities, our luxury malls and Grade A office towers were able to weather the storm better than most and they remained firm favorites for top global brands, leading multinationals and China's biggest enterprises. Management teams made the most of the tough trading environment and HOUSE 66, our customer relationship management (CRM) program, proved a great asset in spurring spending at tenants' outlets.

Rental income for the office portfolio posted double-digit growth in RMB terms, driven by rising occupancy levels at the Company's newer projects.

Heartland 66 made good progress in its first full year of trading, reinforcing its position as the undisputed leader for high-end retail in Wuhan, while Olympia 66 in Dalian also registered strong growth following its repositioning as a luxury mall. In Kunming, Spring City 66 is seen getting a boost from the planned opening this year of a Grand Hyatt hotel in the development.

Center 66 in Wuxi has a Curio Collection by Hilton hotel set to open in late 2024, which will complement the existing mall and office towers. Westlake 66 in Hangzhou will be the Company's 11th commercial complex in mainland China, comprising a world-class shopping mall, five office towers and a Mandarin Oriental hotel. The RMB 16 billion project is scheduled for completion in phases from 2024 and will further enhance the strength and diversity of our portfolio.

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



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



* For a detailed breakdown of gross floor area of our completed investment properties, please refer to table "C. Major Investment Properties" on page 73

For a detailed breakdown of gross floor area of our properties under development, please refer to table "A. Major Properties under Development" on page 70

Plaza 66, Shanghai

Shopping Mall

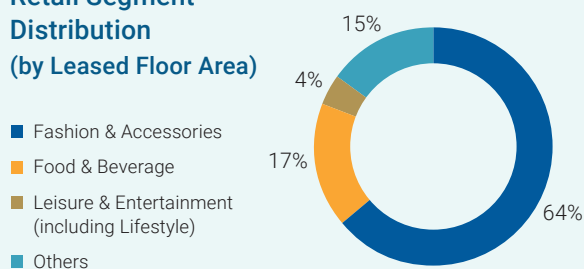
The jewel in the crown of our portfolio had a bit of a setback in 2022 as pandemic containment measures in Shanghai and across much of mainland China hampered spending by the Chinese elite, negatively impacting rental revenue and tenant sales. Nevertheless, Plaza 66 maintained full occupancy with more than 120 high-end retailers and dining outlets cementing its position as the “Home to Luxury”.

Among flagship stores, Gucci and Valentino took on more space, while Chanel and Louis Vuitton upgraded their offerings. New premises were opened by brands including De Beers, La Mer and BOGNER. The mall’s annual signature event “Home to Luxury” Party – was well supported by over 100 tenants curating a unique shopping experience for customers with exclusive luxury fashion offers, interactive installations and VIC-exclusive sessions.



“Home to Luxury” Party draws on great imagination each year to create delightful surprises and unique experiences for the enjoyment of guests

Retail Segment Distribution (by Leased Floor Area)



Occupancy Rate



Number of shopping mall tenants (at year-end)

125

Looking into 2023, the mall will continue to enhance its uniqueness and attraction to the young affluent and elite customers by further refinement of tenant mix, particularly with the introduction of more new luxury brands and personal care and beauty brands.

Office Tower

The twin Grade A office towers remained a popular location for top-tier multinationals and domestic companies in the finance, professional services and fashion industries. Fendi, Moncler and Prada were among the existing tenants that took on additional space, helping to sustain an overall high occupancy rate of 96%.

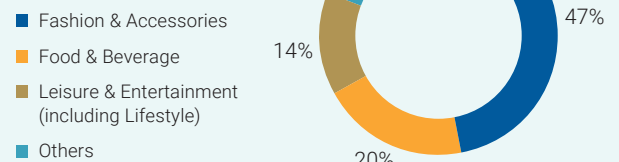
A dearth of new office supply in Shanghai’s West Nanjing Road and the traditional core central business district supported rental resilience in the area. A butler service for key tenants was rolled out towards the end of 2022 and this service will be expanded to other tenants gradually.

Grand Gateway 66, Shanghai Shopping Mall

A strong start to 2022 gave way as Shanghai's COVID-19 situation heightened that led to business suspension in April-May and dealt a blow to retail spending in the city. While tenant sales and rental revenue both declined, figures for the other 10 months were ahead of the same period in 2021, supported by the mall's "From the Heart" revival event at the start of June as well as its "Gateway to Happiness" anniversary party in October.

The property sits above one of Shanghai's largest metro stations, Xujiahui Station, and is positioned as a lifestyle center that also offers rich luxury content, boasting a line-up of tenants that includes Buccellati, De Beers, Thom Browne, GANNI, On and Salomon. The range of outlets on offer was boosted last year by the addition of the first mainland China stores for Hart Marx, moody tiger and Zaren. More space was added to the fine watches and jewelry section of Grand Gateway 66 and its appeal to Shanghai's richest citizens will be further enhanced by the opening of a duplex Gucci store that is scheduled for the third quarter of 2023.

Retail Segment Distribution (by Leased Floor Area)



Occupancy Rate

Retail
99%

Office*
97%

Residential & Serviced Apartments*
90%

Number of shopping mall tenants (at year-end) **375**

*Held by HLG

Looking ahead, competition for tenants is expected to be keen in the surrounding area and a softening economy makes brands hesitant to expand. Grand Gateway 66 will seek to enhance its attraction by drawing more high-end designer labels as well as strengthening the range of brands in the beauty and kids zones.



In a first for a high-end shopping mall, the "Gateway to Happiness" event at Grand Gateway 66 presents exclusive stand-up comedy performances for visitors to the mall

Palace 66, Shenyang

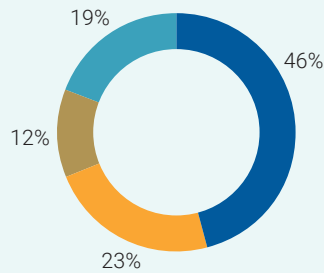
The shopping center had a challenging year as COVID-19 led to a 25-day closure in early spring, sapped consumer confidence and curbed travel. Nevertheless, the shopping center took the opportunity to solidify its tenant mix with % Arabica, Descente, chuu, K-Swiss, orchirly and OVV joining the likes of adidas, Nike Kicks Lounge and Zara in a line-up of some 200 local and international brands. A marketing event around Chinese Valentine’s Day in August helped bring about the highest day’s sales since the mall opened its doors in 2010, attracting customers with a variety of fashion shows as well as jewelry and watch promotions.



The marketing event of Palace 66 in Shenyang during Chinese Valentine’s Day boosts tenant sales significantly

Retail Segment Distribution (by Leased Floor Area)

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



Occupancy Rate

Retail  81%

Number of shopping mall tenants (at year-end)

195

An improved range of ladies fashion brands and a refreshed mix of dining options are set to give a lift to Palace 66, which will also benefit from enhanced customer service. Converse, Tissot and LEGO are among brands set to unveil new stores this year.

Forum 66, Shenyang Shopping Mall

Depressed consumer sentiment, disruption caused by COVID-19 and fierce competition for tenants made for a testing year at the high-end mall, where rental revenue retreated in tandem with footfall and tenant sales. As was the case at Palace 66, Forum 66 had to shut for nearly a month from mid-March and subsequent pandemic-control measures restricted the operations of dining venues. On a brighter note, new brands like Swiss watchmaker Omega were added as tenants, joining the likes of Chanel and Burberry.

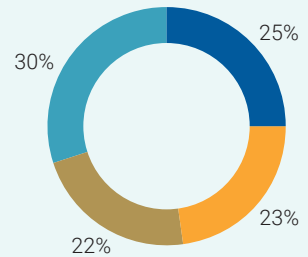
It is envisaged that 2023 will be a better year as an easing of pandemic containment measures help revive confidence and domestic travel. Joint initiatives with Palace 66 and Conrad Shenyang are being looked at to spur spending tenant sales amid a fine-tuning of the tenant mix to focus more heavily on luxury, vibrant lifestyle brands and kids retail. Changes to the food and beverage line-up are also being pursued to enhance the mall's attraction and the HOUSE 66 CRM program will be used to strengthen customer ties.

Office Tower

Northeast China's tallest building boasts a strong tenant mix from the worlds of banking, manufacturing, professional services, TMT and finance, providing a strong and solid base. Softening demand for office space and aggressive discounting by rivals weighed on

Retail Segment Distribution (by Leased Floor Area)

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



Occupancy Rate



Number of shopping mall tenants (at year-end)

137

rental income and occupancy at Forum 66 last year, nonetheless, high-quality firms such as Ford Motor Company, HL Holdings, and appliance maker Midea were drawn to Forum 66 and added to the list of tenants, while Siemens and Ctrip expanded their offices.

The market is expected to remain challenging in 2023 owing to an abundance of supply and the efforts of the management will be focused on tenant retention and developing new prospects.

Hotel

Travel restrictions, quarantine requirements and social distancing rules severely impacted Conrad Shenyang last year, though the property maintained its position as market leader with Smith Travel Research ranking it top in the city for revenue per available room. In recognition of its quality product and outstanding service, the hotel also won a Connie Award, a mark of excellence for Hilton Worldwide brands. An expected revival of both domestic and international travel in 2023 is seen boosting demand for rooms and dining.



The art exhibition *Dreams without Mirror* at Forum 66 in Shenyang creates immersive experiences for customers in the innovative ways

Parc 66, Jinan

The contemporary lifestyle mall undergoing asset enhancement work had a tough year as COVID-19 disrupted the operations of shops and restaurants while also hampering travel to the city. The mall strived to draw footfall by introducing popular IP exhibitions, brand promotions, membership activities and online

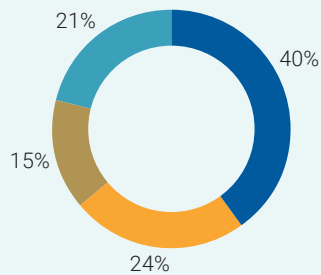
sales to enhance tenant sales and maintain its occupancy rate. Parc 66 was able to weather fierce competition from rivals against the negative backdrop and achieved stable rental revenue compared with the previous year. The property also remained the top choice for mid-to-upmarket brands in the area.

The completion of the first phase of a three-year Asset Enhancement Initiative saw the likes of CHANEL BEAUTÉ, Lancome, Tom Ford, Gucci Beauty, La Mer, Helena Rubinstein, Jo Malone, YSL Beauty, and Shu Uemura open their doors in the West Wing's new and expanding beauty zone on Level 1, where they will be joined by some affordable luxury stores relocated from the East Wing as the latter's revamp got under way. Giming, Lefame, chuu and Samsung were among the new joiners on the upper floors.

Projections are for spending to recover in 2023 as pandemic containment measures eased, though ongoing asset enhancement works will weigh on rental revenue at Parc 66. The major works being done to upgrade the East Wing's atrium and improve the flow of the mall will lead to the creation of additional shops for lease, increasing the future earnings potential of the property.

Retail Segment Distribution (by Leased Floor Area)

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



Occupancy Rate

Retail 90%

Number of shopping mall tenants (at year-end)

332



While Parc 66 in Jinan is undergoing its AEI, a number of high-end beauty brands have established their presence at the mall during the year



The “Take Center Stage” campaign at Center 66 in Wuxi celebrates the mall’s milestone ninth anniversary with its loyal customers

Center 66, Wuxi Shopping Mall

Wuxi’s undisputed leader in luxury retail achieved increases in tenant sales, occupancy and rental revenue last year, overcoming pandemic containment measures that included a near-total closure for several days in April as well as almost two weeks of shortened trading hours in July. A basement level beauty zone continued to draw well-known brands with Diptyque, L’Artisan Parfumeur and Penhaligon’s all opening their first stores in the city. Balenciaga, MIKIMOTO and Tiffany & Co. were among the other high-end marques to launch stores in Center 66 last year.

The annual “Take Center Stage” marketing event was held over three days in September and again proved a success, lifting sales to a record and strengthening relations with the most important customers. Further improvement in the mall’s offerings is expected in 2023.

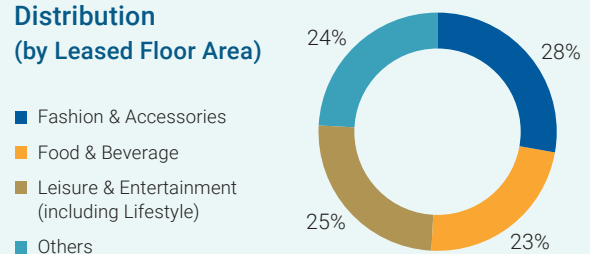
Office Towers

The two Grade A office towers remained popular with companies in the finance, insurance, TMT and professional services sectors, recording a slight increase in the overall occupancy as high vacancy rates at competing properties kept a lid on rents. Newcomers including China Merchants Securities, CITIC Securities

and Zheshang Securities joined the Center 66 office tenants list, while Huawei, KONE and Softtek further expanded their offices.

Our self-operated multifunctional workspace, HANGOUT, gained traction and, until the end of 2022, was operating at an average of more than 75% of capacity. Attracting quality small and medium enterprises to HANGOUT will be a key objective for 2023.

Retail Segment Distribution (by Leased Floor Area)



Occupancy Rate



Number of shopping mall tenants (at year-end)

218



Riverside 66 in Tianjin turns into a social media-worthy hotspot during the summer. Different activities are held on the weekends for customers to relax

Riverside 66, Tianjin

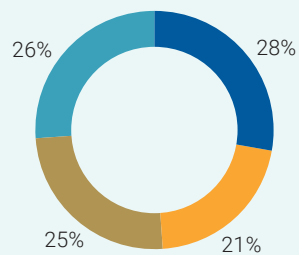
Tenant sales at Riverside 66 were severely impacted last year as measures to combat COVID-19 forced closures of the mall in May and September as well as

imposing lengthy suspensions on entertainment venues, kids activities, dine-in restaurants, beauty salons and sports facilities. Some tenants sought early termination of leases and others were reluctant to renew upon expiry. Despite the challenging operating environment, rental revenue and the occupancy rate held at levels comparable to 2021. Rent relief was offered to businesses hardest hit by the pandemic during the period.

Breitling, Peet's Coffee and a Sisyphus bookstore were among the newcomers to the mall, which organized a series of events targeted at different customer groups to help revive footfall. The performance of the business is seen improving in 2023 as new dining outlets, a growing cluster of cosmetics brands and the introduction of a trendy new outdoor area draw people to the property.

Retail Segment Distribution (by Leased Floor Area)

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



Occupancy Rate

Retail 80%

Number of shopping mall tenants (at year-end)

219

Olympia 66, Dalian

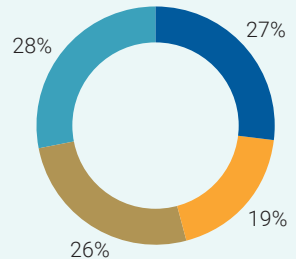
Despite a 6% drop in average daily footfall due to successive waves of the pandemic, rental revenue and associated tenant sales surged as the mall continued its transformation from a lifestyle shopping hub to a regional luxury landmark. Rental revenue was up 40% on the previous year, and tenant sales reached RMB2 billion, a year-on-year increment of over 67%.

Occupancy increased two points to 89% at year-end with the addition of new luxury brands including Gucci, Miu Miu, Tod's, Hogan, Longchamp, Marc Jacobs, Canali, Rolex, and KENZO; reputable international labels Kent & Curwen and RARE; famous audio brand Bang & Olufsen; the exclusive Air Jordan regional flagship; and popular coffee chain % Arabica. Upgrades at the basement floor linking the east atrium to the metro station has allowed for the setting up of a sports and trends zone featuring popular brands such as Lining, Kappa, adidas, Speedo, Columbia, MLB, Nintendo, Lee, Kailas, and Spyder.

Looking forward to an exciting 2023 with the debut of Chloé, Versace, Maison Margiela, Moschino, and Max Mara, among others, Olympia 66 will continue its luxury

Retail Segment Distribution (by Leased Floor Area)

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



Occupancy Rate

Retail 89%

Number of shopping mall tenants (at year-end)

354

transformation supported by HOUSE 66 activities and an extensive program of events and campaigns, including the Shining Olympia event slated for mid-year, to celebrate the mall's evolution into the region's luxury destination.



Customers enjoy ski dancing performances at Olympia 66 in Dalian during the 2022 Winter Olympic Games

Spring City 66, Kunming Shopping Mall

Kunming’s hub of prime luxury had a bumpy ride last year as pandemic disrupted operations, weighed on consumer sentiment and kept tourists away. While rental revenue edged higher, reduced footfall impacted the mall’s tenant sales with occupancy rate declined. The introduction of first-in-town stores by Japanese jeweler MIKIMOTO and Swiss watchmaker Vacheron Constantin provided some support, as did the opening of a new flagship duplex outlet by Arc’teryx, an outdoor apparel brand from Canada.

Tenant sales were also given a boost by the “Spring into Life” two-day signature event held in November to celebrate Spring City 66’s third anniversary. The extravaganza saw Cirque du Soleil perform in Kunming for the first time and led to the best-ever day’s trading for tenants. The mall will strive to sign up more leading international brands in 2023, with particular focus on marques that have yet to gain a foothold in Kunming, and are confident the opening of the Grand Hyatt Kunming closely connected to the shopping center will spur activity and enhance the standing of the complex.



The “Spring into Life” extravaganza saw Cirque du Soleil perform in Kunming for the first time during the two-day signature event celebrating Spring City 66’s third anniversary

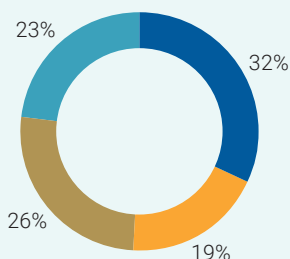
Office Tower

The building is situated in the heart of Kunming’s central business district and remained a firm favorite among financial businesses, insurance companies and professional services firms, which together accounted for more than half of the tenanted space. The occupancy rate ending the year at 88%. CITIC Securities, CICC Wealth Management and an online wine app Vivino are newly moved in while Taikang Life and Honor further expanded their offices. Multinationals have moved in such as Ernst & Young, ICBC AXA Life, Nokia and Siemens.

Occupancy is expected to continue improving in 2023. The opening of Grand Hyatt Kunming will also enhance the tower’s appeal to high-quality businesses.

Retail Segment Distribution (by Leased Floor Area)

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



Occupancy Rate



Number of shopping mall tenants (at year-end)

297

Heartland 66, Wuhan

Shopping Mall

The luxury mall had a challenging 2022 as the pandemic disrupted its first full year of trading and the launches of rival properties in the city heightened competition for Heartland 66 and its tenants. Footfall and tenant sales gained momentum as the occupancy rate climbed, with store openings by the likes of Cartier, Hermès and Tiffany & Co. more than compensating for closures by some smaller brands and standalone outlets. Pop-up shops by marques including Alexander McQueen, Marni, Christian Louboutin and Givenchy helped draw high-end shoppers, as did the successful rollout of the HOUSE 66 CRM program. The opening of Space on 5, a new area offering quality dining outlets and a venue for social events such as music performances, stand-up comedy and fashion shows, further enhanced the mall's offering.

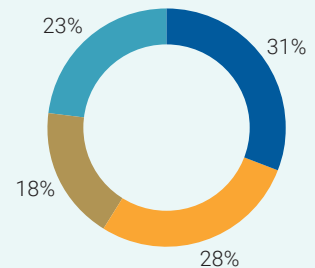
First anniversary celebrations took place over three days in May, setting a new record for daily tenant sales, and included a lightshow on the Yangtze River. New initiatives planned for this year include the introduction of a lounge area for top-tier members of HOUSE 66 as well as a new themed zone in the basement encompassing more casual dining venues, young lifestyle stores and a hangout space for customers.

Office Tower

Abundant office supply in Wuhan and a softening Chinese economy impacted leasing progress in the first full year of operations. The occupancy rate stood at 73% at year-end, with the increment a result of MDPI, BSH, Ipsos and Nestle joining the list of tenants. Conditions are likely to remain challenging throughout this year as the glut persists and companies continue to look for cost saving options. Our self-operated multifunctional workspace, HANGOUT will open in the first quarter of 2023, offering more choices and further enhancing the customer experience.

Retail Segment Distribution (by Leased Floor Area)

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



Occupancy Rate

Retail
86%

Office
73%

Number of shopping mall tenants (at year-end)

275



Space on 5, the stylishly designed cross-level space at Heartland 66 in Wuhan gives customers an open view of the city, and serves as an ideal place for leisure in addition to the mall's retail offering

New Projects Under Development

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



Grand Hyatt Kunming

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

Location

Dongfeng Dong Lu/Beijing Lu, Panlong District, Kunming

Total gross floor area

98,054 square meters

(including the total gross floor area of Grand Hyatt Residences Kunming)

Expected year of completion

2023



Curio Collection by Hilton, Wuxi

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

Location

Jiankang Lu, Liangxi District, Wuxi

Total gross floor area

7,165 square meters

Expected year of completion

2024



Westlake 66, Hangzhou

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

Location

Bai Jing Fang, Xiacheng District, Hangzhou

Total gross floor area

194,100 square meters (including above ground only)

Main usage

Retail, office, hotel

Expected year of completion

2024 onwards



Forum 66, Shenyang

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

Location

Qingnian Da Jie, Shenhe District, Shenyang

Total gross floor area

502,660 square meters

Main usage

Retail, office, apartments for sale

Expected year of completion

2027 onwards

Hong Kong Property Leasing

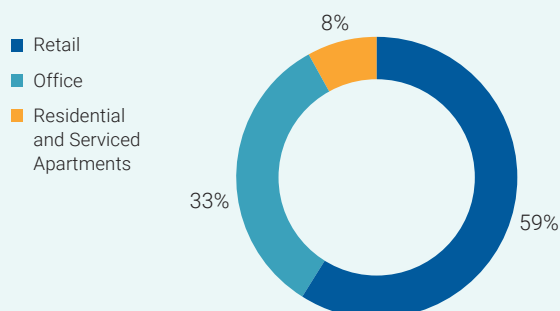


Thanks to our flexible and tactical leasing strategies, the refinement of our tenant mix to accommodate local consumption patterns, and the launch of various marketing campaigns via the “hello Hang Lung Malls Reward Program,” our Hong Kong property leasing portfolio maintained high occupancy rates with rental income returning to a growth trajectory in the second half of the year as pandemic controls eased.

Market Landscape

Rents in Hong Kong’s shopping malls remained under pressure last year as measures to control the spread of COVID-19 weighed on retail sales. Social distancing rules disrupted businesses such as restaurants, cinemas, education centers, gyms and beauty parlours, while quarantine requirements and a closed border with mainland China meant tourists were few and far between. Interest-rate increases along with downturns in the property and stock markets also took their toll on consumer sentiment, while pandemic fears and an increase in working from home fuelled a shift toward online shopping. A relaxation of quarantine rules in late September sparked a surge in outbound tourism, though did little to revive inbound activity; visitor arrivals numbered about 600,000 last year, a far cry from the record 65 million that came in 2018. Against this backdrop, government handouts of consumption vouchers to residents provided some support for the city’s stores, bars and restaurants as they waited for demand to recover. In the office sector, rents were also subdued as the weak economy prompted companies to seek cost cuts and damped expansion plans. Increased vacancy rates stoked competition among landlords, giving tenants a strong hand in negotiations.

Distribution of Revenue of Our Hong Kong Property Leasing Portfolio in 2022



Hong Kong Property Leasing Continued to Demonstrate Resilience

Tenant Sales



Retail



Office



All occupancy rates stated therein were as of December 31, 2022

Business Overview

Shopping malls in our Hong Kong portfolio maintained high occupancy throughout the year as the teams implemented adaptive strategies that bore fruit in the latter part of 2022 when a pick-up in tenant sales led to a climb in rental revenue. The teams refined the tenant mixes, including but not limited to recruiting more food and beverage outlets targeting local consumers, as local consumption patterns had changed as a result of COVID-19.

Rent relief, offered on a case-by-case basis, tailed off significantly during the second half as outlets that had been subject to complete or partial closures were allowed to resume trading. The “hello Hang Lung Malls Rewards Program” helped prop up sales across the Hong Kong portfolio and was used by marketing departments to give added boosts to footfall and consumer sentiment around the time that consumption vouchers were handed out by the government.

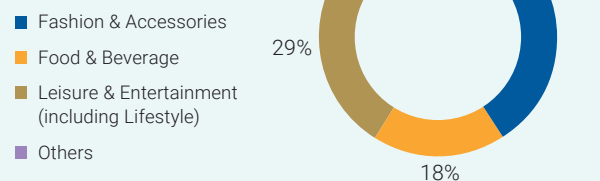
The office towers also had a challenging time last year as high vacancy rates in the city led to stiff competition for tenants, many of whom were under pressure to cut costs and downsize. Efforts to attract new business were focused on beauty salons and medical service providers as demand from travel agencies slumped. Our Grade A office tower redevelopment at 228 Electric Road in North Point is scheduled for completion in 2023.

Causeway Bay Portfolio

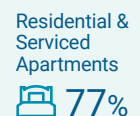
Rental revenue for the Causeway Bay portfolio declined slightly last year as tenants, faced with falling sales, pushed for reductions when renewing leases and this trend is seen continuing into 2023 unless tourist arrivals rebound.

Nevertheless, the properties’ line-up of fashionable outlets was bolstered by the addition of Matsumoto Kiyoshi’s biggest store in town as well as Byredo’s top flagship venue in Hong Kong and a Mizuno Sport Style

Retail Segment Distribution (by Leased Floor Area)



Occupancy Rate



Number of shopping mall tenants (at year-end)

96



Spanning an area of over 14,500 sq. ft., the two-story flagship store of Matsumoto Kiyoshi, the popular beauty and cosmetic brand from Japan, at Fashion Walk is their largest store in Hong Kong

shop. The choice of dining options was enhanced as Spanish restaurant Calle Ocho and GYOJASANG, a Korean Izakaya, opened their doors. Fashion Walk was also chosen as the site for Hong Kong island's first branch of Hao Tang Hao Mian, a popular noodle restaurant that's included in the Michelin Bib Gourmand guide. Dining, beauty and trendy street wear will remain the focus as tenant mix is refined this year.

Office rents at the nearby Hang Lung Centre, a building that's popular among leading operators in the medical, beauty and wellness sectors, held fairly stable in 2022 as occupancy improved. Keen competition for tenants is likely to pressure market rates this year and flexible packages will be offered to attract and retain businesses. The property will also be improved by the addition of electric-vehicle chargers and investment in a more energy-efficient air-conditioning system.

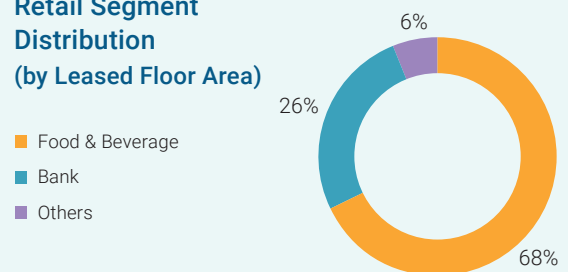


The Central Portfolio is a hub of fine-dining establishments

Central Portfolio

The Central portfolio comprises four buildings – Standard Chartered Bank Building, 1 Duddell Street, Printing House, and Baskerville House – and their buildings are firm favorites of the finance and professional services sectors. Occupancy rates in the office space held up as subdividing of premises helped draw small and medium-sized companies looking to develop at the heart of the main business district.

Retail Segment Distribution (by Leased Floor Area)



Occupancy Rate



Number of shopping mall tenants (at year-end)

11



Peak Galleria organizes a lot of pet-friendly activities for customers to enjoy shopping and leisure time with their beloved pets

Competition for tenants is seen remaining keen this year with vacancy rates high in nearby properties following the completion of new developments. Renovations to the lift lobby and office washrooms will be conducted at Standard Chartered Bank Building to enhance the overall feel of the property.

On the retail side, home to high-end dining establishments such as Duddell's, Mott 32 and Estro, rental income fell in 2022 as working from home and the tourism slump curbed footfall and tenant sales. This year will likely see improved performance if recoveries in inbound travel and the local economy materialize.

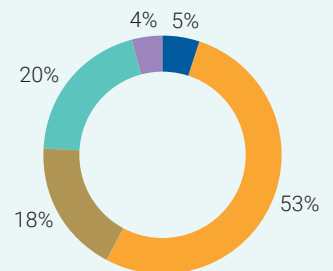
Peak Galleria

Rental revenue and tenant sales were hit by the tourism slump and a 14-month closure of the Peak Tram, a popular means of traveling to the mall, which is located in one of the most iconic and famous tourist spots in Hong Kong. Occupancy was maintained through the offer of short-term flexible leases and footfall spiked when the tram service resumed with increased capacity in August.

With overseas visitors still in short supply, Peak Galleria will keep seeking to draw in local consumers by strengthening its food and drink offering as well as adding more lifestyle and experiential brands. By refining the tenant mix, the mall will solidify its reputation for unique offerings and the Hang Lung Malls app will be actively utilized to encourage spending. Newcomers last year included Hong Kong's sole Yucca de Lac restaurant and L'Azur Gourmet, a luxury grocer. Pet owners remain a target market and a Furry Fun event was held in October to appeal to this group.

Retail Segment Distribution (by Leased Floor Area)

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



Occupancy Rate

Retail **96%**

Number of shopping mall tenants (at year-end)

47

Kornhill Plaza and Kornhill Apartments

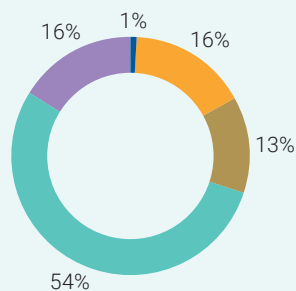
Kornhill Plaza, which serves nearby residents and office workers, demonstrated resilience with stable rental revenue and high occupancy despite social distancing rules dealt a blow to footfall and tenant sales. The largest Japanese department store in Hong Kong, AEON STYLE, and a new supermarket concept FRESH performed well as home cooking became more popular amid the pandemic. The mall also enhanced its attraction to nearby residents with a stronger focus on home living and wellness trades. The office space was severely impacted as the education centers that are the mainstay of its business were forced to suspend classes, prompting some to downsize or hand back the keys at a time of heightened competition amid rising vacancy rates.



Kornhill Plaza enhanced its attraction to nearby residents with a stronger focus on the home living and wellness sectors

Retail Segment Distribution (by Leased Floor Area)

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



Occupancy Rate

Retail **100%**

Office **94%**

Residential & Serviced Apartments **72%**

Number of shopping mall tenants (at year-end)

120

The mall and office tower are likely to deliver an improved performance this year following the easing of measures to control the pandemic. The mall will further improve its tenant mix while the office tower will introduce more one-of-a-kind leisure interest centers to solidify its position as an education hub.

The serviced apartments managed to grow revenue last year with occupancy holding up as the leasing team focused their efforts on tenant retention and developing the local market. Demand should get a boost in 2023 as an easing of travel restrictions helps stimulate interest among expatriates and mainland Chinese.

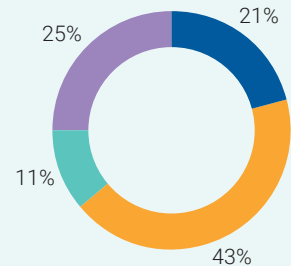
Mongkok Portfolio

Trendy lifestyle malls Gala Place and Grand Plaza in Mongkok had another challenging year amid the collapse in tourism and as government measures to contain the spread of COVID-19. Retail market was sluggish as social activities slow down due to the 5th wave of COVID-19 which also affected the manpower of tenant’s business operations. The volatile stock market also makes local customers keep conservative in spending. Full occupancy was nonetheless achieved with anchor tenants retained. Performance of food and beverage outlets improved slightly followed by the relaxed restrictions on dining.

Efforts to strengthen Grand Plaza’s credentials as a premium healthcare hub gained ground. The Specialists clinic took two floors of the retail podium in addition to the 20th floor of office tower. Other new tenants taking whole floors included Dyson service

Retail Segment Distribution (by Leased Floor Area)

- Fashion & Accessories
- Food & Beverage
- Department Store
- Others



Occupancy Rate



Number of shopping mall tenants (at year-end)

32



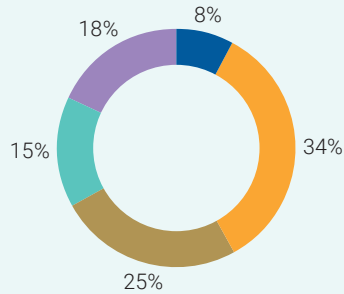
An iconic seven-meter-tall Japanese comic character and a pop-up store are set up at Gala Place to promote a movie

center while Deluxe Daikiya Japanese Restaurant and Matsumoto Kiyoshi were added to the mall in the first half of 2023. Enhancement of offerings at Gala Place further strengthen its role as a leading semi-retail hub in Mongkok.

Although competition for tenants remained fierce, there were signs of stability toward the end of last year as a reining in of COVID-19 controls gave a lift to business confidence in the city.

Retail Segment Distribution (by Leased Floor Area)

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



Occupancy Rate

Retail
100%

Number of shopping mall tenants (at year-end)

251

Amoy Plaza

Amoy Plaza strives to look after the diversified interests and needs of the community in the burgeoning district of Kowloon East, a focus that meant its performance was largely stable last year with the tourism slump having little impact. Following the opening of DON DON DONKI in January 2022, renowned Japanese retailer's largest store in Kowloon, dining options were also further enriched with the introduction of Sukiya, Thai Cool, Chuan Club and RUD etc. Mall traffic is expected to surge with the expected opening of the nearby East Kowloon Cultural Centre in 2023.



DON DON DONKI, renowned Japanese retailer, opened its biggest store in Kowloon at Amoy Plaza

New Project Under Development

228 Electric Road Redevelopment in North Point

In collaboration with our parent company, Hang Lung Group, 228 Electric Road* in North Point is being redeveloped into a Grade A office tower with a retail area on the podium floors. Superstructure works are in progress and the project is scheduled for completion in 2023.

Location

228 Electric Road, IL 1618, North Point

Total gross floor area

9,754 square meters

Main usage

Office, retail

Expected year of completion

2023

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

Mainland China Property Sales and Development



Hang Lung Residences, our luxury serviced residences, will set a new benchmark for urban living and showcase the eye for excellence that is the hallmark of our developments.

Market Landscape

Market sentiment has been weakened by challenges such as COVID-19 uncertainties, developer liquidity issues, and mortgage boycotts. Home buyers across cities are therefore more prudent. High-end properties fared better than most as purchasers sought quality projects in core locations that were backed by developers with solid financial credentials.

The property sector was given a shot in the arm in November as policy makers announced a raft of measures to boost liquidity and revive confidence.

Business Overview

Hang Lung Residences, a selection of premium serviced residences, are being built at our properties in Kunming, Shenyang, Wuhan and Wuxi and it is planned that these developments will set a new benchmark for urban living and capture the Company's vision "to create compelling spaces that enrich lives".

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

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

Introduction to our Hang Lung Residences



Heartland Residences, Wuhan

Heartland Residences in Wuhan is the inaugural Hang Lung Residences project comprising three uniquely designed towers that offer 492 units, and a three-story clubhouse designed to accommodate the needs of the most discerning residents. Seamlessly connected to the Heartland 66 shopping mall and office towers, Heartland Residences benefits from a range of educational and medical facilities, open-air parks and five-star hotels within a three-kilometer radius. Pre-sales marketing activities commenced in July and the public launch will be subject to market assessment. The project is scheduled for completion in phases from the second half of 2023.

Location

Jinghan Avenue, Qiaokou District, Wuhan

Total gross floor area

131,493 square meters

Expected year of completion

2023 onwards



Center Residences, Wuxi

Center Residences forms part of the Phase 2 development of Center 66 in Wuxi. Building on the proven success of the luxury retail mall and two office towers at the world-class commercial complex, the Center Residences is set to transform the Central Business District into a work-life hub that presents a modern interpretation of this historic city's artistic and cultural heritage. The two high-rise towers share a gross floor area of around 100,000 sq.m. housing approximately 600 units and world-class clubhouses. Adjacent to the property will be the Curio Collection by Hilton-branded hotel offering a total of 106 hotel rooms. Center Residences is expected to be launched for pre-sale in 2023, with construction scheduled to be completed in phases from late 2024.

Location

Jiankang Lu, Liangxi District, Wuxi

Total gross floor area

99,953 square meters

Expected year of completion

2024 onwards



Grand Hyatt Residences Kunming

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

Location

Dongfeng Dong Lu/Beijing Lu, Panlong District, Kunming

Total gross floor area

98,054 square meters

(including the total gross floor area of Grand Hyatt Kunming)

Expected year of completion

2024 onwards



Forum Residences, Shenyang

The Forum Residences comprises part of the Forum 66 development in Shenyang. Integrating seamlessly into the luxury retail mall, office establishment, and the renowned international hotel Conrad Shenyang, the Forum Residences offers the exclusivity of upscale urban living in the city. Pre-sales are expected to start in 2025.

Location

Qingnian Da Jie, Shenhe District, Shenyang

Total gross floor area

502,660 square meters*

Expected year of completion

2027 onwards

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



We will continue the sales of units at 23–39 Blue Pool Road and at The Aperture and will press ahead with the construction of our luxury houses project at Shouson Hill Road.

Market Landscape

The real estate market in 2022 remained sluggish. The residential property market underwent a significant correction last year, with flat prices dropping by 15% on a yearly basis, slowing down the sales pace of first-hand private residential properties. According to data from the Housing Bureau as of the end of last year, the potential supply of first-hand private residential properties in the next three to four years is approximately 105,000 units, keeping the supply of private residential properties at a relatively high level.

Benefiting from the normal traveler clearance between Hong Kong and the Mainland, as well as the gradual return of social activities, the negative atmosphere in the housing market has slightly eased. However, affected by the high federal funds rate and the relatively tight liquidity of the Hong Kong Dollar, the downward trend of the Interbank Offered Rate is less likely to continue.

With the launch of several new residential projects in response to the heating-up real estate market, the market sentiment has improved. However, a market revival remains to be seen.

Business Overview

The Aperture, a new development in Kowloon East, sold 126 units by the end of last year, and its sales activities will continue. Two brand-new show flats at 23–39 Blue Pool Road will be launched this year to attract market attention. Work on the redevelopment of luxury detached houses at 37 Shouson Hill Road in the Southern District of Hong Kong Island is expected to begin in 2023 upon approval of the building plans by the Buildings Department.

New Projects Under Development



The Aperture

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

Location

11 Ngau Tau Kok Road, NKIL 1744, Kowloon Bay

Total gross floor area

16,226 square meters

Main usage

Residential, retail

Expected year of completion

2023

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

Shouson Hill Road Redevelopment

The land acquisition at 37 Shouson Hill Road in the Southern District of Hong Kong Island was completed in February 2021. The site will be re-developed into luxurious houses and construction works will begin in 2023 upon approval of the Building Plans by the Buildings Department.

Location

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

Total gross floor area

4,403 square meters

Main usage

Residential

Expected year of completion

2025



The outlook for 2023 is upbeat for both Mainland and Hong Kong despite uncertainties remain. The recent relaxation of pandemic control measures in Mainland, despite its initial challenges, is welcome by stakeholders. In property development front, subject to market conditions, we expect to achieve milestones with the public launches of Hang Lung Residences on Mainland and the handover units at The Aperture, in Hong Kong.

Our Mainland leasing portfolio is expected to reach new heights and continue its growth momentum after the turbulence brought from the surge in COVID-19 cases in December. While unforeseen variants of COVID might creep in and affect our daily businesses, lessons learnt in the past three years, as well as the maturation of our newer projects, have made us better prepared. We will seize opportunities ahead through various strategic marketing campaigns and our CRM program, HOUSE 66, to drive footfall and stimulate consumer spending at our malls. Our malls at Plaza 66 and Grand Gateway 66 in Shanghai and the strong supporting cast from malls outside Shanghai will lead our growth in Mainland, while our office portfolio will continue to provide steady growth and income.

Hong Kong will inevitably benefit from the Mainland's relaxation of pandemic control measures and progressive re-opening of borders. Our leasing portfolios in Causeway Bay and Mongkok, as well as Peak Galleria, will be the prime beneficiary, while our community malls, Kornhill Plaza in Hong Kong East and Amoy Plaza in Kowloon East, will continue to provide stable income with improved overall consumer sentiment. We will leverage on our "hello Hang Lung Malls Rewards Program", our strategic reward program, to better engage our loyal customers and boost footfall. For our office portfolio, while the market remains challenging, we look forward to the introduction of our newest member, 228 Electric Road in the second quarter of 2023. Overall, we will continue to refine and enhance our tenant mix, as well as through AEI and capital recycling exercises, to better position our portfolio.

We look forward to our property development business achieving milestones in 2023. On Mainland, our premium serviced residences brand, Hang Lung Residences (namely, Heartland Residences in Wuhan, Grand Hyatt Residences in Kunming, and Center Residences in Wuxi), subject to market conditions, will be making their respective public launches. For Heartland Residences, the first batch of units is targeted to handover to buyers in 2023. In Hong Kong, revenue from pre-sale of The Aperture is expected to be recognized in the second half of 2023 upon transaction completion.

Major Properties of the Group



A. Major Properties under Development

At December 31, 2022

	Location	Site Area (sq.m.)	Main Usage	Total Gross Floor Area (sq.m.)	Stage of Completion	Expected Completion Year
MAINLAND CHINA						
WUHAN						
Heartland Residences	Jinghan Avenue, Qiaokou District	16,687		131,493	Superstructure	2023 onwards
WUXI						
Center 66 (Phase 2)	Jiankang Lu, Liangxi District	16,767		107,118	Superstructure (Center Residences) Foundation (Hotel)	2024 onwards
KUNMING						
Spring City 66	Dongfeng Dong Lu/ Beijing Lu, Panlong District	56,043		98,054	Superstructure	2023 (Grand Hyatt Kunming) 2024 onwards (Grand Hyatt Residences Kunming)
HANGZHOU						
Westlake 66	Bai Jing Fang, Xiacheng District	44,827		194,100	Foundation and basement construction	2024 onwards
SHENYANG						
Forum 66	Qingnian Da Jie, Shenhe District	92,065		502,660	Foundation	2027 onwards
HONG KONG						
NORTH POINT						
228 Electric Road Redevelopment (HLP held: 66.7%)	228 Electric Road, IL 1618	650		9,754	Superstructure	2023
KOWLOON BAY						
The Aperture	11 Ngau Tau Kok Road, NKIL 1744	1,923		16,226	Superstructure	2023
SOUTHERN DISTRICT						
Shouson Hill Road Redevelopment	37 Shouson Hill Road, RBL 357	8,806		4,403	Planning	2025

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

Retail Office Apartments for Sale Hotel

B. Residential Properties Completed for Sale

At December 31, 2022

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

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

C. Major Investment Properties

At December 31, 2022

Location	Lease Expiry	Total Gross Floor Area (sq.m.)			No. of Car Parking Spaces	
		Retail	Office	Residential & Serviced Apartments		
HONG KONG						
CENTRAL						
Printing House	6 Duddell Street, IL 339	2848	1,709	5,980	–	–
1 Duddell Street	1 Duddell Street, IL 7310	2848	2,340	6,616	–	–
Baskerville House	22 Ice House Street, IL 644	2880	1,473	3,379	–	–
Standard Chartered Bank Building	4-4A Des Voeux Road Central, Sections A&B of ML 103	2854	4,814	23,730	–	16
CAUSEWAY BAY AND WAN CHAI						
Hang Lung Centre	2-20 Paterson Street, IL 524 & IL 749	2864	8,777	22,131	–	126
Fashion Walk	Paterson Street, Houston Street, Great George Street, Cleveland Street, Kingston Street, Gloucester Road, ML 231 & ML 52, IL 469 & IL 470	2842, 2864 & 2868	31,072	–	8,395	–
Shui On Centre	15/F-28/F, 6-8 Harbour Road, IL 8633	2060*	–	16,313	–	42
HAPPY VALLEY						
23-39 Blue Pool Road	Unit 25B, 35B 23-39 Blue Pool Road, IL 5747	2090	–	–	855	4

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

C. Major Investment Properties

At December 31, 2022

	Location	Lease Expiry	Total Gross Floor Area (sq.m.)			No. of Car Parking Spaces
			Retail	Office	Residential & Serviced Apartments	
HONG KONG						
KORNHILL (QUARRY BAY)						
Kornhill Plaza	1-2 Kornhill Road, IL 8566	2059*	53,080	10,577	–	1,069
Kornhill Apartments	2 Kornhill Road, IL 8566	2059*	–	–	35,275	–
THE PEAK AND MID-LEVELS						
Peak Galleria	118 Peak Road, RBL 3	2047	12,446	–	–	493
The Summit	41C Stubbs Road, IL 8870	2047	–	–	15,225	54
HONG KONG SOUTH						
Burnside Villa	9 South Bay Road, RBL 994	2072	–	–	9,212	89
MONGKOK						
Grand Plaza	625 & 639 Nathan Road, KIL 10234 & KIL 10246	2060	20,905	31,251	–	40
Hang Tung Building	1112-1120 Canton Road, KIL 9708	2045*	–	–	–	1,000
Gala Place	56 Dundas Street, KIL 9590	2044*	7,454	30,205	–	478
TSIM SHA TSUI AND WEST KOWLOON						
Grand Centre	8 Humphreys Avenue, KIL 7725 & KIL 8026	2038	3,688	7,198	–	–
Hanford Commercial Centre	221B-E Nathan Road, KIL 10619 & KIL 8132	2037	1,444	4,891	–	–
AquaMarine	8 Sham Shing Road, NKIL 6338	2050	22,350	–	–	352
The Long Beach	8 Hoi Fai Road, KIL 11152	2050	20,174	–	–	87
KOWLOON BAY						
Amoy Plaza	77 Ngau Tau Kok Road, NKIL 53, NKIL 1482, NKIL 2660 & NKIL 3947	2047	49,006	–	–	620
KWAI CHUNG						
Laichikok Bay Garden	Shops 1A1, 1A2, 5A, 5B and 5C on Ground Floor, Shops 6A, 6A1 & 6B1 and 6B on Upper Ground Floor, Lai King Hill Road, Lot 3336 of SD 4	2047	2,361	–	–	–

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

C. Major Investment Properties

At December 31, 2022

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

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



Consolidated Results

The total revenue of Hang Lung Properties Limited (the Company) and its subsidiaries (collectively known as "Hang Lung Properties") for the year ended December 31, 2022, stayed flat against 2021 at HK\$10,347 million, and the operating profit dropped by 2% to HK\$7,253 million. Revenue from property leasing decreased by 3% to HK\$10,031 million, mainly affected by the Renminbi (RMB) depreciation against the Hong Kong dollar since the second quarter of 2022 and the business suspensions of our malls caused by COVID-19 in Shanghai in April and May. Property sales revenue of HK\$316 million was recognized during the year (2021: Nil).

The underlying net profit attributable to shareholders declined by 4% to HK\$4,199 million, while the underlying earnings per share dropped correspondingly to HK\$0.93.

Hang Lung Properties reported a net profit attributable to shareholders of HK\$3,836 million (2021: HK\$3,868 million) when including a net revaluation loss on properties attributable to shareholders of HK\$363 million (2021: HK\$497 million). The corresponding earnings per share was HK\$0.85 (2021: HK\$0.86).

Revenue and Operating Profit

	Revenue			Operating Profit/(Loss)		
	2022 HK\$ Million	2021 HK\$ Million	Change	2022 HK\$ Million	2021 HK\$ Million	Change
Property Leasing	10,031	10,321	-3%	7,166	7,462	-4%
Mainland China	6,752	6,939	-3%	4,554	4,693	-3%
Hong Kong	3,279	3,382	-3%	2,612	2,769	-6%
Property Sales	316	–	N/A	87	(91)	N/A
Total	10,347	10,321	–	7,253	7,371	-2%

Dividend

The Board of Directors has recommended a final dividend of HK60 cents per share for 2022 (2021: HK60 cents) to be paid in cash on May 19, 2023, to shareholders whose names are listed on the register of members on May 5, 2023. Together with an interim dividend of HK18 cents per share (2021: HK18 cents), the full-year dividends for 2022 amounted to HK78 cents per share (2021: HK78 cents).

dropped by 3% in HKD terms because of the depreciation of the RMB since the second quarter of the year. Our Hong Kong portfolio recorded a 3% decline in rental revenue due to the impact of the fifth wave of the COVID-19 pandemic.

Property Leasing

For the year ended December 31, 2022, the overall rental revenue of Hang Lung Properties decreased by 3% to HK\$10,031 million. Rental revenue of our Mainland portfolio rose by 1% in RMB terms but

On the Mainland, our leasing portfolio demonstrated resilience amid the various headwinds faced by the retail sector during the year. In the first half of the year, the outbreak of the highly contagious Omicron variant prompted a strict two-month closure of business operations at our malls in Shanghai during April and May which heavily affected our performance. Despite the business suspension in Shanghai, we achieved 1% revenue growth in RMB terms in the first half as our shopping malls outside Shanghai and our office

portfolio continued to show respectable growth. In the second half, as COVID cases spread across Mainland and local pandemic containment measures were reintroduced, businesses were disrupted and foot traffic fell. The negative sentiment was amplified in December as the pandemic situation heightened and infection cases penetrated across Mainland. Our geographical and business diversification strategies, again demonstrated its effectiveness, as our rental revenue in the second half grew 8% against first half of 2022 and was at par with second half of 2021 when Mainland rental revenue was at its historical high. Overall, in RMB terms, 2022 revenue grew by 1% against last year.

Mainland China¹

Property Leasing – Mainland China Portfolio

	Revenue		
	2022 RMB Million	2021 RMB Million	Change
Malls	4,607	4,662	-1%
Offices	1,110	1,001	11%
Hotel	73	94	-22%
Total	5,790	5,757	1%
Total in HK\$ Million equivalent	6,752	6,939	-3%

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

Overall rental revenue edged up by 1% and operating profit was the same as in 2021 in RMB terms. In HKD terms, they both dropped by 3% due to the depreciation of the RMB since the second quarter of the year. Our mall portfolio's performance was relatively stable despite COVID-19-related interruptions in many cities. The business suspensions of our malls caused by COVID-19 in Shanghai and Shenyang were largely compensated by a solid improvement in the performance of our malls outside these two cities. Our quality office portfolio has proven to be a bright spot, with double-digit revenue growth year-on-year, mainly driven by an increase in occupancy rates at our

The operating environment in Hong Kong was fragile, with the fifth wave of COVID-19 early in the year having lingering effects on businesses and consumer sentiment. New round of the government's electronic Consumption Voucher Scheme during the year has boosted consumer sentiment to a certain extent. Less rent relief was needed in the second half of 2022 as we continued to provide support to our tenants during this challenging time. Overall, we continued to narrow the gap against last year as rental revenue was only 3% lower, whereas we reported a 4% drop in the first half. In addition, we managed to keep our tenant sales flat against last year and the occupancy rate at a high level.

younger office towers in Wuxi, Kunming, and Wuhan. Hotel operations were adversely affected by the various pandemic containment measures that impeded travel across provinces and cities.

Malls

Revenue of our mall portfolio declined by 1% compared with last year amid the challenging operating environment posed by numerous local pandemic containment measures and weak consumer sentiment. The luxury-positioned malls recorded a 1% drop in revenue while the sub-luxury malls recorded a 4% drop year-on-year.

Property Leasing – Mainland China Mall Portfolio

Name of Mall and City	Revenue			Year-End Occupancy Rate	
	2022 RMB Million	2021 RMB Million	Change	2022	2021
Luxury malls					
Plaza 66, Shanghai	1,595	1,782	-10%	100%	100%
Grand Gateway 66, Shanghai	1,146	1,163	-1%	99%	100%
Forum 66, Shenyang	97	106	-8%	87%	90%
Center 66, Wuxi	398	373	7%	99%	98%
Olympia 66, Dalian	229	164	40%	89%	87%
Spring City 66, Kunming	285	269	6%	95%	97%
Heartland 66, Wuhan [#]	232	153	52%	86%	84%
	3,982	4,010	-1%		
Sub-luxury malls					
Palace 66, Shenyang	161	179	-10%	81%	90%
Parc 66, Jinan	304	305	–	90%	93%
Riverside 66, Tianjin	160	168	-5%	80%	86%
	625	652	-4%		
Total	4,607	4,662	-1%		

[#] Opened in March 2021

The positive performance of our mall portfolio at the beginning of the year was interrupted in 2022 due to various pandemic containment measures and weak consumer sentiment. Business suspensions and capacity restrictions of trades such as food and beverage, entertainment, and education affected foot traffic. In particular, the leasing performance of our malls in Shanghai (Plaza 66 and Grand Gateway 66) and Shenyang (Forum 66 and Palace 66) was directly affected by business suspensions caused by COVID-19 in the first half of the year.

Up until recently in December, we have been witnessing a healthy recovery in the second half of 2022 following the gradual relaxation of pandemic control measures alongside our marketing programs and customer relationship management (CRM) program activities and privileges. However, an increase in COVID-19 cases during December affected overall sentiment and the operations of some of our tenants despite our malls remaining open during this period.

Overcoming aforementioned challenges, our luxury malls outside Shanghai and Shenyang delivered satisfactory results, with their revenue advancing by a range of 6% to 52% year-on-year, driven primarily by continuous improvements in occupancy levels and refinement of the tenant mix. Revenue from our sub-luxury malls decreased by 4% during the year.

Luxury malls

Revenue and tenant sales of our flagship **Plaza 66** mall in Shanghai receded by 10% and 24% year-on-year, respectively. Despite business interruptions triggered by scattered COVID-19 cases throughout the year, a range of CRM programs and marketing campaigns, including our signature “Home to Luxury” party event, were meticulously developed and rolled out to boost consumer sentiment and footfall. The mall continued to be fully occupied at year-end.

The **Grand Gateway 66** mall in Shanghai recorded a small retreat in revenue compared with last year, despite a 19% fall in tenant sales as a result of business suspension caused by COVID-19 in April and May. After completing its Asset Enhancement Initiative (AEI) in late 2020, the mall benefited from an upgraded trade mix with an influx of high-quality tenants. The mall maintained a 99% occupancy rate at the end of the year.

Despite the temporary closure of the **Forum 66** mall in Shenyang for nearly a month beginning in mid-March, and occasional entry restrictions as a result of the tightened pandemic containment measures, leasing performance was satisfactory in 2022. The year also marked the 10th anniversary of Forum 66, with various marketing initiatives implemented to shore up consumer sentiment and tenant sales. While these campaigns helped alleviate the impact of the mall closure in the first half of the year, the full-year revenue and tenant sales compared with 2021 dropped by 8% and 18%, respectively. Both revenue and tenant sales started to recover as the mall reopened in mid-April. The occupancy rate fell by three points to 87% as of December 31, 2022.

The performance of the **Center 66** mall – the undisputed leader in luxury retail in Wuxi – was relatively solid despite the challenging landscape. To curb the spread of COVID-19, the mall was closed for more than one week from the end of March and business hours were reduced in July as a result of a resurgence in cases. The mall showed signs of recovery following the pandemic situation was gradually improved, and we launched strategic marketing campaigns to boost footfall and consumption. Despite the difficult conditions, revenue and tenant sales grew by 7% and 1%, respectively. The occupancy rate remained high at 99%.

Having reinforced its position as the premium shopping and leisure destination in the city, **Olympia 66** in Dalian benefited from its successful transformation into a luxury-led mall and performed impressively throughout the year. Revenue climbed 40% year-on-year to RMB229 million, with tenant sales rising by 67% due to an improved tenant mix and effective marketing

initiatives. The occupancy rate increased by two points to 89%, with a strong line-up of luxury tenants opening stores during the year.

As the city's hub of prime luxury, the **Spring City 66** mall in Kunming generated 6% more revenue through positive rental reversions and strong base rents although tenant sales decreased by 4%. During 2022, numerous international brands made local debut openings and established flagship or pop-up stores in the mall, keeping its offering fresh and engaging for consumers. The occupancy rate dropped by two points to 95%.

Tenant sales and footfall at the **Heartland 66** mall in Wuhan – our first large-scale commercial development in central China – continued building momentum since its opening in March 2021. Located in the bustling Qiaokou District with good connectivity to the commercial and business heart of Wuhan, the mall is home to numerous first-in-town flagship and specialty stores. Despite the mall's closure for three weeks in October and November due to tightened COVID-19 situation, revenue increased by 52% to RMB232 million, with tenant sales rising by 158%. The mall's occupancy rate grew by two points and reached 86% at the end of the year.

Sub-luxury malls

Palace 66 in Shenyang witnessed a drop in revenue and tenant sales by 10% and 24%, respectively. This stemmed from the mall's temporary closure for nearly a month beginning in mid-March and tightened pandemic containment measures. Following the resumption of business in mid-April, consumer sentiment demonstrated a modest recovery. Despite these challenges, Palace 66 seized the opportunity to replace the non-performing tenants with more quality and competitive tenants. The occupancy rate dropped by nine points to 81% as of December 31, 2022.

The revenue of **Parc 66** in Jinan remained stable and tenant sales fell by 20%. The completion of the first phase of its three-year AEI that commenced in June 2021, enabled the opening of a suite of brands at the mall during the year. Multiple beauty and first-in-town brands opened stores at Parc 66, and we enhanced the

mall's reputation through sound marketing strategies and CRM programs. The remaining phrases of the AEI will continue to strengthen the mall's long-term competitiveness and profitability. The occupancy rate reduced by three points to 90% as of year end.

Revenue from **Riverside 66** in Tianjin decreased by 5% as business was suspended for more than a week in May and in September 2022 due to resurgence of COVID-19 cases. Tenant sales dropped by 29%. To enhance our competitiveness, we upgraded our tenant mix by replacing non-performing tenants with more attractive brands. The occupancy rate retreated by six points to 80% when compared with the previous year.

Property Leasing – Mainland China Office Portfolio

Name of Office and City	Revenue			Year-End Occupancy Rate	
	2022 RMB Million	2021 RMB Million	Change	2022	2021
Plaza 66, Shanghai	639	629	2%	96%	97%
Forum 66, Shenyang	130	132	-2%	91%	92%
Center 66, Wuxi	119	113	5%	85%	88%
Spring City 66, Kunming	126	81	56%	88%	71%
Heartland 66, Wuhan	96	46	109%	73%	57%
Total	1,110	1,001	11%		

Our two Grade A office towers at **Plaza 66** in Shanghai continued to record satisfactory rental performance during the year despite the heightened COVID-19 situation from April to May. Revenue increased slightly by 2%, and the occupancy rate remained high at 96%. Plaza 66 demonstrated resilience during the economic downturn as a result of its strong tenant profile, professional management services, and prime location in the city's traditional central business district.

The revenue of the office tower at **Forum 66** in Shenyang decreased slightly by 2%, while the occupancy rate dropped by one point to 91%. The relatively weak demand and increasing supply of office space have put pressure on office rents. Despite the

Offices

The office portfolio, accounting for 19% of our total Mainland rental revenue, was a bright spot that provided a stable and resilient income stream despite the weak market sentiment. The total revenue grew by 11% to RMB1,110 million year-on-year. The occupancy level of newer projects, such as the office towers in Kunming and Wuhan, continued to increase satisfactorily.

challenging environment, Forum 66 maintained its market-leading position by leveraging its top-grade design, strategic location, and premium management services.

The total revenue of the two office towers at **Center 66** in Wuxi grew by 5% to RMB119 million even the occupancy rate was down by three points to 85%. The self-operated multifunctional workspace HANGOUT enhanced our offering to existing tenants and attracted new small- to medium-sized tenants, encouraging community building and performance is expected to be improved afterwards.

Revenue of the office tower at **Spring City 66** in Kunming soared by 56% to RMB126 million, with a surge in the occupancy rate by 17 points to 88%. Spring City 66's prime location, premium facilities, and value-added services gave it a competitive advantage in securing high-quality tenants. The leasing pace was further accelerated with the offering of modular offices and high-standard fit-outs and furnishings.

The **Heartland 66** Office Tower in Wuhan commenced operations in November 2020. Revenue reached RMB96 million in 2022, and the occupancy rate increased by 16 points to 73% by the end of the year. Riding on the success of HANGOUT at Center 66, the HANGOUT workspace concept will be replicated at the office tower in Heartland 66 and is expected to open in the first half of 2023.

Hotel

Business has been adversely affected by the intermittent COVID-19 outbreak in Shenyang that happened at various intervals across the year. Despite this, we proactively launched a number of dining promotions and staycation packages to attract local customers. Conrad Shenyang's performance recovered gradually after the pandemic situation started to alleviate. Full-year revenue declined by 22% to RMB73 million in 2022.

Hong Kong

Both the retail and office markets were weak in 2022 as COVID-19 control measures dampened tourism demand from travelers and office demand from foreign

corporations – even when the quarantine requirement for travelers was lifted later in the year. Properties located in Causeway Bay, Central, The Peak, and Mongkok remained under pressure due to their reliance on the tourist market. Tenants of specific trades, such as cinemas, gyms, and restaurants, were more directly affected by social distancing measures and capacity limits imposed by the government in the first quarter of the year.

Nevertheless, with the refinement of the tenant mix at our malls to accommodate local consumption patterns, the launch of marketing campaigns via the "hello Hang Lung Malls Rewards Program", in conjunction with the government's electronic Consumption Voucher Scheme, occupancy was well managed and remained at a satisfactory level.

Rent relief in the second half of the year was significantly reduced compared with the first half, as tenants such as restaurants, cinemas, education centers, gyms, and beauty parlors – which had been subject to complete or partial closure – resumed business after the fifth wave of COVID-19 subsided.

Revenue retreated by 3% to HK\$3,279 million and operating profit receded by 6% to HK\$2,612 million, with a rental margin of 80%. Tenant sales remained flat against 2021.

Property Leasing – Hong Kong Portfolio

	Revenue			Year-End Occupancy Rate	
	2022 HK\$ Million	2021 HK\$ Million	Change	2022	2021
Retail	1,931	1,983	-3%	98%	97%
Offices	1,096	1,157	-5%	90%	87%
Residential & Serviced Apartments	252	242	4%	73%	72%
Total	3,279	3,382	-3%		

Retail

Revenue from our Hong Kong retail portfolio decreased by 3% to HK\$1,931 million as a result of negative rental reversions.

With the continuing effects of the pandemic and cross-border travel restrictions, properties located in the central business district or tourist district recorded a 6% drop in revenue due to negative rental reversions and rent relief granted to selected tenants. The tenant mix was refined by introducing brands that focus on local consumption. The occupancy rate increased by one point to 96%.

Our community malls demonstrated more resilience, with overall revenue flat against last year. **Kornhill Plaza** in Hong Kong East and **Amoy Plaza** in Kowloon East were both fully let at the reporting date.

Offices

Revenue declined by 5% to HK\$1,096 million due to a weak office market and negative rental reversions.

On the Hong Kong Island side, revenue declined by 8% following increasing office vacancies in Hong Kong and sluggish demand caused by the pandemic. Our **Hong Kong East portfolio** was less impacted due to its unique positioning in a neighborhood setting. The popular tourism areas of Central, Wanchai, and Causeway Bay suffered from the travel restrictions that were in place throughout most of the year. Given the challenging market conditions, we adopted various measures to maintain a relatively high occupancy level in our office buildings.

On the Kowloon side, revenue edged up by 1%. Our **Kowloon portfolio** was more resilient due to the semi-retail positioning of Grand Plaza, Grand Centre, and Gala Place.

Residential & Serviced Apartments

Revenue of our residential and serviced apartments segment increased by 4% year-on-year, mainly attributable to higher average occupancy at Kornhill Apartments after adopting a more competitive pricing strategy.

Property Sales

During the year, revenue of HK\$316 million was recognized for the sale of one house on Blue Pool Road upon its completion in 2022. The corresponding profit margin was 52%. Taking into account the selling expenses for The Aperture – a new development project in Kowloon Bay, marketing expenses for Heartland Residences in Wuhan, and other operating expenditures, an operating profit from property sales of HK\$87 million was recorded in 2022.

An additional four residential units at The Aperture were sold during the year. Along with the residential units sold in 2021, the revenue is expected to be recognized in 2023 upon sale completion.

We continued to seize opportunities to dispose of non-core investment properties for capital recycling. During 2022, a sales transaction for the disposal of a retail unit at Laichikok Bay Garden in Hong Kong was concluded with a fair value gain of HK\$11 million being recognized in the first half of the year. The sales transaction was subsequently completed in August 2022.

Property Revaluation

As of December 31, 2022, the total value of our investment properties and those under development amounted to HK\$190,564 million, including the mainland China portfolio of HK\$128,921 million and the Hong Kong portfolio of HK\$61,643 million. These properties were appraised by Savills, an independent valuer, as of December 31, 2022.

A revaluation loss of HK\$345 million was recorded (2021: gain of HK\$460 million).

The mainland China portfolio recorded a gentle revaluation loss of HK\$117 million (2021: gain of HK\$1,750 million), representing less than 1% of the portfolio value. The outbreak of the Omicron variant in 2022 had no material impact on the valuation, as the impact was considered to be temporary.

The Hong Kong portfolio had a revaluation loss of HK\$228 million (2021: loss of HK\$1,290 million), representing a less than 1% decrease against the value as of December 31, 2021.

Net revaluation loss after tax and non-controlling interests of HK\$363 million was reported (2021: net revaluation loss of HK\$497 million).

Property Development And Capital Commitment

The aggregated values of our projects under development for leasing and sale were HK\$22,703 million and HK\$10,734 million, respectively. These comprised mainland China projects in Wuhan, Wuxi, Kunming, Hangzhou, and Shenyang, and redevelopment projects in Hong Kong. As of the reporting date, our capital commitments for the development of investment properties amounted to HK\$16 billion.

Mainland China

The impact of COVID-19 across mainland China during the year hampered workforce mobility and the supply chain of construction materials, resulting in adverse impact on the progress of projects under development. We closely monitored staffing requirements and regularly updated the procurement plan to mitigate the effects.

Heartland Residences in Wuhan – the inaugural project of our premium serviced residences brand on the Mainland – is situated in the immediate proximity of Heartland 66 and comprises three towers offering a total of 492 units. The sales gallery and show flats were launched in April 2022. Pre-sale marketing activities commenced in July 2022, and the public launch will be subject to a market assessment. The project is scheduled for completion in phases from the second half of 2023.

Grand Hyatt Residences Kunming and **Grand Hyatt Kunming** are integral components of the remaining Spring City 66 development. The Residences sit above the hotel and house 254 apartment units, including three immaculate penthouses. Grand Hyatt Kunming features more than 330 guestrooms and suites. Site development kick-started following the acquisition of the construction permit in May 2021. The hotel-and-residence tower was topped out in June 2022 marking another milestone in the development. Subject to a market assessment, the pre-sale of the Residences is expected to be launched in the first half of 2023, with completion scheduled in phases from 2024 onwards, while the opening of the Grand Hyatt Kunming is planned for late 2023.

Center Residences in Wuxi and **Curio Collection by Hilton-branded hotel**, a lifestyle boutique hotel, forms the Phase 2 development of Center 66. The Residences comprise two high-rise residential towers housing 573 units. In addition, there will be a seven-story new-build tower and a three-floor heritage building offering a total of 106 hotel rooms. Construction has been progressing as planned, and the project is scheduled for completion in phases from 2024 onwards. Center Residences is expected to be launched for pre-sale in 2023, while the opening of Curio Collection by Hilton is planned for late 2024.

Westlake 66 in Hangzhou is an integrated high-end commercial development comprising a retail podium, five Grade A office towers, and a luxury hotel:

Mandarin Oriental Hangzhou. The basement works are making good progress. The project is scheduled for completion in phases from 2024 onwards. Mandarin Oriental Hangzhou, featuring more than 190 premium guestrooms and suites, is slated to open in 2025.

The remaining mixed-use development of Forum 66 in Shenyang yields a gross floor area of more than 500,000 square meters, including **Forum Residences** which is planned for pre-sale from 2025 onwards and completion in stages from 2027 onwards.

Hong Kong

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

Construction is progressing at the Grade A office tower redevelopment on 228 Electric Road in North Point. The project is a joint development with our parent company, Hang Lung Group Limited (Hang Lung Group), and includes a retail area across the lower floors. The project is scheduled for completion in 2023.

The land acquisition at 37 Shouson Hill Road in the Southern District of Hong Kong Island was completed in February 2021. The land site will be redeveloped into luxurious detached houses, and the general building plan was approved in August 2022.

Financing Management

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

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

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

As part of our environmental, social and governance (ESG) initiatives, Hang Lung Properties continues to make more use of sustainable finance. During the year, we issued green bonds worth HK\$1.2 billion, obtained HK\$3.7 billion in green loan facilities, and secured HK\$8.5 billion in sustainability-linked loan facilities. These are collectively referred to as sustainable finance, which now accounts for 46% of our total debts and available facilities. We have plans to increase that proportion further.

Cash Management

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

	At December 31, 2022		At December 31, 2021	
	HK\$ Million	% of Total	HK\$ Million	% of Total
Denominated in:				
HKD	2,102	40%	5,484	64%
RMB	2,974	57%	2,885	34%
USD	153	3%	146	2%
Total cash and bank balances	5,229	100%	8,515	100%

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

Debt Portfolio

At the balance sheet date, total borrowings amounted to HK\$45,524 million (December 31, 2021: HK\$45,695 million), of which 28% was denominated in RMB to act as a natural hedge to net investments in mainland China.

Our fixed-rate borrowings primarily consist of medium-term notes (MTNs) and bank loans that are converted to fixed-rate through the use of interest rate swaps. The percentage of fixed-rate borrowings fell to 38% of total borrowings as of December 31, 2022, following the redemption of a US\$500 million MTN in June 2022.

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

(i) by currency (after currency swap):

	At December 31, 2022		At December 31, 2021	
	HK\$ Million	% of Total	HK\$ Million	% of Total
Denominated in:				
HKD	32,723	72%	33,196	73%
RMB	12,801	28%	12,499	27%
Total borrowings	45,524	100%	45,695	100%

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

	At December 31, 2022		At December 31, 2021	
	HK\$ Million	% of Total	HK\$ Million	% of Total
Fixed	17,376	38%	21,998	48%
Floating	28,148	62%	23,697	52%
Total borrowings	45,524	100%	45,695	100%

Gearing Ratios

At the reporting date, the net debt balance amounted to HK\$40,295 million (December 31, 2021: HK\$37,180 million). The net debt to equity ratio was 28.1% (December 31, 2021: 24.4%), and the debt to equity ratio was 31.8% (December 31, 2021: 30.0%). The net debt to equity ratio increase was largely due to capital expenditures in both mainland China and Hong Kong.

Maturity Profile and Refinancing

At the balance sheet date, the average tenure of the entire loan portfolio was 3.2 years (December 31, 2021: 3.0 years). The maturity profile was staggered over more than 10 years. Around 72% of the loans were repayable after two years.

	At December 31, 2022		At December 31, 2021	
	HK\$ Million	% of Total	HK\$ Million	% of Total
Repayable:				
Within 1 year	4,533	10%	8,079	18%
After 1 but within 2 years	8,112	18%	7,566	17%
After 2 but within 5 years	27,621	61%	23,868	52%
Over 5 years	5,258	11%	6,182	13%
Total borrowings	45,524	100%	45,695	100%

As of December 31, 2022, total undrawn committed banking facilities amounted to HK\$21,374 million (December 31, 2021: HK\$14,645 million). The available balances of the US\$4 billion (December 31, 2021: US\$4 billion) MTN program amounted to US\$2,353 million, equivalent to HK\$18,343 million (December 31, 2021: HK\$13,722 million).

Net Finance Costs and Interest Cover

For the year ended December 31, 2022, gross finance costs increased by 2% to HK\$1,512 million. The effect of the rise in total borrowings was partially offset by a drop in the average effective cost of borrowing, which was lowered to 3.5% (2021: 3.7%), benefiting from lower interest rates to refinance maturing debts.

The net amount charged to the statement of profit or loss (after excluding capitalized amounts) increased to HK\$512 million accordingly.

Interest cover for 2022 was 5 times (2021: 5 times).

Foreign Exchange Management

The primary exchange rate risk that we are exposed to is RMB fluctuations. Such RMB exposure is mainly derived from the currency translation risk arising from the net assets of our subsidiaries in mainland China.

We practice the strict discipline of not speculating on the movement of the RMB against the HKD and maintain an appropriate level of RMB resources for capital requirements in mainland China, including cash inflows from local operations and RMB borrowings. Regular business reviews are carried out to assess the level of funding needed for our mainland China projects, taking into account factors such as regulatory constraints, project development timelines, and the market environment. Appropriate modifications to our funding plan will be conducted in light of any changes in circumstances.

As of December 31, 2022, net assets denominated in RMB accounted for approximately 74% of our total net assets. The RMB depreciated against the HKD by 8.5% compared with December 31, 2021. The translation of these net assets from RMB into HKD at the exchange rate as of the reporting date resulted in a translation loss of HK\$9,770 million (2021: gain of HK\$3,173 million), recognized in other comprehensive income/exchange reserve.

Charge of Assets

Assets of Hang Lung Properties were not charged to any third parties as of December 31, 2022.

Contingent Liabilities

Hang Lung Properties did not have any material contingent liabilities as of December 31, 2022.



In 2022, we achieved several significant milestones as part of our mission to become one of the world’s most sustainable real estate companies. Four priorities govern our sustainability agenda: Climate Resilience, Resource Management, Wellbeing, and Sustainable Transactions. Our commitment to reach net-zero value chain greenhouse gas (GHG) emissions by 2050 is supported by our 2025 Sustainability Targets (“25 x 25”) and our 2030 Sustainability Goals and Targets.

This section outlines the Company’s sustainability performance in 2022, including key achievements and progress updates in support of our 25 x 25 Sustainability Targets. Refer to our *Sustainability Report 2022* for a more in-depth look at our sustainability framework and management approach, policies, operating principles, metrics, and performance.



Scan the QR code for Sustainability Report 2022

Key Highlights in 2022

Awards and Recognition



Distinction Award (Large Organization Category) at the Hong Kong Sustainability Award 2022 by the Hong Kong Management Association (HKMA)

Excellence Award in ESG Reporting at the 2022 Best Annual Reports Awards by the Hong Kong Management Association (HKMA)



Grand Award in Best ESG Report (Large-Cap) at the Hong Kong ESG Reporting Awards (HERA) 2022

2022 Social Responsibility Pioneer Award at the 12th China Philanthropy Festival



Major Milestones



Became the **first real estate company in Hong Kong and mainland China** to receive approval from the Science Based Target initiative (SBTi) for our near- and long-term company-wide emissions reduction targets in line with SBTi's Net-Zero Standard.



Photo credit: Marie Rouge

Increased the Employee Engagement Survey score in the Gallup Overall Database by +0.25 to 4.31 out of 5. Placed in the **top 25% of companies** with the fastest growth in the second year of the survey.

Celebrated the Hang Lung As One Volunteer Team's **10th anniversary**. Over the past decade, 12 teams have set up 11 projects in nine Mainland cities and Hong Kong, involving over **11,400 volunteers** with **135,000 service hours accumulated** to date.



Procured additional renewable energy: almost **25%** of the mainland China portfolio's electricity demand will be met by **renewable energy** in 2023.

Parc 66 in Jinan has become **100%** powered by renewable energy from January 1, 2023.

Launched a three-year **sustainability partnership with LVMH Group** to lead climate and sustainability action in real estate and retail.

Launched the **Hang Lung Future Women Leaders Program** to mentor 200 female students in Hong Kong and mainland China.

Plaza 66, Shanghai became the first large-scale commercial office complex in mainland China to receive both **LEED V4.0 EB: O+M Platinum** and **WELL V2 Core Platinum** ratings during its operating stage.*

Secured **46%** of total debts and available facilities from **sustainable finance**.

* The information is based on the result announced on the LEED and WELL official websites as of January 15, 2023

Performance in Key Benchmarks and Indices

Climate Resilience

Approved Science-based Targets

Hang Lung Properties is the first real estate company in Hong Kong and mainland China – and among the first globally – to have its near- and long-term net-zero targets endorsed under SBTi’s Net-Zero Standard framework. In keeping with the SBTi Criteria and Recommendations (version 5.0), our target follows a 1.5°C trajectory. From a 2019 base year, we are committed to reducing absolute scope 1 and 2 GHG emissions by 46.6% by 2030. From a 2020 base year, we are committed to reducing absolute scope 3 GHG emissions from purchased goods and services and downstream leased assets by 25% by 2030. We commit to reaching net-zero GHG emissions across the value chain by 2050.

Committed to Net-Zero by 2050

We are the first real estate developer in Hong Kong – and among the first in Asia – to commit to ULI Greenprint’s net-zero carbon operations goal. Launched by the Urban Land Institute Greenprint Center for Building Performance, the goal aligns with the Paris Agreement and the Intergovernmental Panel on Climate Change’s recommendation to keep global warming below 1.5°C. This initiative further affirms the Company’s commitment to reducing our carbon footprint in line with climate science and reaching net-zero value chain GHG emissions by 2050.



Parc 66 in Jinan

**Parc 66, Jinan:
100% Powered by Renewable Energy**

In December 2022, we announced that Parc 66 would become the first commercial development in Jinan and Shandong Province that is 100% powered by renewable energy, effective from January 1, 2023. The achievement moves us close to achieving our 2025 renewable energy target, with renewable energy sources now supplying almost 25% of our mainland China electricity.

Resource Management

Recycling and Waste Management

The Company’s multifunctional copiers were replaced in 2022 to align our internal print network and better manage data across all properties. We partnered with organizations in Hong Kong and mainland China to

repurpose old copiers still in working order. 23 of the 30 copiers replaced were donated to primary schools or local NGOs, including 19 schools in mainland China to the benefit of over 10,500 students and teachers. The remaining seven were sent to authorized e-waste handling organizations for recycling.

Wellbeing

COVID-19 Measures

To offer a reprieve from the severe challenges as a result of the COVID-19 pandemic, the Company created the “Hang Lung COVID-19 Relief Fund 2.0”. The HK\$13 million fund supported urgent pandemic countermeasures in Hong Kong and mainland China, particularly Shanghai, Shenyang, and Dalian. To contain the spread of COVID-19, the fund provided communities in need with health protection items and other daily necessities. In Hong Kong, the fund financed mobile cabin hospitals. We also implemented a broad range of measures to safeguard the health and wellbeing of our employees, tenants, and customers.



Beneficiaries of the copier donation drive



Our Hang Lung As One Volunteer Team prepares care packages for frontline workers



Our colleagues and their families enjoying Christmas Fun Day activities



Participants in the Hang Lung Future Women Leaders Program

Employee Wellbeing and Engagement

The wellbeing of our staff is at the core of our corporate culture. During the reporting period, we effectively implemented follow-up actions from our first Employee Engagement Survey conducted in 2021. Significant improvements in overall engagement following our Employee Engagement Survey in 2022 put us in the top 25% of companies with the fastest growth that rolled out their second survey during the reporting period.

Youth Development and Diversity & Inclusion

Sustainable business growth goes hand in hand with sustainable growth in the communities we serve. In 2022, we stepped up our youth development efforts to help unleash their potential and build more diverse and inclusive communities. In September 2022, the inaugural edition of our “Hang Lung Future Women Leaders Program” launched in Hong Kong and mainland China in collaboration with the Hong Kong Federation of Youth Groups Leadership Institute and the Xuhui and Jing’an District Women’s Federation in Shanghai. 200 female university students were recruited to receive mentorship from over 40 elite female leaders across various fields, along with leadership training and internship opportunities to support their diversified developments.

We also mobilized over 40 employees to support the HKSAR government led “Strive and Rise Programme”. The tripartite collaboration between the government, business sector, and community set out to help secondary school students from underprivileged families broaden their horizons, reinforce their self-confidence, develop a positive outlook on life, set goals for the future, and strive for upward mobility.

Sustainable Transactions

Sustainable Building Certifications

Plaza 66, Shanghai received platinum ratings for LEED V4.0 EB: O+M and WELL V2 Core certifications in 2022. The recognition marks the first time a large-scale commercial office complex in mainland China received both certifications during its operating stage.* Plaza 66 was built in 2001 and completed an asset enhancement in 2017. Its key sustainability features include the following –

- 95 out of 100 U.S. Energy Star rating
- 66.9% sustainable consumables utilization rate

* The information is based on the result announced on the LEED and WELL official websites as of January 15, 2023



Plaza 66, Shanghai received platinum ratings for LEED (LEED V4 EB: O+M) and WELL (WELL V2 Core) certifications in 2022



Mr. Adriel Chan, Vice Chair and Chair of Sustainability Steering Committee delivers his closing remarks at the two-day Real Estate & Climate Forum

- 91.9% waste diversion rate for daily consumables
- Enhanced indoor air quality monitoring and HEPA air filtration system
- WELL Standard certified purification system and drinking water that curbs the use of and plastic waste from bottled water

Sustainable Finance

46% of the Company's total debt and available facilities are from green bonds, green loan facilities, and sustainability-linked loan facilities. We updated and renamed the 2019 Green Finance Framework to Sustainable Finance Framework (Framework) and extended the scope of the framework to our parent company Hang Lung Group Limited. The Framework takes effect in January 2023. Developed in alignment with best practices in international capital markets, the Framework facilitates access to ESG-based financial instruments and supports our long-term sustainability agenda.

Tenant Partnership

We believe that collective efforts amplify impact and work with like-minded stakeholders to address systemic challenges. In October 2022, we embarked on a first-of-its-kind sustainability partnership with the LVMH Group to address five key areas in mainland China over the next three years. These include Climate Resilience, Resource Management, Wellbeing, Sustainable Transactions, and Sustainability Communication, Events, and Progress Reviews. The collaboration spans Hang Lung's portfolio in seven cities and 26 LVMH brands that occupy more than 90 retail spaces with a lettable floor area in excess of 27,000 sq. m.

The endeavor brought together real estate and retail sector changemakers to collaborate on climate and sustainability solutions at our inaugural Real Estate & Climate Forum. Held in a hybrid format in Hong Kong, Shanghai, and Paris, among other cities, the forum took place one month after signing the partnership. Over 200 ideas generated across 12 sustainability topics like energy efficiency, learning and development, and social impact will form the basis for a Common Charter due for release in March 2023.



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

Vision

We create compelling spaces that enrich lives

Mission

We pursue sustainable growth by connecting our customers and communities

Values

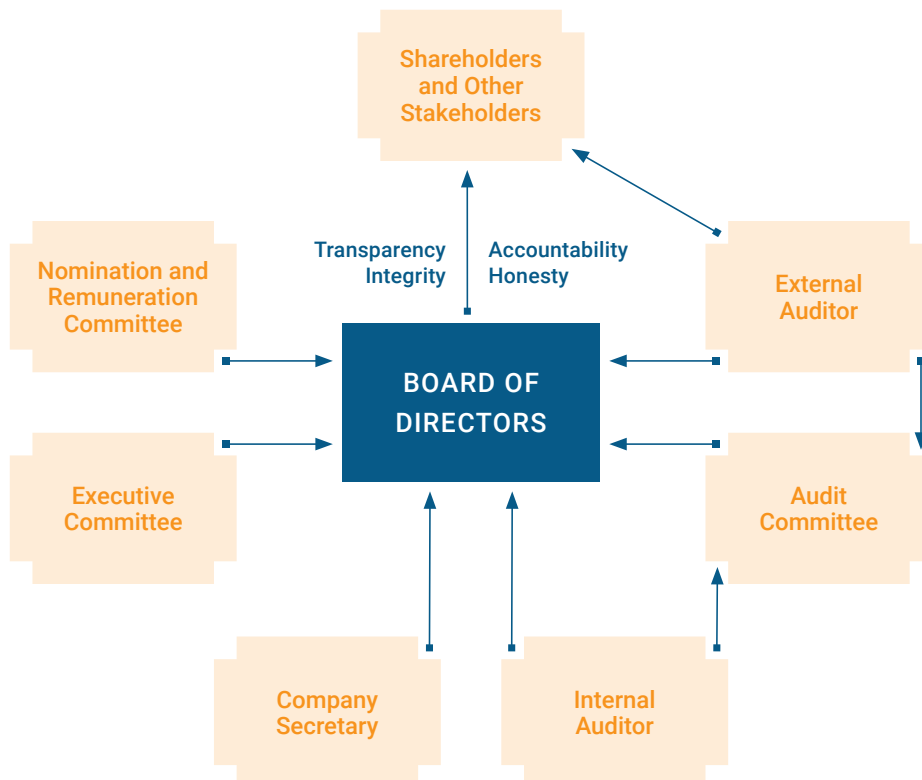
Integrity, Sustainability, Excellence, Openness

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

Our Strong Belief in Good Governance

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

Corporate Governance Structure



A Sound Corporate Culture

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

Professional and Accountable Board

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

Prudent Risk Management and Effective Internal Controls

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

Compliance with Corporate Governance Code

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

The key areas are listed below:

Board & Board Committees

- Six Board meetings were held in 2022
- Four Audit Committee meetings were held in 2022
- More than one-third of Board Members are INEDs
- Nomination and Remuneration Committee comprises entirely of INEDs only
- Audit Committee comprises entirely of INEDs only
- Audit Committee met with the External Auditor without the presence of management four times in 2022

Sustainability

- Publication of separate sustainability reports since the financial year 2012
- Established Sustainability Steering Committee in 2013
- ERM Working Group as a robust forum for risk management
- Well established framework for responsive crisis management
- In December 2020, announced 10 Sustainability Goals and Targets for 2030 under the latest sustainability framework
- In December 2021, announced 25 Sustainability Targets to be achieved by the end of 2025 (25 x 25)

Accountability

- Results announcement was published within one month after the end of the accounting period
- Adoption of Code of Conduct since 1994
- Whistleblowing Policy was updated and enhanced
- Whistleblowing cases were reported to the Audit Committee on a half-yearly basis
- Confirmation by all executive staff of their compliance with the “Code of Conduct regarding Transactions in the Company’s Shares” on a half-yearly basis
- Declaration of interest required from all executive staff on a half-yearly basis
- Reminder to our employees on the Policy Governing Conflict of Interest on a half-yearly basis

Communications

- Chair’s detailed explanation of the business strategies and outlook of the Group in his Letter to Shareholders
- Vice Chair’s sharing of his thoughts on issues relating to our business, including corporate values, sustainability and technology, in the Vice Chair’s Notes
- Open and direct dialogue between the Chair and shareholders at the AGMs
- AGM notice was issued more than 21 days before AGM

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

(I) Effective and Qualified Board

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

Composition

The Board comprises 10 members:

- four Executive Board Members
 - Mr. Ronnie C. Chan (Chair)
 - Mr. Adriel Chan (Vice Chair)
 - Mr. Weber W.P. Lo (CEO)
 - Mr. Kenneth K.K. Chiu (CFO)
- six INEDs
 - Mr. Nelson W.L. Yuen
 - Mr. Dominic C.F. Ho
 - Mr. Philip N.L. Chen (re-designated from a NED to an INED on January 31, 2023)
 - Dr. Andrew K.C. Chan
 - Prof. H.K. Chang
 - Ms. Anita Y.M. Fung

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

Mr. H.C. Ho retired as an Executive Board Member on March 1, 2022.

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

Board Diversity

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

Our Nomination and Remuneration Committee endeavors to identify female candidates through internal promotion, referrals, engaging employment agencies or other reasonable means, and recommends for the Board's consideration any potential appointments as Director. The Board currently targets to have not less than one female director by 2024. The Board will strive to ensure the Board is made up of a reasonable and justifiable proportion of women by reference to stakeholders' expectations and international and local recommended best practices and the pool of qualified candidates.

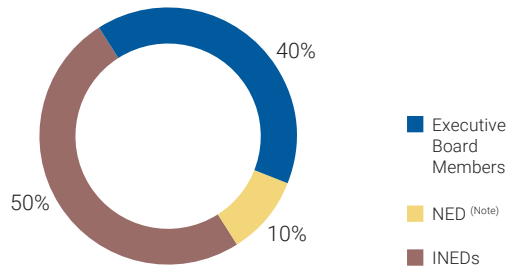
Close to 41% of the overall workforce are female among which, over 60% of administrative staff are female. Appropriate balance of gender diversity of workforce is maintained taking into account the business models and operational needs.

The Nomination and Remuneration Committee will conduct annual review of the effectiveness of the Board Diversity Policy. During the year, the Board Diversity Policy was duly implemented and considered as effective, taken into account of full compliance with the relevant and up-to-date requirements under the Listing Rules and other statutory requirements.

The Board Diversity Policy is available on our website under "Our Management" of the "Corporate Governance" section.

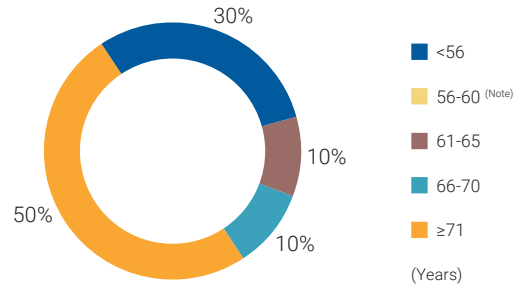
Board composition and diversity as of December 31, 2022 is as follows:

Designation



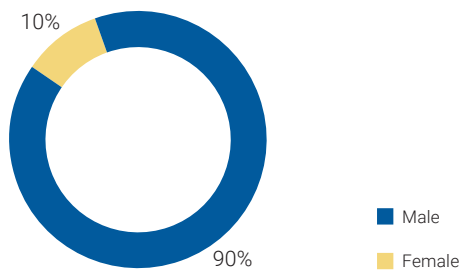
Note: Mr. Philip Chen was re-designated from a NED to an INED on January 31, 2023

Age

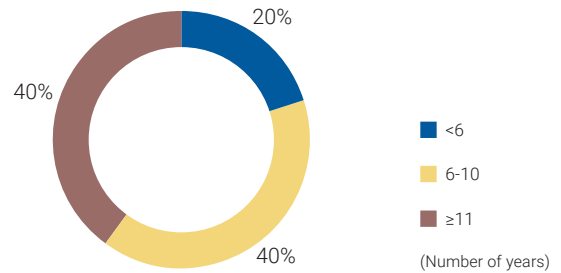


Note: None of Board Members is included in this age range

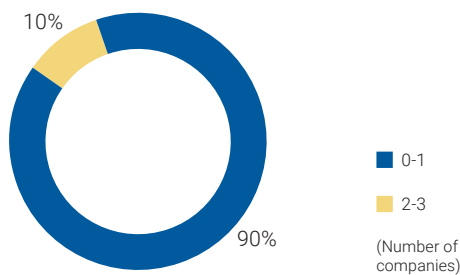
Gender



Directorship with the Company



Other Public Company Directorship



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



Functions

An updated list of Board Members identifying their roles and functions and whether they are INEDs is maintained on our website and the website of HKEX. Their biographical details, disclosed on pages 122 to 126 of this annual report, are also maintained on our website under "Our Management" of the "Corporate Governance" section.

The Board is responsible for, among other things:

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

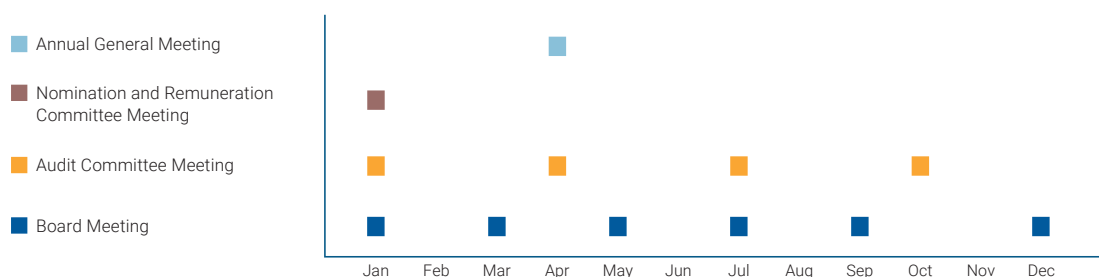
The NED and INEDs have made an invaluable contribution to the development of the Company's strategies and policies, providing independent, constructive, and informed advice. They have given the Board and the Board committees on which they serve, the benefit of their skills, expertise, and diversified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

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

The Board held six regular Board meetings in Hong Kong in 2022.

The operating landscape in 2022 was filled with challenges. Apart from the pandemic, the Board discussed in the Board meetings the impacts brought about by different geopolitical issues. On top of the regular Board meetings, a Board retreat was held at which the Board Members had an in-depth discussion on China's external and domestic environment.

The timeline for the Board meetings, Board committees meetings, and AGM held in 2022 is set out below:



In 2022, the average attendance rate of Board Members at Board meetings was 97%. To encourage attendance and active participation in the meetings during the pandemic, management arranged video conference participation for Board Members who were unable to attend Board meetings in person due to travel restrictions and social distancing measures.

Details of Board Members' attendance in 2022 are set out below:

Board Members	Meetings Attended/Held			
	Board	Audit Committee	Nomination and Remuneration Committee	2022 AGM
Independent Non-Executive Directors				
Nelson W.L. Yuen	6/6	N/A	1/1	1/1
Dominic C.F. Ho	5/6	4/4	1/1	1/1
Philip N.L. Chen ^(Note 1)	6/6	N/A	N/A	1/1
Andrew K.C. Chan	5/6	3/4	N/A	1/1
H.K. Chang	6/6	4/4	1/1	1/1
Anita Y.M. Fung ^(Note 2)	6/6	3/4	N/A	1/1
Executive Board Members				
Ronnie C. Chan	6/6	N/A	N/A	1/1
Adriel Chan	6/6	N/A	N/A	1/1
Weber W.P. Lo	6/6	N/A	N/A	1/1
Kenneth K.K. Chiu	6/6	N/A	N/A	1/1
H.C. Ho ^(Note 3)	1/1	N/A	N/A	N/A

Notes

1. Mr. Philip N.L. Chen was re-designated from a NED to an INED on January 31, 2023.
2. Ms. Anita Y.M. Fung was appointed as a member of the Nomination and Remuneration Committee on July 28, 2022.
3. Mr. H.C. Ho retired as an Executive Board Member on March 1, 2022.

To ensure attendance and active participation, the dates of regular Board meetings and meetings of the Board committees for the full year 2022 as well as the AGM were set at least three months before the commencement of 2022.

Board Process and Access to Information

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

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

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

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

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

In addition, all Board Members have access to the advice and services of the Company Secretary, a full time employee of the Company, who is responsible to the Board for ensuring that procedures are followed and that all applicable laws, rules and regulations are complied with. The Company Secretary supports the Board by ensuring good information flow within the Board and is also a source of advice to the Chair and to the Board on corporate governance issues and the implementation of the CG Code. The Company Secretary has confirmed that she took more than 15 hours of relevant professional training to update her skills and knowledge in 2022.

Procedures have also been agreed by the Board to enable Board Members to seek independent professional advice at the Company's expense. The procedures in place are reviewed on an annual basis and considered as effective.

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

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

2. Clear Division of Responsibilities between Chair and CEO

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

Chair

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

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

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

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

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

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

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

CEO

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

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

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

To cope with the fast pace of expansion and the ever-changing operating environment, management, under the leadership of the CEO, has put great effort into enhancing our operating systems as well as enriching

our corporate culture with an integrity program that reflects the essence of **We Do It Well** as the way Hang Lung engages in business.

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

3. Independence of INEDs

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

Mr. Philip N.L. CHEN was re-designated from a NED to an INED on January 31, 2023. Other than holding the office as a NED immediately prior to the re-designation, he confirmed that he had satisfied all factors set out in rule 3.13 of the Listing Rules in assessing his independence. As disclosed in the announcement of the Company dated January 31, 2023, he had not held any executive or management function or position in the Company or its subsidiaries since his appointment as a NED. In addition, he did not have any business connections with the Company nor HLG except for performing his duties as a NED. In view of the above, the Company considered that he met the independence requirements under the Listing Rules.

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

4. Appointment, Re-election and Removal

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

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

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

5. Continuous Professional Development

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

All Board Members are encouraged to participate in continuous professional development to broaden and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Chair also arranges suitable training for Board Members from time to time. In 2022, the Company organized a Board retreat, to which external experts were invited to present and discuss topics relating to China's external and domestic environment.

The training received by each Board Member in 2022 is summarized below:

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

- A Attending seminar(s)/forum(s) and/or giving talk(s) relating to the business or directors' duties
- B Reading materials relating to the business or directors' duties
- C Corporate event

(II) Delegation by the Board

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

1. Executive Committee

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

2. Audit Committee

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

Under the CG Code, it is required that meetings are held at least two times per year with the External Auditor. Separate meetings are also held with the External Auditor, in the absence of management, as and when required. The Audit Committee has exceeded the CG Code requirements and held four meetings in 2022 for the purpose of, inter alia, discussing the nature and scope of internal audit work and assessing the Company's internal controls. Moreover, the Committee met the External Auditor four times in 2022 without the presence of management.

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

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

In 2022, the Audit Committee executed, inter alia, the following:

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

- reviewed and obtained an explanation from management and the External Auditor for the interim and annual results, including the changes from the previous accounting period, the effects on the application of new accounting policies, compliance with the Listing Rules and relevant legislation, and any audit issues, before recommending their adoption by the Board;
- considered and proposed to the Board the reappointment of KPMG as the Company's External Auditor and approved its terms of engagement;
- reviewed the procedures and guidelines for employing the External Auditor to perform non-audit assignments for the Company, and approved the scopes and fees for non-audit assignments;
- received and reviewed the internal audit reports from the Internal Auditor;
- held meetings with the External Auditor in the absence of management to discuss any material audit issues;
- held meetings with the Internal Auditor in private to discuss material internal audit issues;
- approved the internal audit plan for 2023;
- carried out reviews of the effectiveness of the Company's risk management and internal control systems including the structure of senior management, the adequacy of resources, staff qualifications and experience, training program and budget of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's ESG performance and reporting; and
- received the financial update and ERM reports, reviewed the related risks (both financial and non-financial) and made recommendations on risk mitigation, including a review of the Group's cyber security and the health and safety governance.

Corporate Governance Functions

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

The Audit Committee also reviewed ESG related risks and confirmed that the ESG risk management and internal control systems were in place and remained effective throughout 2022.

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

3. Nomination and Remuneration Committee

A Nomination and Remuneration Committee, set up in 2003, now comprises entirely INEDs, namely, Mr. Nelson W.L. Yuen (Chair of the Committee), Mr. Dominic C.F. Ho, Prof. H.K. Chang and Ms. Anita Y.M. Fung. Regular reviews of significant changes to the salary structure within the Group and the terms and conditions affecting Executive Board Members and senior management are conducted. The Committee met once in 2022 to review, inter alia, the composition of Board Members and Board Members' remuneration.

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

The major works performed by the Committee in 2022 include the following:

- a review of the Board Diversity Policy and its implementation;
- a review of the structure, size and diversity of the Board;
- an assessment of the independence of the INEDs;
- recommendations to the Board on the selection of individuals nominated for directorship with reference to qualifications and related expertise;
- recommendations to the Board on the re-election of retiring Board Members at the AGM;
- recommendations to the Board on the Company's remuneration policy and structure for all Board Members and senior management;
- determination of remuneration packages for individual Executive Board Members and senior management, including benefits in kind, pension rights, and compensation payments;
- recommendations to the Board on the adoption of new share option scheme of the Company;
- recommendations to the Board on the grant of share options to eligible participants (including Executive Board Members) of the share option scheme of the Company; and
- recommendations to the Board on the remuneration of the NED and INEDs.

In the nomination policy, the Committee will:

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

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

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

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

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

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

4. Management Functions

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

(III) Securities Transactions and Share Interests

1. Securities Transactions

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

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

2. Share Interests

Details of Board Members' interests in shares of the Company and HLG as of December 31, 2022 were as follows:

Board Members	The Company		Hang Lung Group Limited
	Number of Shares	Number of Share Options	Number of Shares
Ronnie C. Chan	17,155,000	18,800,000	40,369,500 (Note 1)
Adriel Chan	2,733,898,340 (Note 2)	10,400,000	551,002,580 (Notes 1 & 2)
Weber W.P. Lo	790,000	18,750,000	290,000
Nelson W.L. Yuen	8,000,000	–	–
Dominic C.F. Ho	–	–	–
Philip N.L. Chen	–	9,500,000	–
Andrew K.C. Chan	–	–	–
H.K. Chang	–	–	–
Anita Y.M. Fung	–	–	–
Kenneth K.K. Chiu	–	4,100,000	–

Notes

1. These interests included 28,579,500 shares of HLG held by a trust of which Mr. Ronnie C. Chan was a discretionary beneficiary, and Mr. Adriel Chan was a settlor and discretionary beneficiary. Accordingly, Mr. Ronnie C. Chan and Mr. Adriel Chan were deemed to be interested in such shares under the SFO.
2. These interests included 2,733,898,340 shares of the Company and another 522,423,080 shares of HLG held or deemed to be held by another trust of which Mr. Adriel Chan was a discretionary beneficiary. Accordingly, Mr. Adriel Chan was deemed to be interested in such shares under the SFO.

(IV) Accountability and Audit

1. Financial Reporting

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

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

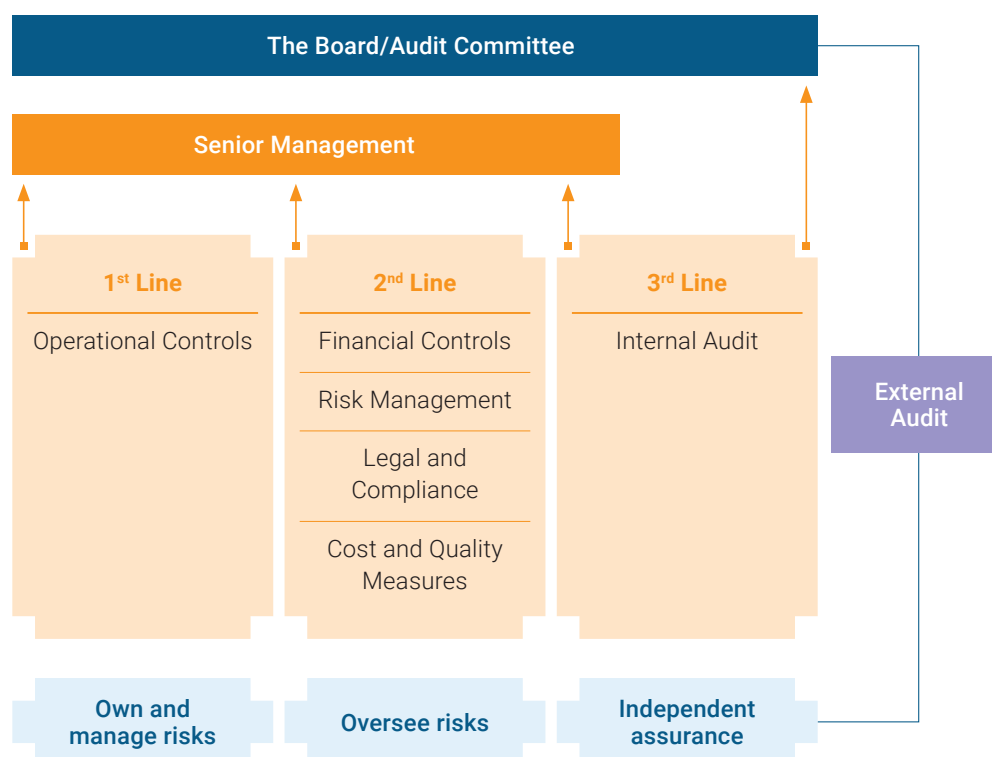
2. Risk Management and Internal Controls

Risk Management Framework

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

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

Three Lines Model



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

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

In 2022, the ERM Working Group met four times and achieved the following:

- reviewed the effectiveness of the Company's ERM framework;
- reviewed risk assessment criteria to ensure they were appropriately defined and continued to be relevant in light of the Company's business and risk profile;
- organized various workshops for management and operational staff to promote understanding of the ERM framework and to embed a risk-aware culture for monitoring and reporting risks within the Company;
- identified and evaluated the Company's principal risks and key emerging risks;
- evaluated the comprehensiveness of identified risks at the operational level;

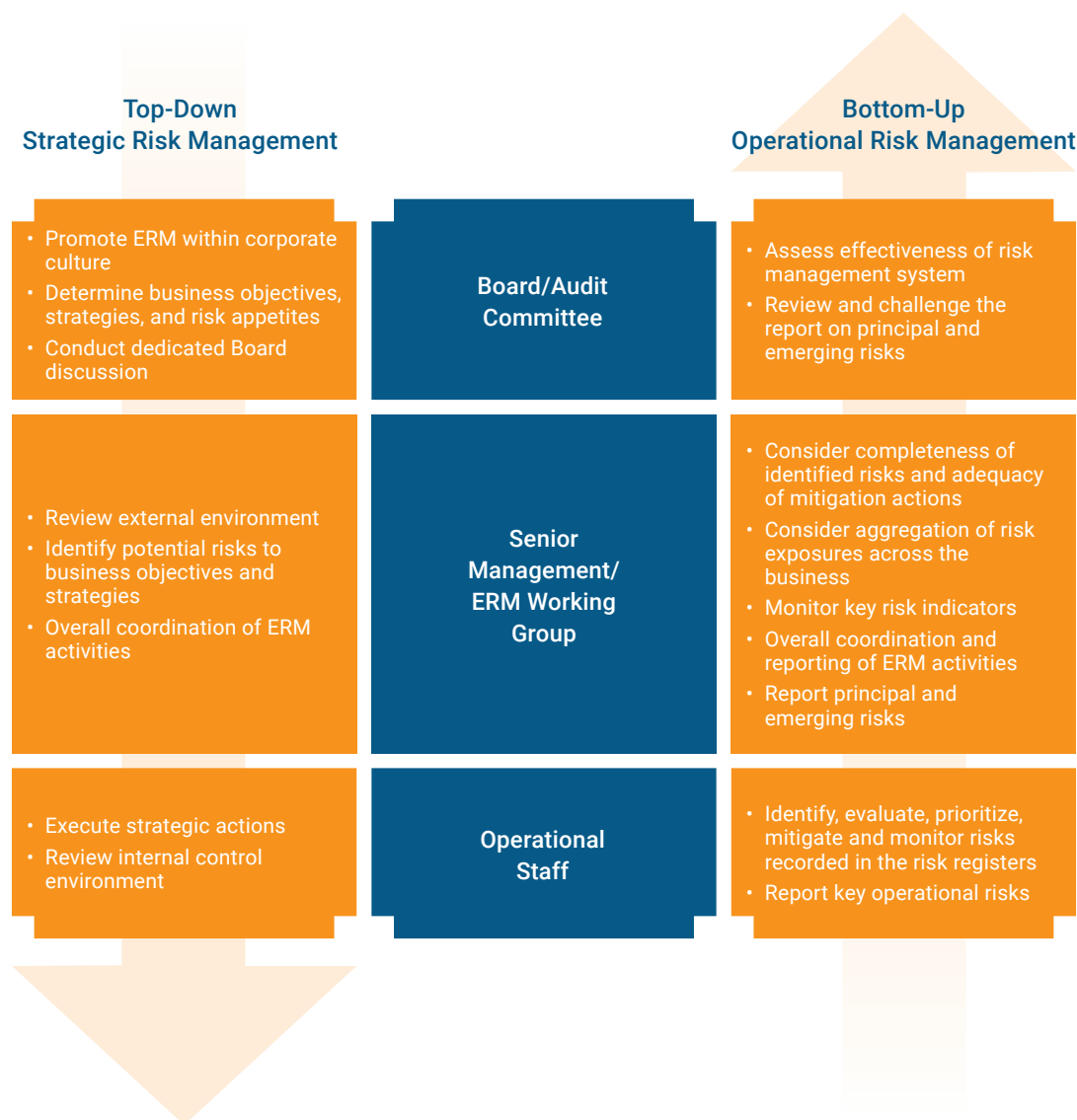
- challenged the risk owners on mitigation actions and their effectiveness;
- analyzed root causes and checked risk enforcement in key areas where controls were previously inadequate or ineffective;
- examined crisis management capacities for handling large-scale, sudden operational adversities; and
- compiled relevant and timely risk reports, including "deep-dives" for the Board and the Audit Committee.

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

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

Risk Management Process

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



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

The Company has put in continuous efforts in fine-tuning the risk management system for operating sites and sites under development. Various risk management workshops have been conducted for local management teams to further promote risk awareness across all levels of the organization and fully engage our teams in the risk assessment process. When compiling their risk registers, each site identifies key risks and mitigation actions and rates the residual risks according to likelihood and impact parameters at the operational level (scaled down from the enterprise level parameters). Top risks at the operational level are then extracted from each site's detailed risk register and reviewed by the ERM Working Group, which are then reported to the Audit Committee.

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

Internal Control Framework

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

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

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

communications and training programs in place to ensure understanding and awareness.

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

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

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

In 2022, the Audit Committee met quarterly to discuss internal audit issues with the Internal Auditor and to discuss financial and internal control matters with the External Auditor. The Audit Committee held four direct discussions with the External Auditor in the absence of management. The Audit Committee reported any key issues arising from these meetings to the Board.

There were no significant control failings or weaknesses identified in 2022. Following previous practices, an annual assessment to evaluate the effectiveness of the internal audit operations and activities was also conducted during the year. It was concluded that our internal audit function has been operating effectively in accordance with the Internal Audit Charter.

Annual Assessment

With the management confirmation covering all material controls (including financial, operational and compliance controls) as well as risk management functions of the Company and its subsidiaries for the financial year ended December 31, 2022, and the foregoing review by the Audit Committee, the Board concluded that effective and adequate risk management and internal control systems were in operation.

The level of resources, staff qualifications and experience, training programs, and budget for the Company's internal audit, accounting, financial reporting functions, as well as those relating to the Company's ESG performance and reporting were also assessed and considered adequate.

Principal Risks of the Company

The principal risks the Company faces may not change significantly from year to year, although the magnitude and significance of these risks can and do vary. Our ongoing review of these principal risks focuses on how changes might arise and how our controls need to be adapted in response to evolving business conditions and organizational changes. The Company's principal risks in 2022 are outlined below:

Business and Market Risk

The ability to acquire suitable land for development is critical for the Company to sustain continuous growth and the desired return on investment. Complex designs, tight deadlines, and several waves of the pandemic throughout the year have created implementation challenges in delivering our projects safely, on budget, on time, and to the desired quality.

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

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Heavy capital investment coupled with a long investment period and market cycles provide opportunities and challenges in land acquisition	↔	<ul style="list-style-type: none"> Set investment strategy, criteria, and risk appetite prior to land acquisition Consolidate local market and industry information Conduct appropriate due diligence, including third-party expert reviews Identify critical resource constraints in funding or human resources for proper planning Undertake structured analyses of business opportunities with the early involvement of the Business Operation Team Focus on product quality and core location as our differentiator Exercise financial prudence and continually monitor our return on investment

Key – Risk trend (change from last year)

↑ Upward/increasing risk trend

↔ Risk trend remains similar

Risk Description	Risk Trend	Key Controls and Risk Mitigations
<p>Design complexity, tight deadlines, and fluctuations in material costs after tender award present implementation challenges in delivering projects safely, on budget, on time, and in line with the required quality</p>	<p style="text-align: center;"></p>	<ul style="list-style-type: none"> • Establish clear roles and responsibilities for accountability and division of duties among design, project management, and business operations at various stages of the development cycle • Establish clear and comprehensive policies and procedures with periodic enhancements to tighten controls • Closely monitor project progress and review all aspects of a development site's planning and construction, including sustainable initiatives • Closely monitor the price fluctuations and supply of materials, conduct careful tender analysis, tighten controls on price variation claims, extension of time and final accounts • Carry out factory inspections to ensure the quality of materials before delivery to the site, and set up workmanship mockups for review before the commencement of works • Identify and monitor the rectification of any non-compliance cases by the designated safety manager and external safety consultant • Provide regular and comprehensive reports to the Board and the Audit Committee, and strengthen management supervision
<p>Fast-paced technological innovations such as e-commerce and artificial intelligence, as well as rapidly changing consumer behaviors and tastes, could impact the Company's business model or strategy</p>	<p style="text-align: center;"> Advances in technology and changing consumer tastes undermine competitiveness</p>	<ul style="list-style-type: none"> • Provide a comprehensive view on customer preference and feedback of our service standards through structured customer survey, and track for prompt follow-ups on service pain points • Stay in touch with the latest relevant technologies for understanding customers through data analytics and smart retail solutions • Explore and adopt applicable new technologies, such as virtual augmented reality, computer vision, indoor navigation, intelligent marketing engine, and innovative digital platforms to uplifting the overall user experiences • Ensure IT infrastructure readiness for anticipated IT developments, such as our data journey project and WeChat mini programs • Grow customer engagement and loyalty via well-established CRM programs to better understand customers and drive sales
<p>Challenges to reposition or redefine our leasing strategy for Hong Kong projects under turbulent market conditions</p>	<p style="text-align: center;"> Lingering impacts of the global pandemic have affected customer footfall and rental revenue to varying degrees</p>	<ul style="list-style-type: none"> • Evaluate our existing leasing strategy from the perspective of these special circumstances, and reposition the at-risk malls with a change of focus or by improving the tenant mix • Act fast on market changes to recruit blooming trades under our leasing portfolios, introduce exclusive concepts and experience flagships, and continue to monitor high-impact trade tenants • Conduct ongoing branding and marketing programs as well as joint-tenant promotions to attract local customers and excite target audiences • Close monitoring over the pandemic control policy with appropriate actions in response to the latest circumstances

Social and Political Risk

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




Lingering impacts of the pandemic continued to adversely affect our customer footfall and leasing revenue in Hong Kong and mainland China throughout the year, especially when several malls and/or offices on the Mainland were forced to close for a certain period. The regulatory impacts of tightened up in government policies and requirements in mainland China were also under periodic assessment and close monitoring during the year.

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Introduction of new government regulations or sudden policy changes without sufficient consultation and guidelines could adversely affect a project's development and/or our business operations	↔	<ul style="list-style-type: none"> • Closely monitor regulatory developments and market/public sentiment • Actively engage with regulatory bodies and professional firms on updates to laws and regulations • Allocate sufficient internal resources to ensure timely responses to and compliance with regulatory changes • Monitor the impacts of significant breaches or non-compliance with regulatory requirements, as well as exposure to potential litigation or claims, if any, and their magnitude • Continue monitoring and assessing the practical implications and impacts of regulatory changes, prepare legal updates on a quarterly basis, and conduct legislative trend analyses • Maintain proper and sufficient documentation as much as possible
Major external disasters or crises beyond control or reasonable expectations, such as epidemics, extreme weather, floods, earthquakes, cyber-crimes, a sudden financial collapse of the real estate industry, etc., could impact assets or business sustainability	↑ Lingering impacts of the pandemic in Hong Kong and mainland China throughout the year adversely affected our business operation	<ul style="list-style-type: none"> • Review, update, and validate business continuity plans of critical functions on an annual basis • Keep track of premises with cases of infection, ensure compliance with local government COVID-19 containment measures and timely communicate with tenants, customers, staff, media, and other stakeholders • Proactively participate in dialogue and discussions with tenants on lease arrangements • Reinforce internal policies on IT/cyber security, digital media and corporate communications guidelines, such as conducting IT disaster recovery drills, cyber security newsletters, and penetration tests • Strengthen crisis handling skills with refined online Crisis Management Orientation and Refresher programs 2022, ongoing crisis drills/audits and media trainings • Ensure appropriate insurance coverage for properties and business

People and Governance Risk

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

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

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Failure to recruit, develop, or retain staff with suitable capabilities and the capacity to support the expansion/growth of the Company	 Challenges in recruiting qualified and competent talent in both Hong Kong and mainland China	<ul style="list-style-type: none"> Formulate manpower plan to match existing and future human capital needs against our business strategy Fully utilize the Headquarters (Shanghai) as an extended arm of the Headquarters (Hong Kong) to facilitate talent development and attract local talent Formalize talent and organizational review to identify and retain staff with development potential for critical roles Provide structured leadership training to support the learning needs of our key talent and enhance functional knowledge and key competencies of the workforce Build up the young talent pipeline, promote the internal job posting platform "CareerConnect" to encourage staff mobility, and enhance the employee referral program policy Review the competitiveness of our compensation and conduct benefits enhancements periodically Launch the second Employee Engagement Survey to engage and retain our staff
Fraud and corruption activities could result in significant financial losses and/or impact the reputation of the business		<ul style="list-style-type: none"> Strengthen and reinforce the Company's commitment to the highest standards of integrity and accountability Provide ongoing training and reinforce communication with staff on integrity, impartiality, and honesty Operate an effective whistleblowing mechanism with a refined whistleblowing policy and formalize investigation mechanism Formalize anti-corruption policy that benchmarks industry best practices Periodically review and update the Staff Handbook and Code of Conduct to emphasize zero tolerance for unethical behavior
Physical risks of climate change and the risks of the transition to a low-carbon economy	 Align our sustainable growth with the nationwide new development concept for carbon peak and carbon neutrality	<ul style="list-style-type: none"> Strengthen corporate governance of our ESG and enhance transparency on our ESG performance Embed ESG metrics into business priorities and set up measurable ESG key performance indicators (KPIs) for each business function Conduct climate hazard and vulnerability assessment and develop resilience and adaptation strategies for our properties Engage an external consultant to conduct a refreshed carbon pricing scenario analysis to 2050 Building on previous work, establish a 2023-2025 climate resilience plan including all scopes of emissions Procure 100% renewable energy at two properties in mainland China in support of our 2025 renewable energy target

Financial Risk

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

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Prolonged economic downturn and unfavorable market conditions could impact property valuations and affect the Company's borrowing capabilities		<ul style="list-style-type: none"> Understand the basis of the asset valuation models of our properties and review capitalization rates with our independent valuer Periodically review our exposure to potential decreases in property valuation and carry out stress tests Review financial risk exposure in accordance with the covenants of our borrowings Perform gearing ratio projections based on reasonable assumptions, taking future financial commitments into account
Portions of the Company's borrowings are floating-rate bank loans, which could expose us to rising interest rates	 US and HK interest rates rise	<ul style="list-style-type: none"> Continually track and monitor interest rates Utilize a spectrum of financing instruments, such as the issuance of fixed rate bonds and loans, and the use of derivatives such as interest rate swaps for achieving an appropriate mix of fixed/floating debts Perform a stress test on borrowing capacity, and maintain a relatively conservative gearing ratio
Our business in mainland China has, by nature, currency risk derived from capital investment, as well as risks from revenue/debt currency mismatch	 Increasing volatility in RMB	<ul style="list-style-type: none"> Continually track and monitor the RMB exchange rate Maintain an appropriate level of RMB resources for the Company's capital requirements in mainland China Monitor currency risks and perform periodic sensitivity analyses Modify our currency hedging strategy as necessary
Market liquidity may change from time to time and inhibit our ability to acquire adequate and cost-effective funding		<ul style="list-style-type: none"> Centralize the management of cash and financing at the corporate level by the Treasury Team Maintain closer relationships with banks and intermediaries; Effective management of concentration of bank loans Manage the maturity profile of deposits and loans to minimize refinancing risk Establish and maintain diversified channels of debt financing
Credit/counterparty risk exposure primarily from rents receivable and deposits placed with banks		<ul style="list-style-type: none"> Undertake comprehensive credit assessments of prospective tenants Require rental deposits and rent in advance, and closely monitor outstanding rents to mitigate our rents receivable risk Assign bank exposure limits to mitigate concentration risk on our deposits Only make deposits with banks that have sound financial strength and/or good credit ratings

In addition to the principal risk categories outlined above, the Company has identified and monitored specific emerging risks, such as dynamic development of COVID-19 during the year and associated impact to our business in both Hong Kong and mainland China. We have evaluated the potential impacts of these emerging risks to our business operations and have taken appropriate mitigation actions during the year. Periodic assessment would be carried out in case any of these emerging risks may become more significant in the future.

3. Code of Conduct

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

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

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

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

Employees at all levels of the organization are made aware of the Company's emphasis on integrity and zero-tolerance for unethical behavior through the Code of Conduct as well as policies and procedures issued from time to time. In addition, the Hang Lung Integrity Program, established in 2013, is a channel through which the highest standards of integrity and honesty are promoted to every employee and in every process of our diverse functions across our operations in Hong Kong and mainland China. The program espouses the centrality of ethical conduct to our business through the e-learning programs for all employees. In 2022, about 101,824 training hours were delivered to our employees, of which about 4,257 training hours were delivered as part of the program.

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

4. Inside Information

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

- disclosure of inside information as soon as reasonably practicable under the applicable laws and regulations;
- publication of interim and annual results within one month from the end of accounting periods to minimize the risk of leakage;
- conduct of its affairs with close adherence to the “Guidelines on Disclosure of Inside Information” issued by Securities and Futures Commission;
- authorizing designated person(s) as spokespersons for communications with stakeholders;
- imposing a strict prohibition on the unauthorized disclosure and use of inside information in its Code of Conduct; and
- reminders to the Board Members and staff (through key executives) of the necessity for policy compliance every six months.

5. Independence of External Auditor

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

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

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

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

	Year ended December 31, 2022 HK\$ (in million)	Year ended December 31, 2021 HK\$ (in million)
Statutory audit services	9	9
Non-audit services	3	3

(V) Communication with Stakeholders

1. Shareholders

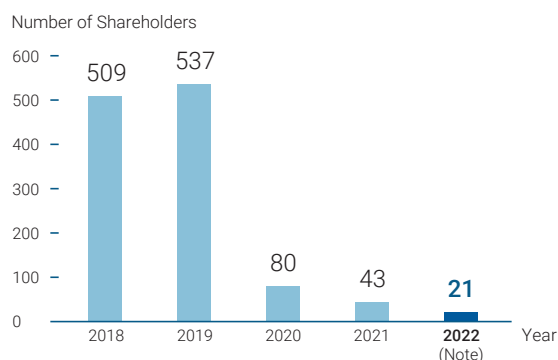
The Board has a shareholders communication policy setting out strategies to promote effective communication between the Company and its shareholders, with the aim of ensuring that sufficient information is provided to enable active engagement with the Company and the proper exercise of shareholder rights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

Letters to Shareholders & AGMs

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

Our AGM, also, provides an excellent platform for open communication between shareholders and the Board. The chairs of the Board and the Board committees are routinely present to answer queries raised by shareholders. The External Auditor also attends and reports to shareholders at the AGM every year. Notice of the AGM and related papers are sent to shareholders at least 21 days before the meeting. Each separate issue is proposed by a separate resolution from the Chair. The meeting enjoys strong participation from shareholders.

Shareholder participation in AGMs is illustrated as follows:



Note

At the recommendation of the Company, the number of shareholders physically present at the 2020 to 2022 AGMs were substantially reduced due to the pandemic. As a part of precautionary measures, the Company recommended that shareholders exercise their voting rights by appointing the chair of the AGM as their proxy to vote at the 2020, 2021 and 2022 AGMs, as an alternative to attending in person.

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

2022 AGM

Our last AGM was held on April 27, 2022 at Grand Ballroom, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong. The meeting was attended by 21 shareholders present in person or by proxy. At the meeting, the Chair had demanded a poll on each of the resolutions submitted for voting, and the shareholders were provided with detailed procedures for conducting the poll.

The resolutions tabled at the 2022 AGM included:

- the adoption of the financial statements;
- the declaration of a final dividend;
- the re-election of Board Members;
- the re-appointment of the auditor;
- the renewal of general mandates;
- the adoption of new share option scheme; and
- the adoption of new Articles of Association.

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

New Articles of Association was adopted during the year, which is available on our website and the website of HKEX.

The important shareholders' dates for the coming financial year, which include the Board meetings for considering the payments of interim and final dividends for the year ending December 31, 2023, and the AGM, are expected to be held in late July 2023, late January 2024, and in April 2024 respectively.

Procedure for Shareholders to Convene General Meetings

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

Procedure for Shareholders to Put Forward Proposals in General Meetings

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

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

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

- (i) a written notice of such a proposal duly signed by the shareholder(s) concerned; and
- (ii) a written consent duly signed by the Candidate indicating his/her willingness to be elected.

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

Enquiries from Shareholders

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

2. Investors

Details of shareholders by domicile as of December 31, 2022 were as follows:

Domicile	Shareholders		Shareholdings	
	Number	%	Number of Shares	%
Hong Kong	2,631	94.07	4,490,648,607	99.81
Mainland China	51	1.82	3,767,554	0.08
Macau	8	0.29	387,433	0.01
Taiwan	2	0.07	593	0.00
Australia and New Zealand	8	0.29	13,885	0.00
Canada and United States of America	40	1.43	2,368,159	0.05
South East Asia	45	1.60	2,047,677	0.05
United Kingdom	8	0.29	23,400	0.00
Others	4	0.14	3,362	0.00
TOTAL	2,797	100.00	4,499,260,670	100.00

Details of shareholders by holding range as of December 31, 2022 were as follows:

Holding Range	Shareholders*		Shareholdings*	
	Number	%	Number of Shares	%
1 – 1,000 shares	1,349	48.23	584,628	0.01
1,001 – 5,000 shares	713	25.49	2,011,695	0.04
5,001 – 10,000 shares	257	9.19	2,122,763	0.05
10,001 – 100,000 shares	393	14.05	13,633,639	0.30
Over 100,000 shares	85	3.04	4,480,907,945	99.60
TOTAL	2,797	100.00	4,499,260,670	100.00

* incorporating, in their respective shareholdings range, 333 participants of Central Clearing and Settlement System holding a total of 2,843,077,948 shares registered in the name of HKSCC Nominees Limited

Based on information that is publicly available to the Company and within the knowledge of the Board Members as of the date of this annual report, the Company has maintained a public float of 38.86% exceeding the prescribed percentage under the Listing Rules.

Investor Engagement

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

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

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

Moving Forward

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

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

Profile of the Directors



Mr. Ronnie Chichung Chan ^{GBM}

Chair

Aged 73, Mr. Chan joined the Hang Lung group in 1972, was appointed to the Board of Hang Lung Properties Limited in 1986, and became the Chair in 1991. He also serves as the Chair of Hang Lung Group Limited. Mr. Chan is a Director of The Real Estate Developers Association of Hong Kong, the Chair Emeritus of Asia Society and the Chairman of its Hong Kong Center, the Chairman of the Executive Committee of The Better Hong Kong Foundation and the former Chairman of the Executive Committee of One Country Two Systems Research Institute. He is also the former Vice President

and the former Advisor of China Development Research Foundation in Beijing. Mr. Chan sits on the governing or advisory bodies of several think-tanks and universities, including The Hong Kong University of Science and Technology, and Peterson Institute for International Economics. He is a Life Trustee of University of Southern California, where he received his MBA. Mr. Chan is a Fellow of American Academy of Arts and Sciences. He is the father of Mr. Adriel Chan, the Vice Chair of the Company.



1. Mr. Ronnie Chichung Chan
2. Mr. Adriel Wenbwo Chan
3. Mr. Weber Wai Pak Lo
4. Mr. Nelson Wai Leung Yuen
5. Mr. Dominic Chiu Fai Ho
6. Mr. Philip Nan Lok Chen
7. Dr. Andrew Ka Ching Chan
8. Prof. Hsin Kang Chang
9. Ms. Anita Yuen Mei Fung
10. Mr. Kenneth Ka Kui Chiu

Mr. Adriel Wenbwo Chan

Vice Chair

Aged 40, Mr. Chan joined the Group in 2010. He was appointed to the Board of the Company and of its listed holding company, Hang Lung Group Limited, in 2016, and became the Vice Chair in September 2020. He is now mainly responsible for Development and Design, Project Management (including asset assurance & improvement) and Cost & Controls. Mr. Chan is also the Chair of the Sustainability Steering Committee and a Member of Enterprise Risk Management Working Group, among his other responsibilities within the Group.

Mr. Chan is the Vice-President and a Member of the Executive Committee of The Real Estate Developers Association of Hong Kong, a Member of the Advisory

Council of The Hong Kong University of Science and Technology (the "HKUST") Business School, and Overseers Committee of Morningside College of The Chinese University of Hong Kong. He is also a Director of China Institute for Knowledge, a member organization of Our Hong Kong Foundation. Mr. Chan holds an Executive Master of Business Administration degree jointly awarded by the Kellogg School of Management at Northwestern University, the U.S. and the HKUST, and a Bachelor of Arts degree in International Relations from University of Southern California, the U.S. Prior to joining the Group, he worked in finance, audit, advisory, and risk management fields. Mr. Chan is a son of Mr. Ronnie Chan, the Chair of the Group.

Mr. Weber Wai Pak Lo**Chief Executive Officer**

Aged 52, Mr. Lo joined the Company and its listed holding company, Hang Lung Group Limited, as the Chief Executive Officer Designate in May 2018, and became the Chief Executive Officer in July 2018. He has more than 25 years of experience in business management across the banking and fast-moving consumer goods sectors in Hong Kong and mainland China. Mr. Lo is a Member of the Board of Inland Revenue of the Government of the HKSAR, the Advisory Committee of The Jockey Club CPS Limited (Tai Kwun) and a Voting Member of The Hong Kong Jockey Club. He was a Director of The Real Estate Developers Association of Hong Kong and a Member of the Court of The University of Hong Kong. Mr. Lo graduated from The University of Hong Kong in 1993 with a Bachelor of Social Sciences degree.

Mr. Nelson Wai Leung Yuen**Independent Non-Executive Director**

Aged 72, Mr. Yuen joined Hang Lung in 1978, became an Executive Director of the Company in 1986, and was appointed as the Managing Director of the Company and its holding company, Hang Lung Group Limited, in 1992 until he retired in July 2010. He became a Non-Executive Director of the Company in March 2011 and was re-designated as an Independent Non-Executive Director in November 2014. Mr. Yuen is a graduate of The University of Manchester, the U.K. and a Fellow of The Institute of Chartered Accountants in England and Wales.

Mr. Dominic Chiu Fai Ho**Independent Non-Executive Director**

Aged 72, Mr. Ho joined the Board as an Independent Non-Executive Director in April 2008. He retired as the Co-Chairman of KPMG, China and HKSAR in March 2007. Mr. Ho obtained his degrees at the University of Houston in the U.S. and is a Member of the American Institute of Accountants and a Member of the Hong Kong Institute of Certified Public Accountants. He was a past Member of the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption and of the Insurance Advisory Committee, both in Hong Kong. Mr. Ho is an Independent Non-Executive Director of Singapore Airlines Limited and DBS Bank (Hong Kong) Limited, and the Non-Executive Chairman of DBS Bank (China) Limited.

Mr. Philip Nan Lok Chen**Independent Non-Executive Director**

Aged 67, Mr. Chen joined the Company and its listed holding company, Hang Lung Group Limited, as the Chief Executive Officer in 2010 until he retired in July 2018. Upon his retirement, he was re-designated as a Non-Executive Director of the Company, and was appointed as an Adviser to Chair until July 2019. Mr. Chen was subsequently re-designated as an Independent Non-Executive Director of the Company in January 2023. He has more than 40 years' management experience, mostly in the aviation industry, acquiring a wealth of experience in Hong Kong, mainland China and beyond. Mr. Chen is a Member of the Board of Airport Authority Hong Kong and the former Chairman of The Hong Kong Jockey Club. He graduated from the University of Hong Kong in 1977 with a Bachelor of Arts degree and holds a Master's degree in Business Administration from the same university.

Dr. Andrew Ka Ching Chan BBS, JP**Independent Non-Executive Director**

Aged 73, Dr. Chan joined the Board as a Non-Executive Director in October 2014 and was re-designated as an Independent Non-Executive Director in December 2015. He is a Senior Consultant of the global Arup Group, one of the world's foremost multi-disciplinary engineering consultants. Dr. Chan was the Chairman and a Member of the Trustee Board of Arup Group until April 2022 and was the Deputy Chairman of Arup Group prior to his retirement in October 2014. He is an expert in civil and geotechnical engineering with over 40 years of experience in the engineering profession, and is distinguished for his leadership in the creation, design and delivery of many innovative and award-winning building projects as well as major infrastructure schemes in many cities in Asia. Dr. Chan is the past President and Gold Medallist of The Hong Kong Institution of Engineers, the Founding Chairman of the Hong Kong Green Building Council, Honorary Fellow of the Hong Kong University of Science and Technology, Fellow and the past President of the Hong Kong Academy of Engineering Sciences, and Fellow of the Royal Academy of Engineering, the U.K.'s national academy. He obtained his PhD degree from the University of Cambridge in Soil Mechanics. Dr. Chan was appointed Justice of the Peace in 2006 and awarded the Bronze Bauhinia Star in 2012.

Prof. Hsin Kang Chang GBS, JP**Independent Non-Executive Director**

Aged 82, Prof. Chang joined the Board as an Independent Non-Executive Director in April 2015. He became an Honorary Professor of Peking University in 2006 and a Yeh-Lu Xun Chair Professor of the same university from 2008 to 2015, and an Honorary Professor at Tsinghua University in 2007. Prof. Chang was the President and University Professor of City University of Hong Kong from 1996 to 2007. Prior to that, he was the Dean of the School of Engineering at the University of Pittsburgh in the U.S. from 1994 to 1996, the Founding Dean of the School of Engineering at Hong Kong University of Science and Technology from 1990 to 1994, and the Chairman of the Department of Biomedical Engineering at the University of Southern California in the U.S. from 1985 to 1990. Prof. Chang taught at several major universities in North America and served in a number of scholarly societies and public advisory bodies in the U.S., serving as the President of Biomedical Engineering Society of the U.S. in 1988 to 1989. In Hong Kong, he was the Chairman of the Cultural and Heritage Commission from 2000 to 2003, a Member of the Council of Advisors on Innovation and Technology from 2000 to 2004, and a Member of Judicial Officers Recommendation Commission from 1999 to 2005. Prof. Chang is a Fellow of the Royal Academy of Engineering of the United Kingdom, a Member of International Eurasian Academy of Sciences, Chevalier dans l'Ordre National de la Légion d'Honneur and Commandeur dans l'Ordre des Palmes Académiques of France. He obtained his Bachelor's degree in civil engineering from National Taiwan University in 1962, Master's degree in structural engineering from Stanford University in the U.S. in 1964 and Ph.D degree in biomedical engineering from Northwestern University in the U.S. in 1969. Prof. Chang is an Independent Non-Executive Director of HKT Trust and HKT Limited. Prof. Chang was appointed Justice of the Peace in 1999 and awarded the Gold Bauhinia Star in 2002.

Ms. Anita Yuen Mei Fung BBS, JP**Independent Non-Executive Director**

Aged 62, Ms. Fung joined the Board as an Independent Non-Executive Director in May 2015. She is the former Group General Manager of HSBC Holdings plc and the former Chief Executive Officer Hong Kong of The Hongkong and Shanghai Banking Corporation Limited. Ms. Fung held a number of positions with key financial bodies in Hong Kong and has been actively promoting the development of the financial markets of Hong Kong as well as other regions. She is a former Member of the Financial Infrastructure Sub-Committee of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority.

Ms. Fung also serves on a number of public bodies and advisory bodies including being a Member of the Board of M Plus Museum Limited, a Member of the Judicial Officers Recommendation Commission and a Member of the Hospital Authority. She previously served as an Independent Non-Executive Member of the Board of the Airport Authority Hong Kong, a Non-Official Member of the Hong Kong Housing Authority and a Member of the Board of West Kowloon Cultural District Authority. She is also a Trustee of Asia Society Hong Kong Center, an Honorary Professor of the School of Economics and Finance of The University of Hong Kong, and a Court Member of The Hong Kong University of Science and Technology and its former Council Member.

Ms. Fung is an Independent Non-Executive Director of BOC Hong Kong (Holdings) Limited, a former Director of The Hong Kong Mortgage Corporation Limited, a former Independent Non-Executive Director of Hong Kong Exchanges and Clearing Limited, China Construction Bank Corporation and Westpac Banking Corporation, and a former Non-Executive Director of Bank of Communications Co., Ltd. and Hang Seng Bank, Limited. She was elected as Steward of The Hong Kong Jockey Club in 2022.

She obtained her Bachelor's degree in Social Science from The University of Hong Kong and Master's degree in Applied Finance from Macquarie University, Australia. Ms. Fung was awarded the Bronze Bauhinia Star in 2013 and appointed Justice of the Peace in 2015.

Mr. Kenneth Ka Kui Chiu**Chief Financial Officer**

Aged 47, Mr. Chiu joined the Boards of the Company and its listed holding company, Hang Lung Group Limited, as an Executive Director and the Chief Financial Officer Designate in October 2021, and became the Chief Financial Officer in March 2022. He has over 25 years of experience in investment management, corporate finance, and accounting in the Asia Pacific region. Mr. Chiu previously served as the Chief Financial Officer of Gaw Capital Partners, where he headed the finance function from 2013 to 2021. Prior to joining Gaw Capital Partners, Mr. Chiu worked at Temasek Holdings as a Director in its Investment Group. He served Temasek Holdings from 2007 to 2013 and oversaw its real estate related investments in the Greater China region. Mr. Chiu also worked at Deutsche Bank AG in mergers & acquisitions advisory, and at PricewaterhouseCoopers and Arthur Andersen in audit and assurance. He is a qualified Certified Public Accountant in Hong Kong, and a Chartered Accountant in England and Wales. Mr. Chiu holds a Bachelor of Business Administration in Accounting from The Hong Kong University of Science and Technology and a Master of Science in Finance from the London Business School.



Mr. Mikael Jaeraas

Senior Director – Retail

Mr. Jaeraas joined the Group in 2016. He possesses 18 years of experience in international retail business and supply chain development. He holds a Master of Social Science degree in Business Administration from Lund University, Sweden.

Mr. Derek Siu Fai Pang

Senior Director – Mainland Business Operation

Mr. Pang joined the Group in 2012. He possesses over 25 years of experience in property leasing and management. He holds a Bachelor of Science degree from The University of Hong Kong. He is a member of The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors.

Mr. Symon Bridle

Director – Hotel & Residence

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

Mr. Gabriel Kai Wah Cheung

Director – Cost & Controls

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

Mr. Herman Chung Wai Chui

Director – Office

Mr. Chui joined the Group in 2022. He possesses over 24 years of experience in portfolio management, land acquisition and property development. He holds a Bachelor of Science degree in Valuation and Estate Management from University of the West of England, United Kingdom. He is also a Professional member of the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors.

Mr. Peter Ting San Leung

Director – Project Management

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

Mr. Moses Woon Tim Leung

Director – Development & Design

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

Mr. Adrian Kin Leung Lo

Director – Project Management

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

Mr. Aris Maroulis**Director – Mainland Business Operation**

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

Ms. Winnie Yuen Wah Ma**Director – General Counsel & Company Secretary**

Ms. Ma joined the Group in 2021. She possesses over 23 years of legal advisory experience and holds a Postgraduate Certificate in Laws as well as a Bachelor of Laws degree from The University of Hong Kong.

Ms. Janet Shun Ngar Poon**Director – Human Resources & Administration**

Ms. Poon joined the Group in 2012 and was appointed as Director – Human Resources & Administration in 2023. She possesses over 20 years of experience in human resources management in real estate industry. She holds a Master of Science degree in Training and Human Resources Management from the University of Leicester and a Bachelor of Business Administration degree from The Chinese University of Hong Kong.

Mr. Joseph Kar Fai To**Director – Customer Franchise**

Mr. To joined the Group in 2015. He possesses over 25 years of experience in business development, marketing, property leasing and management. He holds a Master of Arts degree in Marketing from The University of Lancaster, UK and a Bachelor of Commerce degree from The University of Birmingham, UK.

Mr. William Wing Chung Yiu**Director – Mainland Business Operation**

Mr. Yiu joined the Group in 2011. He possesses 29 years of experience in finance, internal audit, mainland China taxation, property leasing and management. He holds a Master of Business Administration degree from the California State University, Hayward, USA, and a

Bachelor of Economics degree from Monash University, Australia. He is also a Certified Practising Accountant of the Australian Society of Certified Practising Accountants, an Associate of the Hong Kong Institute of Certified Public Accountants and a Member of the Institute of Internal Auditors.

Mr. Denny Chi Sing Chen**Group Financial Controller**

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

Ms. Janice Lam Na Cheung**Deputy Director – Mainland Business Operation**

Ms. Cheung joined the Group in 2013 and was appointed as Deputy Director – Mainland Business Operation in 2023. She possesses over 17 years of experience in property leasing, marketing and management. She holds a Bachelor of Business Administration degree in Hotel and Tourism Management from The Chinese University of Hong Kong.

Mr. Sammy Kam Hung Chow**Deputy Director (Head of Corporate Audit)**

Mr. Chow joined the audit function of the Group in 2012. He possesses over 20 years of experience in auditing and risk management. He holds a Bachelor of Commerce degree in Accounting and Information Systems from The University of New South Wales, Australia. He is also a Fellow of Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia.

Mr. John Haffner**Deputy Director – Sustainability**

Mr. Haffner joined the Group in 2019 and was appointed as Deputy Director – Sustainability in 2023. He possesses over 20 years of international experience in sustainability. He holds two law degrees from McGill University, Canada.

Mr. Raymond Yuk Ming Ip

Deputy Director – Mainland Business Operation

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

Ms. Helen Lau

Deputy Director (Head of Hong Kong Business Operation)

Ms. Lau joined the Group in 2015. She possesses over 25 years of experience in leasing and portfolio management and holds a Bachelor of Science degree in Surveying from The University of Hong Kong. She is also a Professional Member of The Royal Institution of Chartered Surveyors.

Mr. Anthony Wai Keung Pau

Deputy Director (Head of Group Service Delivery)

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

Mr. Louis Lung Tim Tong

Deputy Director – Project Management

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

Ms. Canny Wun Yee Tse

Deputy Director – Group Treasury and Financial Planning & Analysis

Ms. Tse joined the Group in 2012 and was appointed as Deputy Director – Group Treasury and Financial Planning & Analysis in 2023. She possesses over 20 years of experience in treasury, financial planning & analysis and accounting. She holds a Master of Science degree in Management Science & Operational Research and a Bachelor of Science degree in Accounting & Finance, both from The University of Warwick, UK. She is also a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and the Washington State Board of Accountancy.

Ms. Vera Wai Ngar Wu

Deputy Director – Mainland Business Operation

Ms. Wu joined the Group in 2002. She possesses over 20 years of experience in corporate communications, marketing, property leasing and management. She holds a Bachelor of Commence degree from The University of British Columbia, Canada.



The Directors of the Board of Hang Lung Properties Limited are pleased to present their report, together with the audited consolidated Financial Statements for the year ended December 31, 2022.

Principal Activities

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

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

Principal Subsidiaries and Joint Ventures

A list of principal subsidiaries and joint ventures, their places of incorporation and operations and particulars of their issued share capital/registered capital is set out in Notes 34 and 35 to the Financial Statements.

Financial Results

The results of the Group for the year ended December 31, 2022 are set out in the consolidated Financial Statements on pages 145 to 205.

Dividends

The Board recommends a final dividend of HK60 cents per share which, together with the interim dividend of HK18 cents per share paid on September 29, 2022, makes a total of HK78 cents per share in respect of the year ended December 31, 2022. The proposed final dividend, if approved by the shareholders at the AGM on April 28, 2023, will be paid on May 19, 2023 to shareholders whose names appear on the register of members on May 5, 2023.

The Company aims at providing a stable dividend to shareholders. The dividend reflects the financial performance of the core leasing business. In recommending a dividend, the Company takes into account the return to shareholders and its funding requirements for future business growth.

Business Review

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year, along with the material factors underlying its results and financial position are included in the Review of Operations and Financial Review sections on pages 32 to 73 and pages 74 to 85 respectively. A description of the principal risks and uncertainties facing the Company can be found throughout this annual report, particularly in the Corporate Governance Report on pages 92 to 121. The particulars of important events affecting the Company which have occurred since the end of the financial year 2022, if any, can also be found in the abovementioned sections and the Notes to the Financial Statements. The outlook of the Group's business is discussed in the Review of Operations section on pages 32 to 73.

An analysis of the Group's performance using financial key performance indicators is provided in the Financial Highlights and Financial Review sections on pages 10 to 11 and pages 74 to 85 respectively. A brief discussion of the Company's sustainability performance, including but not limited to environmental issues across its operations, is provided in the Sustainability section on pages 86 to 91. For details of the Company's sustainability policies, an account of the Company's relationships with its key stakeholders, and further details of its sustainability performance, please refer to our parallel publication Sustainability Report 2022, which is available on our website under "Sustainability Report" in the "ESG Management" subsection of the "Sustainability" section.

Compliance procedures are in place to ensure adherence to relevant laws and regulations, in particular, those which have a significant impact on the Group. The Audit Committee of the Company is delegated by the Board to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements. Any new enactment of, or changes in, the relevant laws and regulations are communicated through regular legal updates to ensure compliance. The legal updates are circulated to all executive staff to ensure that they are aware of the changes and can disseminate relevant information to their teams. Reminders to relevant staff on compliance are also sent out regularly, where necessary. Training is provided, as needs arise, to build awareness.

The Group has set up systems and policies to ensure compliance with the relevant laws and regulations which have a significant impact on the Group in conducting its business, including but not limited to, the Buildings Ordinance, the Residential Properties (First-hand Sales) Ordinance, the Competition Ordinance, the Personal Data (Privacy) Ordinance, the Minimum Wage Ordinance, the Employment Ordinance, and the Occupational Safety and Health Ordinance in Hong Kong; and the Construction Law, the Fire Safety Law, the Anti-Monopoly Law, the Anti-Unfair Competition Law, the Cyber Security Law, the Labour Law, the Labour Contract Law and the Trade Union Law in the People's Republic of China. At a corporate level, the Company also complies with the Listing Rules, the Companies Ordinance and the SFO.

Ten-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last ten financial years is set out on pages 206 and 207.

Major Suppliers and Customers

During the year, both the percentage of purchases attributable to the Group's five largest suppliers combined and the percentage of revenue from sales of goods or rendering of services attributable to the Group's five largest customers combined were less than 30% of the total purchases and total revenue of the Group respectively.

Distributable Reserves

The Company's reserves available for distribution to shareholders as at December 31, 2022 amounted to HK\$23,559 million (2021: HK\$23,425 million).

Donations

Donations made by the Group during the year amounted to HK\$62 million (2021: HK\$17 million).

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at December 31, 2022 are set out in Note 17 to the Financial Statements.

Borrowing Costs Capitalization

Borrowing costs capitalized by the Group during the year amounted to HK\$1,000 million (2021: HK\$1,000 million).

Major Group Properties

Details of major properties of the Group as at December 31, 2022 are set out on pages 70 to 73.

Share Capital

During the year, the Company did not issue any share (2021: 1,461,000 fully paid shares, were issued for a total consideration of HK\$29,099,780 as a result of the exercise of share options under the Company's share option scheme adopted on April 18, 2012).

Details of the movement in the share capital of the Company during the year are set out in Note 20 to the Financial Statements.

Equity-Linked Agreements

Other than the share option schemes of the Company as disclosed, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

Particulars of the share option schemes are set out in Note 25 to the Financial Statements and the paragraphs below.

Directors

The Directors of the Board of Hang Lung Properties Limited during the year and up to the date of this report are:

Mr. Ronnie C. Chan
 Mr. Adriel Chan
 Mr. Weber W.P. Lo
 Mr. Nelson W.L. Yuen
 Mr. Dominic C.F. Ho
 Mr. Philip N.L. Chen
 Dr. Andrew K.C. Chan
 Prof. H.K. Chang
 Ms. Anita Y.M. Fung
 Mr. Kenneth K.K. Chiu
 Mr. H.C. Ho (retired on March 1, 2022)

The biographical details of the Directors of the Board are set out on pages 122 to 126. Details of their remuneration are set out in Note 6 to the Financial Statements.

Mr. Philip N.L. Chen was re-designated from a NED to an INED on January 31, 2023.

In accordance with article 103 of the Articles of Association, Mr. Nelson W.L. Yuen, Dr. Andrew K.C. Chan, Prof. H.K. Chang and Mr. Adriel Chan will retire from the Board by rotation at the forthcoming AGM. Mr. Nelson W.L. Yuen, Dr. Andrew K.C. Chan and Mr. Adriel Chan being eligible, will offer themselves for re-election. Prof. H.K. Chang will not offer himself for re-election and will retire from the Board with effect from the conclusion of the forthcoming AGM.

The list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is available on the Company's website at <http://www.hanglung.com> under "Constitutional Document & Directors of Subsidiaries" of the "Corporate Governance" section.

Directors' Service Contracts

No Director of the Board proposed for re-election at the forthcoming AGM has a service contract with the Company, its holding company or any of their respective subsidiaries which is not determinable within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Transaction, Arrangement or Contract

Save as disclosed, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding company or any of their respective subsidiaries was a party, and in which a Director of the Board or his/her connected entity was materially interested, whether directly or indirectly, subsisted at any time during or at the end of the year.

Permitted Indemnity

Pursuant to the Articles of Association, every Director of the Board or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto subject to the Companies Ordinance. Such permitted indemnity provision for the benefit of the Directors of the Board was in force during the year and remained in force as of the date of this report.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at December 31, 2022, the interests or short positions of each Director of the Board in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which were recorded in the register required to be kept by the Company under section 352 of the SFO were as follows:

Name	Capacity	The Company (Long Positions)			Hang Lung Group Limited (Long Positions)	
		Number of Shares	% of Total Number of Issued Shares	Number of Share Options (Note 3)	Number of Shares	% of Total Number of Issued Shares
Ronnie C. Chan	Personal & Other	17,155,000	0.38	18,800,000	40,369,500 (Note 1)	2.96
Adriel Chan	Personal & Other	2,733,898,340 (Note 2)	60.76	10,400,000	551,002,580 (Notes 1 & 2)	40.47
Weber W.P. Lo	Personal	790,000	0.02	18,750,000	290,000	0.02
Nelson W.L. Yuen	Personal	8,000,000	0.18	–	–	–
Dominic C.F. Ho	–	–	–	–	–	–
Philip N.L. Chen	Personal	–	–	9,500,000	–	–
Andrew K.C. Chan	–	–	–	–	–	–
H.K. Chang	–	–	–	–	–	–
Anita Y.M. Fung	–	–	–	–	–	–
Kenneth K.K. Chiu	Personal	–	–	4,100,000	–	–

Notes:

1. Other interests included 28,579,500 shares of HLG held by a trust of which Mr. Ronnie C. Chan was a discretionary beneficiary, and Mr. Adriel Chan was a settlor and a discretionary beneficiary. Accordingly, Mr. Ronnie C. Chan and Mr. Adriel Chan were deemed to be interested in such shares under the SFO.
2. Other interests included 2,733,898,340 shares of the Company and another 522,423,080 shares of HLG held or deemed to be held by another trust of which Mr. Adriel Chan was a discretionary beneficiary. Accordingly, Mr. Adriel Chan was deemed to be interested in such shares under the SFO.
3. Movements of Directors' share options under the share option scheme of the Company adopted on April 18, 2012 (the "2012 Share Option Scheme") are set out under the section below headed under "Share Option Schemes".

Save as disclosed above, none of the Directors of the Board had, as at December 31, 2022, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO).

Other than as stated above, at no time during the year was the Company, its holding company or any of their respective subsidiaries a party to any arrangement to enable the Directors of the Board to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share Option Schemes

The purposes of the share option schemes are to enable the Company to grant options to selected participants as incentives or rewards for their contributions to the Group, to attract skilled and experienced personnel, to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interest in the Company.

Under the share option schemes, the Board is authorized to grant options to selected participants, including employees and directors of any company in the Group, subject to the terms and conditions such as performance targets as the Board may specify on a case-by-case basis or generally.

As at January 1, 2022, the total number of share options available for grant under the 2012 Share Option Scheme was 141,052,353. During the year, 67,070,000 options were granted under the 2012 Share Option Scheme.

Pursuant to the resolutions passed by the shareholders of HLG and the Company at their respective annual general meetings held on April 27, 2022, the 2012 Share Option Scheme was terminated and a new share option scheme was adopted on the same date (the "2022 Share Option Scheme"). No share options have been granted under the 2022 Share Option Scheme since its adoption and up to and including December 31, 2022, and the total number of share options available for grant under the 2022 Share Option Scheme was 337,444,550 as at December 31, 2022. The number of shares that may be issued in respect of options granted under all share option schemes during the year divided by the weighted average number of ordinary shares in issue for the year is 0.02. Both the 2012 Share Option Scheme and the 2022 Share Option Scheme do not provide for any minimum vesting period. The vesting period, the period open for acceptance of the option and amount payable thereon, the exercisable period and the number of shares subject to each option are determined by the Board at the time of grant.

Movements of share options under the 2012 Share Option Scheme were set out below:

Date of Grant	Category of Participants (Note 1)	Number of Share Options				Outstanding as at Dec 31, 2022	Exercise Price per Share HK\$	Vesting Dates (Note 2)	Expiry Date (Note 2)
		Outstanding as at Jan 1, 2022	Granted during the Year	Exercised during the Year	Lapsed/ Forfeited during the Year				
Jun 4, 2013	<i>Current Directors:</i>					28.20	Jun 4, 2015 : 10% Jun 4, 2016 : 20% Jun 4, 2017 : 30% Jun 4, 2018 : 40%	Jun 3, 2023	
	Ronnie C. Chan	4,500,000	-	-	-				4,500,000
	Adriel Chan	200,000	-	-	-				200,000
	Philip N.L. Chen	4,500,000	-	-	-				4,500,000
	<i>Former Director:</i> H.C. Ho (Note 3)	3,000,000	-	-	-				3,000,000
<i>Employees</i>	10,640,000	-	-	(580,000)	10,060,000				
		22,840,000	-	-	(580,000)	22,260,000			
Dec 5, 2014	<i>Current Directors:</i>					22.60	Dec 5, 2016 : 10% Dec 5, 2017 : 20% Dec 5, 2018 : 30% Dec 5, 2019 : 40%	Dec 4, 2024	
	Ronnie C. Chan	2,750,000	-	-	-				2,750,000
	Adriel Chan	150,000	-	-	-				150,000
	Philip N.L. Chen	2,500,000	-	-	-				2,500,000
	<i>Former Director:</i> H.C. Ho (Note 3)	1,850,000	-	-	-				1,850,000
<i>Employees</i>	12,570,000	-	-	(530,000)	12,040,000				
		19,820,000	-	-	(530,000)	19,290,000			

Date of Grant	Category of Participants (Note 1)	Number of Share Options				Outstanding as at Dec 31, 2022	Exercise Price per Share HK\$	Vesting Dates (Note 2)	Expiry Date (Note 2)
		Outstanding as at Jan 1, 2022	Granted during the Year	Exercised during the Year	Lapsed/ Forfeited during the Year				
Aug 10, 2017	<i>Current Directors:</i>						19.98	Aug 10, 2019 : 10% Aug 10, 2020 : 20% Aug 10, 2021 : 30% Aug 10, 2022 : 40%	Aug 9, 2027
	Ronnie C. Chan	1,925,000	-	-	-	1,925,000			
	Adriel Chan	1,850,000	-	-	-	1,850,000			
	Philip N.L. Chen	2,500,000	-	-	-	2,500,000			
	<i>Former Director:</i> H.C. Ho (Note 3)	1,850,000	-	-	-	1,850,000			
<i>Employees</i>	22,058,000	-	-	(1,528,000)	20,530,000				
		30,183,000	-	-	(1,528,000)	28,655,000			
May 16, 2018	<i>Current Director:</i> Weber W.P. Lo	10,000,000	-	-	-	10,000,000	18.98	May 16, 2020 : 10% May 16, 2021 : 20% May 16, 2022 : 30% May 16, 2023 : 40%	May 15, 2028
		10,000,000	-	-	-	10,000,000			
Jun 28, 2019	<i>Current Directors:</i>						18.58	Jun 28, 2021 : 10% Jun 28, 2022 : 20% Jun 28, 2023 : 30% Jun 28, 2024 : 40%	Jun 27, 2029
	Ronnie C. Chan	3,025,000	-	-	-	3,025,000			
	Adriel Chan	2,200,000	-	-	-	2,200,000			
	Weber W.P. Lo	2,750,000	-	-	-	2,750,000			
	<i>Former Director:</i> H.C. Ho (Note 3)	1,900,000	-	-	-	1,900,000			
<i>Employees</i>	35,086,900	-	-	(3,095,200)	31,991,700				
		44,961,900	-	-	(3,095,200)	41,866,700			
May 12, 2021	<i>Current Directors:</i>						19.95	May 12, 2023 : 10% May 12, 2024 : 20% May 12, 2025 : 30% May 12, 2026 : 40%	May 11, 2031
	Ronnie C. Chan	3,300,000	-	-	-	3,300,000			
	Adriel Chan	3,000,000	-	-	-	3,000,000			
	Weber W.P. Lo	3,000,000	-	-	-	3,000,000			
	<i>Former Director:</i> H.C. Ho (Note 3)	2,100,000	-	-	-	2,100,000			
<i>Employees</i>	51,705,000	-	-	(4,710,000)	46,995,000				
		63,105,000	-	-	(4,710,000)	58,395,000			
Oct 6, 2021	<i>Current Director:</i> Kenneth K.K. Chiu	2,000,000	-	-	-	2,000,000	17.65	Oct 6, 2023 : 10% Oct 6, 2024 : 20% Oct 6, 2025 : 30% Oct 6, 2026 : 40%	Oct 5, 2031
		2,000,000	-	-	-	2,000,000			
Feb 21, 2022	<i>Current Directors:</i>						16.38	Feb 21, 2024 : 10% Feb 21, 2025 : 20% Feb 21, 2026 : 30% Feb 21, 2027 : 40%	Feb 20, 2032
	Ronnie C. Chan	-	3,300,000	-	-	3,300,000			
	Adriel Chan	-	3,000,000	-	-	3,000,000			
	Weber W.P. Lo	-	3,000,000	-	-	3,000,000			
	Kenneth K.K. Chiu	-	2,100,000	-	-	2,100,000			
<i>Former Director:</i> H.C. Ho (Note 3)	-	2,100,000	-	-	2,100,000				
<i>Employees</i>	-	53,570,000	-	(2,840,000)	50,730,000				
		-	67,070,000	-	(2,840,000)	64,230,000			
	Current Directors	50,150,000	11,400,000	-	-	61,550,000			
	Former Director	10,700,000	2,100,000	-	-	12,800,000			
	Employees	132,059,900	53,570,000	-	(13,283,200)	172,346,700			
Total		192,909,900	67,070,000	-	(13,283,200)	246,696,700			

Notes:

- In respect of the categories of participants, "employees" include current and former employees of the Group and persons who were granted share options as an incentive to enter into employment contracts with the Company and/or any of its subsidiaries.
- Exercise periods of the share options start from the respective vesting dates and end on the respective expiry dates.
- Mr. H.C. Ho retired as an Executive Board Member on March 1, 2022.

Please also refer to Note 25 to the Financial Statements for further details of the share option schemes of the Company.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at December 31, 2022, to the best of the knowledge of the Directors of the Board, details of substantial shareholders' and other persons' (who are required to disclose their interests pursuant to Part XV of the SFO) interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Note	Number of Shares or Underlying Shares Held (Long Positions)	% of Total Number of Issued Shares (Long Positions) (Note 4)
Chan Tan Ching Fen	1	2,733,898,340	60.76
Cole Enterprises Holdings (PTC) Limited	1	2,733,898,340	60.76
Merssion Limited	1	2,733,898,340	60.76
Adriel Chan	1	2,733,898,340	60.76
HLG	2	2,705,565,240	60.13
Prosperland Housing Limited	3	1,267,523,511	28.17
Purotat Limited	3	354,227,500	7.87

Notes:

1. These shares were the same parcel of shares held by controlled corporations of Merssion Limited which was held under a trust. As Ms. Chan Tan Ching Fen was the founder, Cole Enterprises Holdings (PTC) Limited was the trustee and Mr. Adriel Chan was a discretionary beneficiary of the trust, they were deemed to be interested in such shares under the SFO.

The controlled corporations included HLG in which Merssion Limited had 38.37% interests. Accordingly, the 2,705,565,240 shares held by HLG through its subsidiaries were included in the 2,733,898,340 shares.

2. These shares were held by the wholly-owned subsidiaries of HLG.

3. These companies were wholly-owned subsidiaries of HLG, their interests were included in the 2,705,565,240 shares held by HLG.

4. Shareholding percentages were calculated based on the total number of issued shares of the Company as at December 31, 2022, being 4,499,260,670 shares.

Save as disclosed above, as at December 31, 2022, no other interests or short positions in the shares or underlying shares of the Company required to be recorded in the register kept under section 336 of the SFO has been notified to the Company.

Related Party Transactions

Details of the material related party transactions undertaken in the usual course of business are set out in Note 26 to the Financial Statements. None of these related party transactions constitutes a discloseable connected transaction under the Listing Rules.

Continuing Connected Transaction

On September 21, 2022, HLP (China) Administrative Limited (“HLP China”), an indirect wholly-owned subsidiary of the Company, entered into a management agreement with Country Link Enterprises Limited (“Country Link”) regarding the provision of management services for Grand Gateway 66. Country Link is a connected person of the Company as it is an indirect non-wholly-owned subsidiary of HLG, a substantial shareholder of the Company. Accordingly, the entering into of the management agreement and the transactions contemplated thereunder constitute a continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the annual caps under the management agreement exceeds 0.1% but is below 5%, the transactions contemplated under the management agreement is subject to the reporting, announcement and annual review requirements but exempt from the circular (including independent financial advice) and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. A brief summary of the continuing connected transaction is set out below and the details of which are set out in the announcement of the Company dated September 21, 2022:

Agreement	Date of agreement	Parties to agreement	Description of continuing connected transaction	Term	Annual cap	Transaction amount for the year ended December 31, 2022
Management Agreement	September 21, 2022	(1) HLP China; and (2) Country Link	HLP China agreed to provide management services for Grand Gateway 66	From January 1, 2022 to December 31, 2024	HK\$67.0 million for each of the three years ending December 31, 2024	HK\$48.8 million

Pursuant to Rule 14A.55 of the Listing Rules, all of the INEDs have reviewed the above continuing connected transaction and confirmed that it has been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) in accordance with the relevant agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company’s auditor was engaged to report on the Group’s continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 (Revised) “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued unqualified letter containing the findings and conclusions in respect of the continuing connected transaction disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor’s letter on the continuing connected transaction of the Group for the year ended December 31, 2022 has been provided by the Company to the Stock Exchange.

Management Contracts

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Purchase, Sale or Redemption of Listed Securities

HLP Finance Limited, a wholly owned subsidiary of the Company, fully redeemed the US\$500 million 4.75% guaranteed notes due in 2022 (stock code: 4558) at principal amount upon maturity on June 25, 2022 and the HK\$225 million 3.55% guaranteed notes due in 2022 (stock code: 4568) at principal amount upon maturity on October 5, 2022.

Saved as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the year.

Corporate Governance

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 92 to 121.

Auditor

The consolidated Financial Statements for the year ended December 31, 2022 have been audited by KPMG. A resolution to re-appoint KPMG as the auditor of the Company until the conclusion of the next AGM will be proposed at the forthcoming AGM.

By Order of the Board

Winnie Ma

Company Secretary

Hong Kong, January 31, 2023



Independent auditor's report to the members of Hang Lung Properties Limited

(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Hang Lung Properties Limited ("the Company") and its subsidiaries ("the Group") set out on pages 145 to 205, which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties and investment properties under development

(Refer to note 10 (property, plant and equipment) and note 1(e) (accounting policy))

The Key Audit Matter	How the matter was addressed in our audit
<p>The aggregate fair values of the Group's investment properties and investment properties under development as at December 31, 2022 amounted to HK\$190,564 million, representing 90% of the Group's total assets as at that date.</p> <p>The decrease in fair values of the Group's investment properties and investment properties under development recorded in the consolidated statement of profit or loss for the year ended December 31, 2022 amounted to HK\$345 million.</p> <p>The Group's investment properties, which are located in Hong Kong and Mainland China, mainly comprise shopping malls, office premises, industrial premises, residential premises and car parking bays.</p> <p>The fair values of the Group's investment properties and investment properties under development were assessed by management based on independent valuations prepared by an external property valuer.</p> <p>We identified valuation of the Group's investment properties and investment properties under development as a key audit matter because of the significance of investment properties and investment properties under development to the Group's consolidated financial statements and because the determination of the fair values involves significant judgement and estimation, including selecting the appropriate valuation methodology, capitalization rates and market rents and, for investment properties under development, an estimation of costs to complete each property development project.</p>	<p>Our audit procedures to assess the valuation of investment properties and investment properties under development included the following:</p> <ul style="list-style-type: none"> • assessing the competence, capability, experience of the locations and types of properties subject to valuation and objectivity of the external property valuer; • evaluating the valuation methodology used by the external property valuer based on our knowledge of other property valuers for similar types of properties; • on a sample basis, comparing the tenancy information included in the valuation models, which included committed rents and occupancy rates, with underlying contracts and related documentation; • discussing the valuations with the external property valuer in a separate private session and challenging key estimates adopted in the valuations, including those relating to market selling prices, market rents and capitalization rates, by comparing them with historical rates and available market data, taking into consideration comparability and other local market factors, with the assistance of our internal property valuation specialists; and • for investment properties under development, comparing the estimated construction costs to complete each property development project with the Group's updated budgets (see further details set out in the key audit matter below).

Assessing the development costs of investment properties under development

(Refer to note 10 (property, plant and equipment) and note 1(e) (accounting policy))

The Key Audit Matter

The fair value of the Group's investment properties under development is determined using the direct comparison valuation methodology, with reference to comparable market transactions, to derive the fair value of the property and, where appropriate, after deducting (1) the estimated development costs to be expended to complete each property development project and (2) the estimated profit margin.

Therefore, any increase in the estimated development costs to be expended to complete each property development project compared with the original management approved budgets could have a significant negative impact on the fair value of the Group's investment properties under development and, hence, the results for the year.

The Group's investment properties under development comprise shopping malls, office premises and residential premises.

We identified the assessing of development costs of the Group's investment properties under development as a key audit matter because the determination of estimated development costs involves significant management judgement and estimation, in particular in relation to project feasibility studies, estimating future development costs to be expended to complete each property development project and the estimated profit margin.

How the matter was addressed in our audit

Our audit procedures to assess the development costs of investment properties under development included the following:

- assessing the design, implementation and operating effectiveness of management's key internal controls over the preparation and monitoring of management budgets and forecasts of construction costs for each investment property under development;
- discussing the valuations of investment properties under development with the external property valuer in a separate private session and challenging key estimates adopted in the valuations including those relating to market selling prices, by comparing them with available market data, taking into consideration comparability and other local market factors;
- performing a retrospective review for all investment properties under development by comparing the actual construction costs incurred during the current year with those included in the prior year's forecasts in order to assess the accuracy of the Group's budgeting process;
- conducting site visits to all investment properties under development and discussing with management and the in-house quantity surveyor the development progress and the development budgets reflected in the latest forecasts for each property development project; and
- comparing, on a sample basis, the quantity surveyor's reports for the construction costs incurred for property development projects with the underlying payment records and other documentation relevant to the construction cost accruals and/or payments.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. We obtained all of the other information prior to the date of this auditor's report apart from "Chair's Letter to Shareholders" and "Vice Chair's Notes". The remaining information is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Wing Han, Ivy.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

January 31, 2023

145	Consolidated Statement of Profit or Loss
146	Consolidated Statement of Profit or Loss and Other Comprehensive Income
147	Consolidated Statement of Financial Position
148	Consolidated Statement of Changes in Equity
150	Consolidated Cash Flow Statement
151	Notes to the Financial Statements
151	1. Significant Accounting Policies
165	2. Revenue and Segment Information
167	3. Other Net Income
167	4. Net Interest Expense
168	5. Profit Before Taxation
168	6. Emoluments of Directors and Senior Management
170	7. Taxation in the Consolidated Statement of Profit or Loss
171	8. Dividends
171	9. Earnings Per Share
172	10. Property, Plant and Equipment
175	11. Leases
177	12. Interests in Joint Ventures
177	13. Other Assets
178	14. Cash and Deposits with Banks
179	15. Trade and Other Receivables
179	16. Properties for Sale
180	17. Bank Loans and Other Borrowings
181	18. Trade and Other Payables
182	19. Taxation in the Consolidated Statement of Financial Position
183	20. Share Capital
184	21. Reserves
187	22. Cash Generated from Operations
188	23. Reconciliation of Liabilities Arising from Financing Activities
188	24. Commitments
189	25. Employee Benefits
193	26. Material Related Party Transactions
194	27. Financial Risk Management Objectives and Policies
199	28. Significant Accounting Estimates and Judgments
200	29. Company-Level Statement of Financial Position
201	30. Interests in Subsidiaries and Amounts due to Subsidiaries
201	31. Ultimate Holding Company
201	32. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended December 31, 2022
201	33. Approval of Financial Statements
202	34. Principal Subsidiaries
205	35. Joint Ventures

Consolidated Statement of Profit or Loss

For the year ended December 31, 2022

145

	Note			<i>For information purpose only</i>	
		2022 HK\$ Million	2021 HK\$ Million	2022 RMB Million	2021 RMB Million
Revenue	2(a)	10,347	10,321	8,871	8,563
Direct costs and operating expenses		(3,094)	(2,950)	(2,651)	(2,447)
		7,253	7,371	6,220	6,116
Other net income	3	17	55	15	46
Administrative expenses		(650)	(592)	(560)	(491)
Profit from operations before changes in fair value of properties		6,620	6,834	5,675	5,671
(Decrease)/increase in fair value of properties		(345)	460	(299)	382
Profit from operations after changes in fair value of properties		6,275	7,294	5,376	6,053
Interest income		63	73	53	61
Finance costs		(512)	(487)	(440)	(404)
Net interest expense	4	(449)	(414)	(387)	(343)
Share of profits of joint ventures	12	24	8	20	7
Profit before taxation	5	5,850	6,888	5,009	5,717
Taxation	7(a)	(1,453)	(2,083)	(1,249)	(1,723)
Profit for the year	2(b)	4,397	4,805	3,760	3,994
Attributable to:					
Shareholders	21(a)	3,836	3,868	3,281	3,217
Non-controlling interests		561	937	479	777
Profit for the year		4,397	4,805	3,760	3,994
Earnings per share	9(a)				
Basic		HK\$0.85	HK\$0.86	RMB0.73	RMB0.72
Diluted		HK\$0.85	HK\$0.86	RMB0.73	RMB0.72

The accompanying notes form part of these financial statements.

146 Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2022

	Note			<i>For information purpose only</i>	
		2022 HK\$ Million	2021 HK\$ Million	2022 RMB Million	2021 RMB Million
Profit for the year		4,397	4,805	3,760	3,994
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Movement in exchange reserve:					
Exchange difference arising from translation to presentation currency		(9,779)	3,182	2,929	(879)
Gain/(loss) on net investment hedge	27(d)	9	(9)	7	(8)
Movement in hedging reserve:					
Effective portion of changes in fair value		121	51	102	42
Net amount transferred to profit or loss		(42)	6	(37)	5
Deferred tax		(12)	(7)	(10)	(6)
Item that will not be reclassified to profit or loss:					
Net change in fair value of equity investments		(1)	1	(1)	1
Other comprehensive income for the year, net of tax		(9,704)	3,224	2,990	(845)
Total comprehensive income for the year		(5,307)	8,029	6,750	3,149
Attributable to:					
Shareholders		(4,917)	6,792	6,296	2,368
Non-controlling interests		(390)	1,237	454	781
Total comprehensive income for the year		(5,307)	8,029	6,750	3,149

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

147

At December 31, 2022

	Note			<i>For information purpose only</i>	
		2022 HK\$ Million	2021 HK\$ Million	2022 RMB Million	2021 RMB Million
Non-current assets					
Property, plant and equipment					
Investment properties		167,861	177,456	150,043	145,088
Investment properties under development		22,703	22,399	20,283	18,313
Other property, plant and equipment		320	290	286	237
	10	190,884	200,145	170,612	163,638
Interests in joint ventures	12	1,130	1,131	1,011	925
Other assets	13	77	78	69	64
Deferred tax assets	19(b)	140	77	125	63
		192,231	201,431	171,817	164,690
Current assets					
Cash and deposits with banks	14	5,229	8,515	4,677	6,962
Trade and other receivables	15	3,560	3,499	3,182	2,861
Properties for sale	16	11,668	10,790	10,433	8,822
		20,457	22,804	18,292	18,645
Current liabilities					
Bank loans and other borrowings	17	4,533	8,079	4,053	6,605
Trade and other payables	18	9,829	10,895	8,785	8,908
Lease liabilities	11(a)	27	31	24	25
Current tax payable	19(a)	434	497	388	406
		14,823	19,502	13,250	15,944
Net current assets					
		5,634	3,302	5,042	2,701
Total assets less current liabilities					
		197,865	204,733	176,859	167,391
Non-current liabilities					
Bank loans and other borrowings	17	40,991	37,616	36,666	30,755
Lease liabilities	11(a)	266	305	238	249
Deferred tax liabilities	19(b)	13,462	14,428	12,026	11,796
		54,719	52,349	48,930	42,800
NET ASSETS					
		143,146	152,384	127,929	124,591
Capital and reserves					
Share capital	20	39,950	39,950	37,462	37,462
Reserves	21	93,431	101,769	81,745	78,409
Shareholders' equity		133,381	141,719	119,207	115,871
Non-controlling interests		9,765	10,665	8,722	8,720
TOTAL EQUITY					
		143,146	152,384	127,929	124,591

Weber W.P. Lo
Chief Executive Officer

Kenneth K.K. Chiu
Chief Financial Officer

The accompanying notes form part of these financial statements.

148 Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

HK\$ Million	Shareholders' equity			Total	Non-controlling interests	Total equity
	Share capital (Note 20)	Other reserves (Note 21)	Retained profits (Note 21)			
At January 1, 2021	39,916	2,581	95,798	138,295	9,893	148,188
Profit for the year	–	–	3,868	3,868	937	4,805
Exchange difference arising from translation to presentation currency	–	2,882	–	2,882	300	3,182
Loss on net investment hedge	–	(9)	–	(9)	–	(9)
Cash flow hedges: net movement in hedging reserve	–	50	–	50	–	50
Net change in fair value of equity investments	–	1	–	1	–	1
Total comprehensive income for the year	–	2,924	3,868	6,792	1,237	8,029
Final dividend in respect of previous year	–	–	(2,653)	(2,653)	–	(2,653)
Interim dividend in respect of current year	–	–	(810)	(810)	–	(810)
Issue of shares	34	(5)	–	29	–	29
Employee share-based payments	–	(132)	198	66	–	66
Dividends paid to non-controlling interests	–	–	–	–	(465)	(465)
At December 31, 2021 and January 1, 2022	39,950	5,368	96,401	141,719	10,665	152,384
Profit for the year	–	–	3,836	3,836	561	4,397
Exchange difference arising from translation to presentation currency	–	(8,828)	–	(8,828)	(951)	(9,779)
Gain on net investment hedge	–	9	–	9	–	9
Cash flow hedges: net movement in hedging reserve	–	67	–	67	–	67
Net change in fair value of equity investments	–	(1)	–	(1)	–	(1)
Total comprehensive income for the year	–	(8,753)	3,836	(4,917)	(390)	(5,307)
Final dividend in respect of previous year	–	–	(2,699)	(2,699)	–	(2,699)
Interim dividend in respect of current year	–	–	(810)	(810)	–	(810)
Employee share-based payments	–	77	11	88	–	88
Dividends paid to non-controlling interests	–	–	–	–	(510)	(510)
At December 31, 2022	39,950	(3,308)	96,739	133,381	9,765	143,146

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

149

For the year ended December 31, 2022

For information purpose only

RMB Million	Shareholders' equity			Total	Non-controlling interests	Total equity
	Share capital	Other reserves	Retained profits			
At January 1, 2021	37,434	(1,124)	79,982	116,292	8,326	124,618
Profit for the year	–	–	3,217	3,217	777	3,994
Exchange difference arising from translation to presentation currency	–	(883)	–	(883)	4	(879)
Loss on net investment hedge	–	(8)	–	(8)	–	(8)
Cash flow hedges: net movement in hedging reserve	–	41	–	41	–	41
Net change in fair value of equity investments	–	1	–	1	–	1
Total comprehensive income for the year	–	(849)	3,217	2,368	781	3,149
Final dividend in respect of previous year	–	–	(2,195)	(2,195)	–	(2,195)
Interim dividend in respect of current year	–	–	(673)	(673)	–	(673)
Issue of shares	28	(4)	–	24	–	24
Employee share-based payments	–	(109)	164	55	–	55
Dividends paid to non-controlling interests	–	–	–	–	(387)	(387)
At December 31, 2021 and January 1, 2022	37,462	(2,086)	80,495	115,871	8,720	124,591
Profit for the year	–	–	3,281	3,281	479	3,760
Exchange difference arising from translation to presentation currency	–	2,954	–	2,954	(25)	2,929
Gain on net investment hedge	–	7	–	7	–	7
Cash flow hedges: net movement in hedging reserve	–	55	–	55	–	55
Net change in fair value of equity investments	–	(1)	–	(1)	–	(1)
Total comprehensive income for the year	–	3,015	3,281	6,296	454	6,750
Final dividend in respect of previous year	–	–	(2,311)	(2,311)	–	(2,311)
Interim dividend in respect of current year	–	–	(725)	(725)	–	(725)
Employee share-based payments	–	66	10	76	–	76
Dividends paid to non-controlling interests	–	–	–	–	(452)	(452)
At December 31, 2022	37,462	995	80,750	119,207	8,722	127,929

150 Consolidated Cash Flow Statement

For the year ended December 31, 2022

	Note			<i>For information purpose only</i>	
		2022 HK\$ Million	2021 HK\$ Million	2022 RMB Million	2021 RMB Million
Operating activities					
Cash generated from operations	22	5,498	4,201	4,729	3,474
Tax paid					
Hong Kong Profits Tax paid		(265)	(346)	(228)	(287)
Mainland China Income Tax paid		(1,094)	(1,123)	(948)	(931)
Net cash generated from operating activities		4,139	2,732	3,553	2,256
Investing activities					
Payment for property, plant and equipment		(2,699)	(2,855)	(2,305)	(2,359)
Net sale proceeds from disposal of property, plant and equipment		15	70	13	58
Net sale proceeds from disposal of assets held for sale		–	69	–	58
Interest received		62	78	52	65
Dividend received from a joint venture		25	38	21	32
Decrease in bank deposits with maturity greater than 3 months		41	1,176	35	976
Net cash used in investing activities		(2,556)	(1,424)	(2,184)	(1,170)
Financing activities					
Proceeds from new bank loans and other borrowings	23	34,860	25,402	29,941	21,078
Repayment of bank loans and other borrowings	23	(33,979)	(18,088)	(29,186)	(15,014)
Capital element of lease rentals paid	23	(15)	(12)	(12)	(10)
Proceeds from exercise of share options		–	29	–	24
Interest and other borrowing costs paid		(1,400)	(1,411)	(1,201)	(1,170)
Interest element of lease rentals paid	23	(15)	(16)	(13)	(13)
Dividends paid		(3,509)	(3,463)	(3,036)	(2,868)
Dividends paid to non-controlling interests		(510)	(465)	(452)	(387)
Net cash (used in)/generated from financing activities		(4,568)	1,976	(3,959)	1,640
(Decrease)/increase in cash and cash equivalents		(2,985)	3,284	(2,590)	2,726
Effect of foreign exchange rate changes		(258)	73	334	(94)
Cash and cash equivalents at January 1		8,391	5,034	6,860	4,228
Cash and cash equivalents at December 31	14	5,148	8,391	4,604	6,860

The accompanying notes form part of these financial statements.

1 Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Group are set out below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) Basis of preparation of the financial statements

The consolidated financial statements comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interests in joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as otherwise stated in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 28.

The presentation currency of these consolidated financial statements is Hong Kong dollar. In view of the Group's significant business operations in mainland China, management has included additional financial information prepared in Renminbi in the consolidated financial statements. Such supplementary information is prepared according to note 1(w) as if the presentation currency is Renminbi.

1 Significant Accounting Policies (Continued)

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (Note 1(m)).

1 Significant Accounting Policies (Continued)

(d) Joint ventures

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

The Group's interests in joint ventures are accounted for in the consolidated financial statements under the equity method and are initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the joint ventures' net assets. The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. The consolidated statement of profit or loss includes the Group's share of the post-acquisition, post-tax results of the joint ventures for the year, whereas the Group's share of the post-acquisition, post-tax items of the joint ventures' other comprehensive income is recognized in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. For this purpose, the Group's interest in the joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interest that in substance form part of the Group's net investment in the joint venture.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

Unrealized profits and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

1 Significant Accounting Policies (Continued)

(e) Investment properties and investment properties under development

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in profit or loss.

(f) Properties for sale

1. Properties under development for sale

Properties under development for sale are classified under current assets and stated at the lower of cost and net realizable value. Costs include the acquisition cost of land, aggregate cost of development, borrowing costs capitalized (Note 1(r)) and other direct expenses. Net realizable value represents the estimated selling price as determined by reference to management estimates based on prevailing market conditions less estimated costs of completion and costs to be incurred in selling the property.

2. Completed properties for sale

Completed properties for sale are classified under current assets and stated at the lower of cost and net realizable value. Cost is determined by apportionment of the total development costs, including borrowing costs capitalized (Note 1(r)), attributable to unsold properties. Net realizable value represents the estimated selling price as determined by reference to management estimates based on prevailing market conditions less costs to be incurred in selling the property.

(g) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (Note 1(m)). Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

(h) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

1 Significant Accounting Policies (Continued)

(h) Leases (Continued)

1. As a lessee

At lease commencement date, the Group recognizes a right-of-use asset and a corresponding lease liability with respect to all leases, except for short-term leases (with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as expenses on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and the interest expense is calculated using the effective interest method.

The right-of-use asset recognized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred.

The right-of-use assets that meet the definition of investment property are subsequently stated at fair value in accordance with note 1(e). Otherwise, they are subsequently stated at cost less accumulated depreciation (Note 1(g)) and impairment losses (Note 1(m)).

Lease payments included in the measurement of the lease liability comprise the fixed payments (including in-substance fixed payments) less any lease incentives. Variable lease payments that do not depend on an index or rate are charged to profit or loss in the accounting period in which they are incurred.

2. As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

Rental income from operating leases is recognized in accordance with note 1(u)(1).

1 Significant Accounting Policies (Continued)

(i) Depreciation

1. Investment properties

No depreciation is provided for investment properties and investment properties under development.

2. Other property, plant and equipment

Depreciation on other property, plant and equipment is calculated to write off the cost, less their estimated residual value, if any, on a straight-line basis over their estimated useful lives as follows:

Buildings	50 years or unexpired lease term, whichever is shorter
Furniture and equipment	4 – 20 years
Motor vehicles	5 years

(j) Investments in equity instruments

Investments in equity instruments are classified and measured at fair value through profit or loss (FVTPL) except when the equity investment is not held for trading and an election is made to present the fair value changes in other comprehensive income (FVTOCI). This election is made on an investment-by-investment basis on initial recognition and is irrevocable. The gains or losses (both on subsequent measurement and derecognition) of investments that are measured at FVTPL are recognized in profit or loss. If the equity investment is designated as at FVTOCI, all gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, except for dividend income that is generally recognized in profit or loss in accordance with the policy set out in note 1(u)(5).

Investments are recognized/derecognized on the date the Group commits to purchase/sell the investments.

(k) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting (Note 1(l)(1)).

(l) Hedging

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates, and non-derivative financial liabilities as hedging instruments to hedge the foreign exchange risk on net investments in foreign operations.

1. Cash flow hedges

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge of a recognized asset or liability or a highly probable forecast transaction, the effective portion of changes in fair value of the hedging instruments is recognized in other comprehensive income and accumulated in a hedging reserve as a separate component of equity. Any ineffective portion of changes in fair value is recognized immediately in profit or loss. The amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

1 Significant Accounting Policies (Continued)

(l) Hedging (Continued)

2. Hedge of net investments in foreign operations

When a non-derivative financial liability is designated as the hedging instrument in a hedge of net investment in a foreign operation, the effective portion of any foreign exchange gain or loss on the non-derivative financial liabilities is recognized in other comprehensive income and accumulated in the exchange reserve within equity until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Any ineffective portion is recognized immediately in profit or loss.

(m) Impairment of assets

- For other property, plant and equipment, investments in joint ventures and investments in subsidiaries in the Company's statement of financial position, an assessment is carried out at the end of each reporting period to determine whether there is objective evidence that these assets are impaired. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized in profit or loss if the carrying amount exceeds the recoverable amount. An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.
- For trade and other receivables and other financial assets measured at amortized cost (including cash and deposits with banks and advances to unlisted investee companies), the Group recognizes a loss allowance which is equal to 12-month expected credit losses unless the balance is a trade receivable or there has been a significant increase in credit risk of the financial asset since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime expected credit losses.

Expected credit losses are a probability-weighted estimate of credit losses measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), unless the balances are credit-impaired at the end of the reporting period where expected credit losses are measured as the difference between the gross carrying amount and the present value of estimated future cash flows.

At the end of each reporting period, the Group assesses whether the balances are credit-impaired (i.e. when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred, such as significant financial difficulty of the debtor).

The allowance for expected credit losses is presented in the statement of financial position as a deduction from the gross carrying amount of the assets. The adjustment to the allowance for credit losses is recognized in profit or loss, as an impairment or reversal of impairment.

1 Significant Accounting Policies (Continued)

(m) Impairment of assets (Continued)

The gross carrying amount is written off to the extent that there is no realistic prospect of recovery. Subsequent recoveries that were previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(n) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for credit losses (Note 1(m)), except where the receivables are interest-free loans without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for credit losses (Note 1(m)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses in accordance with the policy set out in note 1(m).

(p) Trade and other payables (including contract liabilities)

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the revenue arising from contract with customers within the scope of HKFRS 15, *Revenue from contracts with customers*. A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (Note 1(r)).

1 Significant Accounting Policies (Continued)

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying assets for its intended use or sale are interrupted or complete.

(s) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognized at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss.

Subsequent to initial recognition, the amount initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognizes a provision when expected credit losses on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees (i.e. the amount initially recognized, less accumulated amortization).

To determine expected credit losses, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month expected credit loss is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime expected credit loss is measured.

1 Significant Accounting Policies (Continued)

(s) Financial guarantees issued (Continued)

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an expected credit loss is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(t) Provisions and contingent liabilities

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of the money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognized for any expected reimbursement that would be virtually certain. The amount recognized for the reimbursement is limited to the carrying amount of the provision.

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of properties, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

1. Rental income

Rental income under operating leases is recognized on a straight-line basis over the terms of the respective leases, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payment receivable. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are earned.

1 Significant Accounting Policies (Continued)

(u) Revenue and other income (Continued)

2. *Sale of properties*

Revenue arising from the sale of properties is recognized when legal assignment is completed, which is the point in time when the buyer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

3. *Building management fees and other income from property leasing*

Building management fees and other income from property leasing are recognized when the related services are rendered.

4. *Interest income*

Interest income is recognized as it accrues using the effective interest method.

5. *Dividends*

Dividends are recognized when the right to receive payment is established.

(v) Taxation

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profits, and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

1 Significant Accounting Policies (Continued)

(v) Taxation (Continued)

When investment properties and investment properties under development are carried at fair value in accordance with the accounting policy set out in note 1(e), the amount of deferred tax recognized is measured using the tax rates that would apply on the sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

(w) Translation of foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (functional currency).

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss, except those arising from the translation of non-derivative financial liabilities designated as the hedging instruments to hedge the foreign exchange risk on net investments in foreign operations. Such exchange gains or losses to the extent that the hedge is effective are recognized in other comprehensive income (Note 1(l)(2)).

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rate ruling at the transaction dates. The transaction date is the date on which the Group initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair values are translated using the foreign exchange rates ruling at the dates the fair value was determined.

1 Significant Accounting Policies (Continued)

(w) Translation of foreign currencies (Continued)

The results and financial position of all operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. assets and liabilities are translated at the closing exchange rates at the end of the reporting period;
2. income and expenses are translated at the exchange rates approximating the exchange rates ruling at the dates of the transactions; and
3. all resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(x) Related parties

1. A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
2. An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (1).
 - (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 Significant Accounting Policies (Continued)

(y) Segment reporting

Operating segments are reported in a manner consistent with the Group's internal financial reporting to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations. For disclosure purpose, a reportable segment comprises either one or more operating segments which can be aggregated together because they share similar economic characteristics and nature of the regulatory environment, or single operating segments which are disclosable separately because they cannot be aggregated or they exceed quantitative thresholds.

(z) Employee benefits

1. *Short term employee benefits and contributions to defined contribution retirement schemes*

Salaries, annual bonuses, paid annual leave, the cost of non-monetary benefits and obligation for contributions to defined contribution retirement schemes, including those payables in mainland China and Hong Kong under relevant legislation, are accrued in the year in which the associated services are rendered by employees of the Group.

2. *Share-based payments*

The fair value of share options granted to employees is measured at grant date, taking into account the terms and conditions upon which the options were granted, and is expensed on a straight-line basis over the vesting period taking into account the probability that the options will vest, with a corresponding increase in equity (employee share-based compensation reserve).

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the employee share-based compensation reserve).

At the time when the share options are exercised, the related employee share-based compensation reserve is transferred to share capital. If the options expire or lapse after the vesting period, the related employee share-based compensation reserve is transferred directly to retained profits.

2 Revenue and Segment Information

The Group manages businesses according to the nature of services and products provided. Management has determined property leasing and property sales to be the reportable operating segments for the measurement of performance and the allocation of resources.

Segment assets principally comprise all non-current assets and current assets directly attributable to each segment with the exception of interests in joint ventures, other assets, deferred tax assets and cash and deposits with banks.

(a) Disaggregation of revenue

Revenue for the year is analyzed as follows:

HK\$ Million	2022	2021
Under the scope of HKFRS 16, Leases:		
Rental income (Note 11(b))	8,871	9,217
Under the scope of HKFRS 15, Revenue from contracts with customers:		
Sales of completed properties	316	–
Building management fees and other income from property leasing	1,160	1,104
	1,476	1,104
	10,347	10,321

As of December 31, 2022, the aggregate amount of revenue expected to be recognized in the future arising from signed property pre-sale agreements amounted to HK\$1,118 million (2021: HK\$1,083 million), which is expected to be recognized in second half of 2023 when the legal assignment to buyers is completed.

The Group has applied practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date to:

- building management fees and other income from property leasing, as the Group recognizes revenue at the amount to which it has a right to invoice, which corresponds directly with the value to the customer of the Group's performance completed to date; and
- revenue from sales of completed properties, as the performance obligation is part of a contract that has an original expected duration of one year or less.

2 Revenue and Segment Information (Continued)

(b) Revenue and results by segments

HK\$ Million	2022			2021		
	Property Leasing	Property Sales	Total	Property Leasing	Property Sales	Total
Revenue						
– Mainland China	6,752	–	6,752	6,939	–	6,939
– Hong Kong	3,279	316	3,595	3,382	–	3,382
	10,031	316	10,347	10,321	–	10,321
Profit/(loss) from operations before changes in fair value of properties						
– Mainland China	4,147	(51)	4,096	4,349	(38)	4,311
– Hong Kong	2,386	138	2,524	2,559	(36)	2,523
	6,533	87	6,620	6,908	(74)	6,834
(Decrease)/increase in fair value of properties	(345)	–	(345)	460	–	460
– Mainland China	(117)	–	(117)	1,750	–	1,750
– Hong Kong	(228)	–	(228)	(1,290)	–	(1,290)
Net interest expense	(449)	–	(449)	(414)	–	(414)
– Interest income	63	–	63	73	–	73
– Finance costs	(512)	–	(512)	(487)	–	(487)
Share of profits of joint ventures	24	–	24	8	–	8
Profit/(loss) before taxation	5,763	87	5,850	6,962	(74)	6,888
Taxation	(1,430)	(23)	(1,453)	(2,092)	9	(2,083)
Profit/(loss) for the year	4,333	64	4,397	4,870	(65)	4,805
Net profit/(loss) attributable to shareholders	3,772	64	3,836	3,933	(65)	3,868

2 Revenue and Segment Information (Continued)

(c) Total segment assets

HK\$ Million	2022			2021		
	Property Leasing	Property Sales	Total	Property Leasing	Property Sales	Total
Mainland China	131,472	5,494	136,966	141,263	4,883	146,146
Hong Kong	62,766	6,380	69,146	62,351	5,937	68,288
	194,238	11,874	206,112	203,614	10,820	214,434
Interests in joint ventures			1,130			1,131
Other assets			77			78
Deferred tax assets			140			77
Cash and deposits with banks			5,229			8,515
			212,688			224,235

3 Other Net Income

HK\$ Million	2022	2021
Government grants	11	29
Gain on disposal of investment properties	–	17
Dividend income from equity investments measured at FVTOCI	–	1
Others	6	8
	17	55

4 Net Interest Expense

HK\$ Million	2022	2021
Interest income on bank deposits	63	73
Interest expense on bank loans and other borrowings	1,424	1,410
Interest on lease liabilities	15	16
Other borrowing costs	73	61
Total borrowing costs	1,512	1,487
Less: Borrowing costs capitalized (Note)	(1,000)	(1,000)
Finance costs	512	487
Net interest expense	(449)	(414)

Note:

The borrowing costs were capitalized at an average rate of 3.6% (2021: 3.7%) per annum to properties under development.

5 Profit Before Taxation

HK\$ Million	2022	2021
Profit before taxation is arrived at after charging:		
Cost of properties sold	135	–
Staff costs (Note)	1,548	1,485
Depreciation	78	61
Auditors' remuneration		
– audit services	10	10
– non-audit services	3	3
and after crediting:		
Rental and related income from investment properties less direct outgoings of HK\$2,865 million (2021: HK\$2,859 million)	7,166	7,462

Note:

The staff costs included employee share-based payments of HK\$88 million (2021: HK\$66 million). If the amounts not recognized in the statement of profit or loss, including amounts capitalized, were accounted for, staff costs would have been HK\$1,855 million (2021: HK\$1,793 million).

6 Emoluments of Directors and Senior Management

The Nomination and Remuneration Committee consists of three Independent Non-Executive Directors. The Committee makes recommendation to the Board on the Non-Executive Director's and Independent Non-Executive Directors' remuneration packages and determines the remuneration package of individual Executive Directors. The emoluments of Executive Directors are determined by their scope of responsibility and accountability, and performance, taking into consideration of the Group's performance and profitability, market practice and prevailing business conditions, etc.

6 Emoluments of Directors and Senior Management (Continued)

(a) Directors' emoluments

Details of directors' emoluments are summarized below:

HK\$ Million						
Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	The Group's contributions to retirement schemes	2022	2021
Executive Directors						
Ronnie C. Chan	1.1	30.1	10.8	3.0	45.0	43.4
Adriel Chan	0.8	12.9	6.1	1.3	21.1	20.4
Weber W.P. Lo	0.8	20.2	10.0	1.0	32.0	35.2
Kenneth K.K. Chiu (Appointed on October 6, 2021)	0.8	5.3	2.6	0.3	9.0	4.3
Independent Non-Executive Directors						
Nelson W.L. Yuen	1.0	–	–	–	1.0	0.9
Dominic C.F. Ho	1.2	–	–	–	1.2	1.2
Philip N.L. Chen (Re-designated from non-executive director to independent non-executive director on January 31, 2023)	0.8	–	–	–	0.8	0.8
Andrew K.C. Chan	1.0	–	–	–	1.0	1.0
H.K. Chang	1.1	–	–	–	1.1	1.1
Anita Y.M. Fung	1.0	–	–	–	1.0	1.0
Ex-Directors						
H.C. Ho (Retired as executive director on March 1, 2022)	0.1	1.3	10.0	0.1	11.5	11.1
Ronald J. Arculli (Retired as independent non-executive director on April 30, 2021)	–	–	–	–	–	0.3
2022	9.7	69.8	39.5	5.7	124.7	120.7
2021	10.0	66.8	38.2	5.7	120.7	

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, four (2021: four) are existing directors of the Company whose emoluments are disclosed in note 6(a). The emoluments in respect of the remaining one (2021: one) individual are as follows:

HK\$ Million		
	2022	2021
Salaries, allowances and benefits in kind	8.1	3.1
Discretionary bonuses	1.1	6.6
The Group's contributions to retirement schemes	0.3	0.2
	9.5	9.9

(c) In addition to the above emoluments, certain directors of the Company were granted share options under the share option schemes of the Company, details of which are disclosed in note 25(b).

7 Taxation in the Consolidated Statement of Profit or Loss

(a) Taxation in the consolidated statement of profit or loss represents:

HK\$ Million	2022	2021
Current tax		
Hong Kong Profits Tax	351	303
(Over)/under-provision in prior years	(2)	2
	349	305
Mainland China Income Tax	986	1,041
Total current tax	1,335	1,346
Deferred tax		
Changes in fair value of properties	20	621
Other origination and reversal of temporary differences	98	116
Total deferred tax (Note 19(b))	118	737
Total income tax expense	1,453	2,083

Provision for Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year. Mainland China Income Tax represents mainland China Corporate Income Tax calculated at 25% (2021: 25%) and mainland China withholding income tax calculated at the applicable rates. The withholding tax rate applicable to Hong Kong companies in respect of dividend distributions from foreign investment enterprises in mainland China was 5% (2021: 5%).

(b) Share of joint ventures' taxation for the year ended December 31, 2022 of HK\$7 million (2021: HK\$7 million) is included in the "share of profits of joint ventures".

(c) Reconciliation between actual tax expense and profit before taxation at applicable tax rates is as follows:

HK\$ Million	2022	2021
Profit before taxation	5,850	6,888
Notional tax on profit before taxation at applicable rates	1,065	1,421
Tax effect of non-taxable income	(148)	(31)
Tax effect of non-deductible expenses	301	412
Tax effect of unrecognized temporary differences	(156)	(20)
Tax effect of unrecognized tax losses	393	299
(Over)/under-provision in prior years	(2)	2
Actual tax expense	1,453	2,083

8 Dividends

(a) Dividends attributable to the year

HK\$ Million	2022	2021
Interim dividend declared and paid of HK18 cents (2021: HK18 cents) per share	810	810
Final dividend of HK60 cents (2021: HK60 cents) per share proposed after the end of the reporting period	2,699	2,699
	3,509	3,509

The dividend proposed after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

- (b) The final dividend of HK\$2,699 million (calculated based on HK60 cents per share and the total number of issued shares as of the dividend pay-out date) for the year ended December 31, 2021 were approved and paid in the year ended December 31, 2022 (2021: HK\$2,653 million).

9 Earnings Per Share

- (a) The calculation of basic and diluted earnings per share is based on the following data:

HK\$ Million	2022	2021
Net profit attributable to shareholders	3,836	3,868
	Number of shares	
	2022	2021
Weighted average number of shares used in calculating basic earnings per share	4,499,260,670	4,498,743,158
Effect of dilutive potential ordinary shares – share options	–	59,576
Weighted average number of shares used in calculating diluted earnings per share	4,499,260,670	4,498,802,734

- (b) The underlying net profit attributable to shareholders, which excluded changes in fair value of properties net of related income tax and non-controlling interests, is calculated as follows:

HK\$ Million	2022	2021
Net profit attributable to shareholders	3,836	3,868
Effect of changes in fair value of properties	345	(460)
Effect of income tax for changes in fair value of properties	20	621
Effect of changes in fair value of investment properties of joint ventures	14	28
	379	189
Non-controlling interests	(16)	308
	363	497
Underlying net profit attributable to shareholders	4,199	4,365

The earnings per share based on underlying net profit attributable to shareholders was:

	2022	2021
Basic	HK\$0.93	HK\$0.97
Diluted	HK\$0.93	HK\$0.97

10 Property, Plant and Equipment

HK\$ Million	Investment properties	Investment properties under development	Others	Total
Cost or valuation:				
At January 1, 2021	164,322	27,544	687	192,553
Exchange adjustment	3,341	558	27	3,926
Additions	376	1,878	94	2,348
Disposals	(53)	–	(8)	(61)
Increase/(decrease) in fair value	1,665	(776)	–	889
Transfer in/(out)	7,805	(7,805)	–	–
Transfer from properties for sale (Note 16)	–	1,000	–	1,000
At December 31, 2021 and January 1, 2022	177,456	22,399	800	200,655
Exchange adjustment	(9,976)	(1,839)	(49)	(11,864)
Additions	577	2,307	132	3,016
Disposals	(15)	–	(19)	(34)
Decrease in fair value	(181)	(164)	–	(345)
At December 31, 2022	167,861	22,703	864	191,428
Accumulated depreciation:				
At January 1, 2021	–	–	434	434
Exchange adjustment	–	–	22	22
Charge for the year	–	–	61	61
Written back on disposals	–	–	(7)	(7)
At December 31, 2021 and January 1, 2022	–	–	510	510
Exchange adjustment	–	–	(29)	(29)
Charge for the year	–	–	78	78
Written back on disposals	–	–	(15)	(15)
At December 31, 2022	–	–	544	544
Net book value:				
At December 31, 2022	167,861	22,703	320	190,884
At December 31, 2021	177,456	22,399	290	200,145
Cost or valuation of the property, plant and equipment is made up as follows:				
December 31, 2022				
Valuation	167,861	22,703	–	190,564
Cost	–	–	864	864
	167,861	22,703	864	191,428
December 31, 2021				
Valuation	177,456	22,399	–	199,855
Cost	–	–	800	800
	177,456	22,399	800	200,655

10 Property, Plant and Equipment (Continued)

(a) The investment properties include right-of-use assets.

(b) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties and investment properties under development measured at the end of the reporting period on a recurring basis, categorized into a three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique is as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

HK\$ Million	Fair value measurement at 2022		
	Level 1	Level 2	Level 3
Investment properties	–	167,861	–
Investment properties under development	–	–	22,703

HK\$ Million	Fair value measurement at 2021		
	Level 1	Level 2	Level 3
Investment properties	–	177,456	–
Investment properties under development	–	–	22,399

The Group's policy is to recognize transfers between levels of fair value hierarchy at the time at which they occur. During the year, there were no transfers between levels of fair value hierarchy.

The Group's investment properties and investment properties under development were revalued as of December 31, 2022 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, on a market value basis. Management has discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

10 Property, Plant and Equipment (Continued)**(b) Fair value measurement of properties** (Continued)**(ii) Valuation techniques and inputs used in Level 2 fair value measurements**

The fair value of the Group's investment properties is determined by using income capitalization approach with reference to current market rents and capitalization rates using market data.

(iii) Information about Level 3 fair value measurements

The fair value of investment properties under development is determined by using direct comparison approach, with reference to comparable market transactions as available in the market to derive the fair value of the property and, where appropriate, after deducting the following items:

- Estimated development costs to be expended to complete the properties that would be incurred by a market participant; and
- Estimated profit margin that a market participant would require to hold and develop the property to completion.

The higher the estimated development costs or profit margin, the lower the fair value of investment properties under development.

The main Level 3 unobservable inputs used by the Group are as follows:

The total estimated development costs to be incurred for each of the Group's investment properties under development ranged from HK\$0.2 billion to HK\$10.1 billion (2021: HK\$0.2 billion to HK\$11.2 billion). The estimates are largely consistent with the budgets developed internally by the Group based on management experience and knowledge of market conditions.

The movements in the investment properties under development during the year represent the movements in the balances of these Level 3 fair value measurements.

Fair value adjustments of investment properties and investment properties under development is recognized in "(decrease)/increase in fair value of properties" in the consolidated statement of profit or loss.

10 Property, Plant and Equipment (Continued)

- (c) An analysis of net book value of investment properties and investment properties under development is as follows:

HK\$ Million	Investment properties		Investment properties under development	
	2022	2021	2022	2021
In Hong Kong				
– long-term leases (over 50 years)	38,742	39,304	–	–
– medium-term leases (10 to 50 years)	21,185	20,503	1,716	1,500
Outside Hong Kong				
– long-term leases (over 50 years)	–	–	15	28
– medium-term leases (10 to 50 years)	107,934	117,649	20,972	20,871
	167,861	177,456	22,703	22,399

- (d) The net book value of other property, plant and equipment of the Group included long-term leases of HK\$13 million (2021: HK\$13 million) in respect of land and buildings held in Hong Kong, medium-term leases of HK\$3 million (2021: HK\$4 million) and long-term leases of HK\$24 million (2021: HK\$29 million) in respect of land and buildings held outside Hong Kong.

11 Leases

(a) As a lessee

The Group leases properties for property leasing business and administrative use.

Most of the Group's leased properties meet the definition of investment properties and are presented in the consolidated statement of financial position as investment properties. The Group did not recognize right-of-use assets and lease liabilities for other leases that are of short-term or of low-value assets.

Amounts recognized in profit or loss:

HK\$ Million	2022	2021
Interest on lease liabilities	15	16
Expenses relating to short-term leases	8	8
	23	24

Lease liabilities recognized in the consolidated statement of financial position:

HK\$ Million	2022	2021
Current liabilities	27	31
Non-current liabilities	266	305
	293	336

A maturity analysis of lease liabilities is disclosed in note 27(b).

11 Leases (Continued)**(a) As a lessee** (Continued)

Amounts included in the cash flow statement:

HK\$ Million	2022	2021
Within operating cash flows	(8)	(8)
Within financing cash flows	(30)	(28)
	(38)	(36)

(b) As a lessor

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to five years, with an option to renew the lease after that date, at which time all terms are renegotiated. Certain long-term leases contain rent review or adjustment clauses and the Group has a regular proportion of leases up for renewal each year. Certain leases include variable lease payments calculated with reference to the revenue of tenants.

Lease income from lease contracts in which the Group acts as a lessor is as below:

HK\$ Million	2022	2021
Operating leases		
Fixed or variable depending on an index or rate	7,435	7,561
Variable not depending on an index or rate	1,436	1,656
	8,871	9,217

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments under non-cancellable operating leases to be received after the reporting date.

HK\$ Million	2022	2021
Within 1 year	6,057	6,799
After 1 year but within 2 years	4,021	4,833
After 2 years but within 3 years	2,343	3,003
After 3 years but within 4 years	1,141	1,720
After 4 years but within 5 years	465	959
After 5 years	315	744
	14,342	18,058

12 Interests in Joint Ventures

HK\$ Million	2022	2021
Share of net assets	1,130	1,131

Details of principal joint ventures are set out in note 35. The aggregate financial information related to the Group's share of joint ventures that are not individually material are as follows:

HK\$ Million	2022	2021
Non-current assets	1,157	1,158
Current assets	8	7
Non-current liabilities	(10)	(10)
Current liabilities	(25)	(24)
Net assets	1,130	1,131

HK\$ Million	2022	2021
Revenue	55	54
Profits and total comprehensive income for the year	24	8

13 Other Assets

As of December 31, 2022, other assets comprised investments in unlisted equity instruments of HK\$77 million (2021: HK\$78 million), which were measured at fair value through other comprehensive income. These equity instruments are of Ever Light Limited, a company engaged in property leasing, and are expected to be held for long-term strategic purposes.

14 Cash and Deposits with Banks

HK\$ Million	2022	2021
Cash at banks	1,858	4,021
Time deposits	3,371	4,494
Cash and deposits with banks in the consolidated statement of financial position	5,229	8,515
Less: Bank deposits with maturity greater than 3 months	(81)	(124)
Cash and cash equivalents in the consolidated cash flow statement	5,148	8,391

During the year, the Group's cash and deposits with banks were interest-bearing at an average rate of 1.7% (2021: 1.9%) per annum. The currencies of cash and deposits with banks at the year end date were as follows:

HK\$ Million	2022	2021
Hong Kong Dollars	2,102	5,484
Hong Kong Dollar equivalent of:		
Renminbi	2,974	2,885
United States Dollars	153	146
	5,229	8,515

After deducting cash and deposits with banks from bank loans and other borrowings, the net debt position of the Group at the end of the reporting period was as follows:

HK\$ Million	2022	2021
Bank loans and other borrowings (Note 17)	45,524	45,695
Less: Cash and deposits with banks	(5,229)	(8,515)
Net debt	40,295	37,180

15 Trade and Other Receivables

- (a) Included in trade and other receivables are trade receivables (based on the due date) with the following aging analysis:

HK\$ Million	2022	2021
Not past due or less than 1 month past due	116	117
1 – 3 months past due	27	7
More than 3 months past due	4	4
	147	128

Provision for expected credit losses was assessed and adequately made on a tenant-by-tenant basis, based on the historical default experience and forward-looking information that may impact the tenants' ability to repay the outstanding balances. The details on the Group's credit policy are set out in note 27(c).

- (b) Included in "other receivables" of the Group is a deposit of land acquisition in mainland China of HK\$280 million (2021: HK\$306 million).

16 Properties for Sale

HK\$ Million	2022	2021
In mainland China		
– Properties under development for sale	5,494	4,883
In Hong Kong		
– Completed properties for sale	934	1,025
– Properties under development for sale	5,240	4,882
	6,174	5,907
	11,668	10,790

During the year ended December 31, 2021, one of the properties under development for sale in Hong Kong with a carrying amount of HK\$1,429 million were transferred to investment properties under development upon the change in intended use. The fair value of these properties at the date of transfer was HK\$1,000 million (Note 10). The difference between the fair value and carrying amount was included in "(decrease)/increase in fair value of properties" in the consolidated statement of profit or loss.

All properties under development for sale are expected to be recovered after more than one year, except HK\$729 million of which are expected to be completed and handed over to buyers within 1 year after the end of the reporting period.

17 Bank Loans and Other Borrowings

At the end of the reporting period, bank loans and other borrowings were unsecured and repayable as follows:

HK\$ Million	2022	2021
Bank loans (Note 17(a))		
Within 1 year or on demand	3,856	2,262
After 1 year but within 2 years	7,158	6,898
After 2 years but within 5 years	19,715	17,563
Over 5 years	2,105	1,654
	32,834	28,377
Other borrowings (Note 17(b))		
Within 1 year or on demand	680	5,822
After 1 year but within 2 years	970	680
After 2 years but within 5 years	8,020	6,420
Over 5 years	3,175	4,550
	12,845	17,472
	45,679	45,849
Less: unamortized front end fees	(155)	(154)
Total bank loans and other borrowings	45,524	45,695
Amount due within 1 year included under current liabilities	(4,533)	(8,079)
	40,991	37,616

- (a) All bank loans are interest-bearing at rates ranging from 3.7% to 6.4% (2021: 0.7% to 5.5%) per annum.

Certain of the Group's borrowings are attached with financial covenants which require that at any time, the Group's consolidated tangible net worth is not less than and the ratio of borrowings to consolidated tangible net worth is not more than certain required levels. During the year, all these covenants have been complied with by the Group.

At December 31, 2022, the Group had HK\$21,374 million (2021: HK\$14,645 million) of undrawn committed banking facilities.

- (b) Other borrowings represent bonds issued at coupon rates ranging from 2.00% to 4.75% (2021: 2.00% to 4.75%) per annum.

At December 31, 2022, the available balances of the Group's US\$4 billion (2021: US\$4 billion) Medium Term Note Program amounted to US\$2,353 million (2021: US\$1,760 million), equivalent to HK\$18,343 million (2021: HK\$13,722 million).

18 Trade and Other Payables

HK\$ Million	2022	2021
Creditors and accrued expenses (Note 18(a))	6,599	7,797
Contract liabilities (Note 18(b))	471	180
Deposits received (Note 18(c))	2,759	2,918
	9,829	10,895

- (a) Creditors and accrued expenses include retention money payable of HK\$390 million (2021: HK\$387 million) which is not expected to be settled within one year.

Included in trade and other payables is an amount of HK\$601 million (2021: HK\$601 million) due to a fellow subsidiary, which is the joint developer of a project in which the Group and the fellow subsidiary hold respective interests of 66.67% and 33.33%. The amount represents the contribution by the fellow subsidiary in proportion to its interest to finance the project, and is unsecured, non-interest bearing and has no fixed terms of repayment.

(b) Contract liabilities

- (i) Building management fees and other income from property leasing received in advance of HK\$84 million (2021: HK\$91 million)

Building management fees and other rental related charges are due for payment on the first day of the service period. The fees and charges received before the payment due date are classified as contract liabilities and recognized as revenue when the services are rendered.

- (ii) Property sales proceeds received in advance of HK\$387 million (2021: HK\$89 million)

Typically, the Group receives 10% of the consideration from buyers shortly after signing the preliminary sale and purchase agreement (S&P) of residential properties. The prevailing terms require buyers to pay the remaining balance within 120 or 300 days after signing the S&P, or upon legal assignment of completed properties. Proceeds received in advance are recognized as contract liabilities until the legal title is transferred to the buyer, at which time the contract liabilities are recognized as revenue.

None (2021: HK\$55 million) of the above balance is expected to be recognized as revenue after one year.

18 Trade and Other Payables (Continued)

- (c) In the amount of deposits received, HK\$1,653 million (2021: HK\$1,552 million) are not expected to be settled within one year.

Included in trade and other payables are trade creditors with the following aging analysis:

HK\$ Million	2022	2021
Due within 3 months	1,318	1,666
Due after 3 months	2,726	3,141
	4,044	4,807

19 Taxation in the Consolidated Statement of Financial Position**(a) Current taxation**

HK\$ Million	2022	2021
Hong Kong Profits Tax	167	83
Mainland China Income Tax	267	414
	434	497

(b) Deferred taxation

HK\$ Million	2022	2021
Deferred tax liabilities	13,462	14,428
Deferred tax assets	(140)	(77)
	13,322	14,351

19 Taxation in the Consolidated Statement of Financial Position (Continued)

(b) Deferred taxation (Continued)

The components of deferred tax liabilities/(assets) recognized in the consolidated statement of financial position and the movements during the year are as follows:

HK\$ Million	Depreciation allowances in excess of related depreciation	Revaluation of properties	Future benefit of tax losses	Others	Total
At January 1, 2021	1,838	11,427	(74)	24	13,215
Exchange adjustments	39	343	–	10	392
Charged/(credited) to					
– profit or loss (Note 7(a))	166	621	(72)	22	737
– other comprehensive income	–	–	–	7	7
At December 31, 2021 and January 1, 2022	2,043	12,391	(146)	63	14,351
Exchange adjustments	(121)	(1,038)	–	–	(1,159)
Charged/(credited) to					
– profit or loss (Note 7(a))	176	20	(5)	(73)	118
– other comprehensive income	–	–	–	12	12
At December 31, 2022	2,098	11,373	(151)	2	13,322

(c) Deferred tax assets not recognized

The Group has not recognized deferred tax assets in respect of tax losses of HK\$8,174 million (2021: HK\$7,846 million) sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilized is not probable at December 31, 2022. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from the operations in mainland China expire five years after the relevant accounting year end date.

20 Share Capital

	2022		2021	
	Number of shares Million	Amount of share capital HK\$ Million	Number of shares Million	Amount of share capital HK\$ Million
Ordinary shares, issued and fully paid:				
At January 1	4,499	39,950	4,498	39,916
Shares issued under share option scheme	–	–	1	34
At December 31	4,499	39,950	4,499	39,950

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

21 Reserves

(a) The Group

HK\$ Million	Other reserves				Total	Retained profits	Total reserves
	Exchange reserve	Hedging reserve	Investment revaluation reserve	Employee share-based compensation reserve			
At January 1, 2021	1,941	(67)	77	630	2,581	95,798	98,379
Profit for the year	–	–	–	–	–	3,868	3,868
Exchange difference arising from translation to presentation currency	2,882	–	–	–	2,882	–	2,882
Loss on net investment hedge	(9)	–	–	–	(9)	–	(9)
Cash flow hedges: net movement in hedging reserve	–	50	–	–	50	–	50
Net change in fair value of equity investments	–	–	1	–	1	–	1
Total comprehensive income for the year	2,873	50	1	–	2,924	3,868	6,792
Final dividend in respect of previous year	–	–	–	–	–	(2,653)	(2,653)
Interim dividend in respect of current year	–	–	–	–	–	(810)	(810)
Issue of shares	–	–	–	(5)	(5)	–	(5)
Employee share-based payments	–	–	–	(132)	(132)	198	66
At December 31, 2021 and January 1, 2022	4,814	(17)	78	493	5,368	96,401	101,769
Profit for the year	–	–	–	–	–	3,836	3,836
Exchange difference arising from translation to presentation currency	(8,828)	–	–	–	(8,828)	–	(8,828)
Gain on net investment hedge	9	–	–	–	9	–	9
Cash flow hedges: net movement in hedging reserve	–	67	–	–	67	–	67
Net change in fair value of equity investments	–	–	(1)	–	(1)	–	(1)
Total comprehensive income for the year	(8,819)	67	(1)	–	(8,753)	3,836	(4,917)
Final dividend in respect of previous year	–	–	–	–	–	(2,699)	(2,699)
Interim dividend in respect of current year	–	–	–	–	–	(810)	(810)
Employee share-based payments	–	–	–	77	77	11	88
At December 31, 2022	(4,005)	50	77	570	(3,308)	96,739	93,431

21 Reserves (Continued)

(a) The Group (Continued)

The retained profits of the Group at December 31, 2022 included HK\$923 million (2021: HK\$922 million) in respect of statutory reserves of the subsidiaries in mainland China.

The exchange reserve of the Group comprises exchange differences arising from the translation of the Group's operations in mainland China and the effective portion of any foreign exchange differences arising from hedging of net investments in foreign operations (Note 1(l)(2)).

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss (Note 1(l)(1)).

The table below provides a reconciliation of the hedging reserve in respect of interest rate risk (Note 27(a)) and currency risk (Note 27(d)):

HK\$ Million	Interest rate risk	Currency risk	Total
At January 1, 2021	(49)	(18)	(67)
Effective portion of cash flow hedge recognized in other comprehensive income	14	37	51
Amount reclassified to profit or loss	30	(24)	6
Related tax	(7)	–	(7)
At December 31, 2021 and January 1, 2022	(12)	(5)	(17)
Effective portion of cash flow hedge recognized in other comprehensive income	95	26	121
Amount reclassified to profit or loss	(21)	(21)	(42)
Related tax	(12)	–	(12)
At December 31, 2022	50	–	50

The investment revaluation reserve comprises the cumulative net change in the fair value of equity investments measured at FVTOCI (Note 1(j)).

The employee share-based compensation reserve comprises the fair value of share options granted which are not yet exercised, as explained in note 1(z).

21 Reserves (Continued)**(b) The Company**

HK\$ Million	Employee share-based compensation reserve	Retained profits	Total reserves
At January 1, 2021	630	23,307	23,937
Profit and total comprehensive income for the year	–	3,383	3,383
Final dividend in respect of previous year	–	(2,653)	(2,653)
Interim dividend in respect of current year	–	(810)	(810)
Issue of shares	(5)	–	(5)
Employee share-based payments	(132)	198	66
At December 31, 2021 and January 1, 2022	493	23,425	23,918
Profit and total comprehensive income for the year	–	3,632	3,632
Final dividend in respect of previous year	–	(2,699)	(2,699)
Interim dividend in respect of current year	–	(810)	(810)
Employee share-based payments	77	11	88
At December 31, 2022	570	23,559	24,129

The aggregate amount of the Company's reserves available for distribution to equity shareholders of the Company at December 31, 2022 was HK\$23,559 million (2021: HK\$23,425 million).

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders, and to secure access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in the light of changes in the Group's business portfolio and economic conditions.

The Group monitors its capital structure by reviewing its leveraging ratio (net debt to equity ratio and debt to equity ratio) and cash flow requirements, taking into account future financial obligations and commitments. Net debt represents bank loans and other borrowings less cash and deposits with banks. Equity comprises shareholders' equity and non-controlling interests.

The Group has a net debt position as of December 31, 2022 (Note 14). Net debt to equity ratio and debt to equity ratio as of December 31, 2022 were 28.1% (2021: 24.4%) and 31.8% (2021: 30.0%), respectively. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

22 Cash Generated from Operations

HK\$ Million	2022	2021
Profit before taxation	5,850	6,888
Adjustments for:		
Gain on disposal of investment properties	–	(17)
Dividend income from equity investments measured at FVTOCI	–	(1)
Loss on disposal of other property, plant and equipment	4	1
Employee share-based payments	88	66
Depreciation	78	61
Decrease/(increase) in fair value of properties	345	(460)
Interest income on bank deposits	(63)	(73)
Finance costs	512	487
Share of profits of joint ventures	(24)	(8)
Increase in properties for sale	(1,017)	(3,408)
Increase in trade and other receivables	(252)	(243)
(Decrease)/increase in creditors and accrued expenses and contract liabilities	(30)	704
Increase in deposits received	7	204
Cash generated from operations	5,498	4,201

23 Reconciliation of Liabilities Arising from Financing Activities

HK\$ Million	Bank loans and other borrowings (Note 17)	Lease liabilities (Note 11)	Total
At January 1, 2021	37,917	328	38,245
Cash flows	7,314	(28)	7,286
Non-cash changes:			
Entering into new leases	–	10	10
Unwind of discount and amortization of transaction costs	86	16	102
Exchange adjustment	378	10	388
At December 31, 2021 and January 1, 2022	45,695	336	46,031
Cash flows	881	(30)	851
Non-cash changes:			
Unwind of discount and amortization of transaction costs	87	15	102
Exchange adjustment	(1,139)	(28)	(1,167)
At December 31, 2022	45,524	293	45,817

24 Commitments

At the end of the reporting period, capital commitments not provided for in the financial statements were as follows:

HK\$ Million	2022	2021
Contracted for	1,830	5,975
Authorized but not contracted for	14,135	13,162
	15,965	19,137

The above commitments include mainly the construction related costs to be incurred in respect of the Group's development of investment properties in various cities in mainland China.

25 Employee Benefits

(a) Retirement benefits

Staff of the Group's entities operating in Hong Kong are offered either an MPF Exempted Occupational Retirement Scheme (the "ORSO Scheme") or a master trust Mandatory Provident Fund Scheme (the "MPF Scheme"). The eligibility for membership of the ORSO and MPF schemes is identical for new employees.

The ORSO Scheme is a defined contribution provident fund scheme, the assets of which are held separately from those of the Group by an independent corporate trustee and managed by professional fund managers. Contributions are made by both the employer and the employees at a certain percentage of employees' basic salaries, the percentage varying with their length of service. When an employee leaves the scheme prior to his or her interest in the Group's contributions being fully vested, forfeited contributions are refunded to the Group. Total contributions made by the Group for the year amounted to HK\$34 million (2021: HK\$34 million) and forfeited sums refunded to the Group amounted to HK\$2 million (2021: HK\$4 million).

The MPF Scheme is operated by an independent service provider. Mandatory contributions are made by both the employer and the employees at 5% of the employees' monthly relevant income, up to a limit of HK\$30,000. The Group's contributions will be fully and immediately vested in the employees' accounts as their accrued benefits in the scheme. Total MPF contributions made by the Group for the year amounted to HK\$8 million (2021: HK\$7 million).

Staff of the Group's mainland China subsidiaries are members of a retirement benefits scheme (the "Mainland RB Scheme") operated by the local municipal government in mainland China. The only obligation of the subsidiaries in mainland China is to contribute a certain percentage of their payroll to Mainland RB Scheme to fund the retirement benefits. The local municipal government in mainland China undertakes to assume the retirement benefits obligations of all existing and future retired employees of subsidiaries in mainland China. Total contributions made by subsidiaries in mainland China for the year amounted to HK\$63 million (2021: HK\$62 million).

25 Employee Benefits (Continued)

(b) Equity compensation benefits

The share option scheme adopted by the Company on April 18, 2012 (the "2012 Share Option Scheme") was terminated upon the adoption of a new share option scheme on April 27, 2022 (the "2022 Share Option Scheme", together with the 2012 Share Option Scheme are referred to as the "Schemes"). The 2022 Share Option Scheme became valid and effective for a period of ten years commencing from the date of adoption. No further share options shall be offered or granted under the 2012 Share Option Scheme but in all other respects the provisions of the 2012 Share Option Scheme shall remain in full force and effect, and all share options granted prior to such termination and not exercised nor forfeited/lapsed at the date of termination shall remain valid.

The purposes of the Schemes are to enable the Company to grant options to selected participants as incentives or rewards for their contributions to the Group, to attract skilled and experienced personnel, to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interest in the Company.

Under the Schemes, the board of directors of the Company (the "Board") is authorized to grant options to selected participants, including employees and directors of any company in the Group, subject to the terms and conditions such as performance targets as the Board may specify on a case-by-case basis or generally. The exercise price of the options is determined by the Board at the time of grant, and shall not be less than the higher of the nominal value of the shares, the closing price of the shares at the date of grant and the average closing price of the shares for the five business days immediately preceding the date of grant. The period open for acceptance of the option and amount payable thereon, the vesting period, the exercisable period and the number of shares subject to each option are determined by the Board at the time of grant.

No share options have been granted under the 2022 Share Option Scheme since its adoption, and the share options granted under the 2012 Share Option Scheme to the directors and employees are at nominal consideration and each share option gives the holder the right to subscribe for one share of the Company.

As of the date of this report, the total number of shares available for issue under the 2022 Share Option Scheme is 337,444,550 shares, representing approximately 7.5% of the total number of issued shares of the Company. The total number of shares issued and to be issued upon exercise of options (including both exercised and outstanding) granted to each participant in any 12-month period shall not exceed 1% of the shares of the Company in issue.

25 Employee Benefits (Continued)

(b) Equity compensation benefits (Continued)

The movements of share options during the year are as follows:

(i) 2012 Share Option Scheme

Date granted	Number of share options			Outstanding on December 31, 2022	Period during which options are exercisable	Exercise price (HK\$)
	Outstanding on January 1, 2022	Granted	Forfeited/ Lapsed			
June 4, 2013	22,840,000	–	(580,000)	22,260,000	June 4, 2015 to June 3, 2023	28.20
December 5, 2014	19,820,000	–	(530,000)	19,290,000	December 5, 2016 to December 4, 2024	22.60
August 10, 2017	30,183,000	–	(1,528,000)	28,655,000	August 10, 2019 to August 9, 2027	19.98
May 16, 2018	10,000,000	–	–	10,000,000	May 16, 2020 to May 15, 2028	18.98
June 28, 2019	44,961,900	–	(3,095,200)	41,866,700	June 28, 2021 to June 27, 2029	18.58
May 12, 2021	63,105,000	–	(4,710,000)	58,395,000	May 12, 2023 to May 11, 2031	19.95
October 6, 2021	2,000,000	–	–	2,000,000	October 6, 2023 to October 5, 2031	17.65
February 21, 2022	–	67,070,000	(2,840,000)	64,230,000	February 21, 2024 to February 20, 2032	16.38
Total	192,909,900	67,070,000	(13,283,200)	246,696,700		

All the above options may vest after two to five years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No options were exercised or cancelled during the year.

In respect of options granted during the year, the closing share price immediately before the date of grant was HK\$16.32.

During the year, 13,283,200 options (2021: 9,924,100 options) were forfeited upon cessations of the grantees' employments.

25 Employee Benefits (Continued)**(b) Equity compensation benefits** (Continued)**(i) 2012 Share Option Scheme** (Continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2022		2021	
	Weighted average exercise price (HK\$)	Number of options	Weighted average exercise price (HK\$)	Number of options
Outstanding at January 1	20.81	192,909,900	21.26	136,790,000
Granted	16.38	67,070,000	19.88	67,505,000
Exercised	–	–	19.92	(1,461,000)
Forfeited	19.34	(13,283,200)	20.84	(9,924,100)
Outstanding at December 31	19.69	246,696,700	20.81	192,909,900
Exercisable at December 31	22.34	88,803,650	23.35	68,265,990

The weighted average remaining contractual life of options outstanding at the end of the reporting period was 6.5 years (2021: 6.6 years).

The fair value of share options granted was estimated at the date of grant using the Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted. In respect of the share options granted during the year, the fair value, terms and conditions, and assumptions are as follows:

Fair value at grant date	HK\$2.07
Share price at grant date	HK\$16.32
Exercise price	HK\$16.38
Risk-free interest rate	1.55%
Expected life (in years)	6
Expected volatility	24.79%
Expected dividends per share	HK\$0.78

The expected volatility is based on the historical volatility and the expected dividends per share are based on historical dividends. Changes in the above assumptions could materially affect the fair value estimate.

25 Employee Benefits (Continued)

(b) Equity compensation benefits (Continued)

(ii) In respect of share options granted to the directors, the related charge recognized for the year ended December 31, 2022, estimated in accordance with the Group's accounting policy in note 1(z)(2) was as follows:

- (1) Mr. Ronnie C. Chan, HK\$5.8 million (2021: HK\$4.4 million);
- (2) Mr. Adriel Chan, HK\$4.9 million (2021: HK\$3.4 million);
- (3) Mr. Weber W.P. Lo, HK\$7.9 million (2021: HK\$8.1 million);
- (4) Mr. Kenneth K.K. Chiu, HK\$2.3 million (2021: HK\$0.3 million);
- (5) Mr. Philip N.L. Chen, HK\$0.4 million (2021: HK\$1.0 million); and
- (6) Mr. H.C. Ho, HK\$3.7 million (retired as executive director on March 1, 2022) (2021: HK\$2.8 million).

26 Material Related Party Transactions

Except for the emoluments to directors and key management personnel disclosed in notes 6 and 25(b) and the transactions and balances already disclosed elsewhere in the financial statements, the Group did not have any material related party transactions in the ordinary course of business.

None of the above related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided on page 137 in the Report of the Directors.

27 Financial Risk Management Objectives and Policies

Exposure to interest rate, liquidity, credit and currency risks arises in the normal course of the Group's business. The Group has policies and practices approved by management as described below in managing these risks.

(a) Interest rate risk

The Group's interest rate risk arises primarily from deposits with banks and floating rate bank borrowings. Interest rate trends and movements are closely monitored and, if appropriate, existing borrowings will be replaced with new bank facilities when favorable pricing opportunities arise.

The Group enters into floating-for-fixed interest rate swaps to manage its exposure to interest rate risk. In addition, the Group maintains the Medium Term Note Program which facilitates the Group to mitigate future interest rate volatility and re-financing risks.

The Group has designated the interest rate swaps in their entirety as the hedging instruments of the interest rate risk on variability in cash flows arising from certain floating rate bank loans. The table below summarizes the details of hedging instruments as of the end of the reporting period and the effect of the hedge accounting during the year:

HK\$ Million	2022	2021
Notional amount of hedging instruments	4,500	4,500
Carrying amount of hedging instruments		
– Trade and other receivables	59	–
– Trade and other payables	–	(15)
Change in fair value used for measuring hedge ineffectiveness		
– Hedging instruments	95	14
– Hedged items	(95)	(14)
Change in fair value of hedging instruments recognized in other comprehensive income	95	14
Amount reclassified from hedging reserve to profit or loss that are (credited)/charged to finance costs	(21)	30

These interest rate swaps will mature in 2023, of which the Group receives Hong Kong Interbank Offered Rate and pays fixed rates ranging from 0.7% to 0.79%. The hedge ratio is determined to be 1:1 as the Group uses interest rate swaps to match the critical terms of the bank loans, including the notional amounts, benchmark interest rates, interest repricing dates and interest payment/receipt dates. Hedge ineffectiveness is expected to be insignificant.

After taking into account the effect of interest rate swaps, the interest rate risk profile of the Group's borrowings at the end of the reporting period is as follows:

HK\$ Million	2022	2021
Fixed	17,376	21,998
Floating	28,148	23,697
Total borrowings	45,524	45,695

27 Financial Risk Management Objectives and Policies (Continued)

(a) Interest rate risk (Continued)

Based on the simulations performed at year end in relation to the Group's bank deposits as disclosed in note 14 and floating rate borrowings as listed above, it was estimated that the impact of a 100 basis-point increase in market interest rates from the rates applicable at the year end date, with all other variables held constant, would increase the Group's annual net interest payments by approximately HK\$230 million (2021: HK\$153 million).

This analysis is based on a hypothetical situation, as in practice market interest rates rarely change in isolation, and should not be considered a projection of likely future profits or losses. The analysis assumes the following:

- changes in market interest rates affect the interest income and interest expense of floating rate financial instruments and bank loans (after taking into account the effect of interest rate swaps); and
- all other financial assets and liabilities are held constant.

The analysis was performed on the same basis for 2021.

(b) Liquidity risk

The Group manages surplus cash centrally and the liquidity risk of the Company and subsidiaries at the corporate level. The Group maintains adequate amount of cash and undrawn committed bank facilities to meet all funding requirements. Significant flexibility is achieved through diverse sources of committed credit lines for capturing future expansion opportunities.

HK\$ Million	Contractual undiscounted cash flow					
	Carrying amount	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Bank loans and other borrowings	45,524	52,195	6,336	9,675	30,080	6,104
Trade and other payables	9,829	9,829	7,786	1,043	917	83
Lease liabilities	293	418	27	28	73	290
At December 31, 2022	55,646	62,442	14,149	10,746	31,070	6,477

HK\$ Million	Contractual undiscounted cash flow					
	Carrying amount	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Bank loans and other borrowings	45,695	50,164	9,272	8,548	25,397	6,947
Trade and other payables	10,895	10,895	8,956	914	872	153
Lease liabilities	336	487	31	29	83	344
At December 31, 2021	56,926	61,546	18,259	9,491	26,352	7,444

27 Financial Risk Management Objectives and Policies (Continued)

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables with tenants and deposits held with reputable banks and financial institutions.

The Group maintains a defined credit policy including stringent credit evaluation on and payment of a rental deposit from tenants. In addition to the payment of rental deposits, tenants are required to pay monthly rents in respect of leased properties in advance. Receivables are regularly reviewed and closely monitored to minimize any associated credit risk.

Surplus cash is placed with reputable banks and financial institutions in accordance with pre-determined limits based on credit ratings and other factors to minimize concentration risk.

The Group does not provide any financial guarantee which would expose the Group to material credit risk.

There are no significant concentrations of credit risk within the Group.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

The Group measures loss allowances for trade receivables with tenants in accordance with note 1(m).

(d) Currency risk

The Group adopts a conservative risk management policy to manage foreign currency exposure. The level of hedge is decided through cost and benefit analysis with reference to prevailing market situation. If appropriate, the Group may use derivative financial instruments solely for hedging purposes. These derivatives reduce the uncertainty of interest payments and principal repayments of foreign currency debts and can be entered into on or after the issuance of a foreign currency debt.

Currency risk arises from assets and liabilities denominated in a currency other than the functional currency of the Group's entities to which they related. The Group has bonds outstanding amounting to US\$50 million (2021: US\$550 million). The currency risk arising from the USD denominated bonds is hedged by back-to-back USD/HKD cross currency swaps, at exchange rate of 7.75 HKD/USD and fixed interest rates at 2.03% (2021: ranging from 2.03% to 4.715%) per annum. These swaps will mature in 2028 (2021: 2022 and 2028).

27 Financial Risk Management Objectives and Policies (Continued)

(d) Currency risk (Continued)

The Group has designated the cross currency swaps in their entirety as the hedging instruments of the foreign currency risk arising from the USD denominated bonds. The table below summarizes the details of hedging instruments as of the end of the reporting period and the effect of the hedge accounting during the year:

HK\$ Million	2022	2021
Notional amount of hedging instruments	388	4,263
Carrying amount of hedging instruments		
– Trade and other receivables	3	26
Change in fair value used for measuring hedge ineffectiveness		
– Hedging instruments	26	37
– Hedged items	(26)	(37)
Change in fair value of hedging instruments recognized in other comprehensive income	26	37
Amount reclassified from hedging reserve to profit or loss that are charged/(credited) to		
– Finance costs	4	9
– Other net income	(25)	(33)

The hedge ratio is determined to be 1:1 as the Group uses cross currency swaps to match the critical terms of the bonds, including the notional amounts, currencies, interest payment/receipt dates and maturity dates. Hedge ineffectiveness is expected to be insignificant.

The Group engages in property development and investments in mainland China through local subsidiaries whose net carrying values are exposed to currency risk. In addition, the Group has Renminbi deposits of RMB2,659 million (2021: RMB2,359 million), for which there are currency risks but which are held to meet ongoing Renminbi payment obligations in relation to development projects in mainland China. Where appropriate, the Group seeks to minimize the exposure to currency risk in mainland China through borrowings denominated in Renminbi.

The Group has designated its Renminbi denominated borrowings outside mainland China as a hedging instrument for the changes in the value of the net investment in mainland China attributable to changes in the HKD/RMB spot rate. It is the Group's policy to monitor the currency risk arising from the net investment in mainland China and to adjust the hedging strategy when necessary. The risk management policy and hedging strategy are reviewed in light of the changes in the value of the Group's total net investment in mainland China.

The carrying amount of the Renminbi denominated borrowings designated as hedging instruments at December 31, 2022 was HK\$90 million (2021: HK\$98 million). The hedge was determined to be fully effective as the carrying value of the hedged item did not drop below the carrying amount of the hedging instrument throughout the hedging period. A foreign exchange gain of HK\$9 million (2021: loss of HK\$9 million) was recognized in the Group's other comprehensive income for the year on translation of the Renminbi denominated borrowings to Hong Kong dollars.

27 Financial Risk Management Objectives and Policies (Continued)

(d) Currency risk (Continued)

Management estimated that a 5% (2021: 5%) appreciation/depreciation of Renminbi against Hong Kong dollar would increase/decrease the Group's equity attributable to shareholders by HK\$4,771 million (2021: HK\$5,083 million).

The above analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2021.

(e) Fair value

The fair value of the Group's financial instruments are measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique is as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

(i) Financial assets and liabilities measured at fair value

(1) *The level of fair value hierarchy within which the fair value measurements are categorized and analyzed below:*

HK\$ Million	Fair value		Fair value measurements categorized into
	2022	2021	
Financial assets			
Trade and other receivables			
Cross currency swaps (cash flow hedges)	3	26	Level 2
Interest rate swaps (cash flow hedges)	59	–	Level 2
Other assets			
Investment in equity instruments	77	78	Level 3
Financial liabilities			
Trade and other payables			
Interest rate swaps (cash flow hedges)	–	(15)	Level 2

27 Financial Risk Management Objectives and Policies (Continued)

(e) Fair value (Continued)

(i) *Financial assets and liabilities measured at fair value (Continued)*

The fair value of the cross currency swaps and interest rate swaps is determined based on the amount that the Group would receive or pay to terminate the swaps at the end of the reporting period taking into account current interest rates and current creditworthiness of the swap counter-parties.

The fair value of non-publicly traded equity investments is determined by reference to the net asset value of these investments.

(2) *Transfers of instruments between the three-level fair value hierarchy*

During the year, there were no transfers of instruments between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as of the end of the reporting period in which they occur.

(ii) *Fair value of financial instruments carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at amortized cost were not materially different from their fair values as of December 31, 2021 and 2022.

28 Significant Accounting Estimates and Judgments

Key sources of estimation uncertainty

Note 10(b) contains information about the assumptions and the risk relating to valuation of investment properties and investment properties under development.

Besides, the Group determines the net realizable value of properties for sale based on estimation of future selling price less estimated costs of completion and costs to be incurred in relation to the sale, with reference to the prevailing market data and market survey reports available from independent property valuers.

29 Company-Level Statement of Financial Position

At December 31, 2022

HK\$ Million	Note	2022	2021
Non-current assets			
Interests in subsidiaries	30	65,760	64,971
Current assets			
Cash and deposits with banks		1	1
Trade and other receivables		4	5
		5	6
Current liability			
Trade and other payables		21	23
Net current liabilities			
		16	17
Total assets less current liabilities			
		65,744	64,954
Non-current liabilities			
Amounts due to subsidiaries	30(c)	1,665	1,086
NET ASSETS			
		64,079	63,868
Capital and reserves			
Share capital	20	39,950	39,950
Reserves	21(b)	24,129	23,918
TOTAL EQUITY			
		64,079	63,868

Weber W.P. Lo
Chief Executive Officer

Kenneth K.K. Chiu
Chief Financial Officer

30 Interests in Subsidiaries and Amounts due to Subsidiaries

HK\$ Million	2022	2021
Unlisted shares, at cost	8	8
Amounts due from subsidiaries (Note 30(b))	65,752	64,963
	65,760	64,971

- (a) Details of principal subsidiaries are set out in note 34.
- (b) Amounts due from subsidiaries are unsecured, interest-free with no fixed terms of repayment and classified as non-current assets as they are not expected to be recoverable within the next 12 months.
- (c) Amounts due to subsidiaries are unsecured, interest-free with no fixed terms of repayment and classified as non-current liabilities as they are not expected to be repaid within the next 12 months.

31 Ultimate Holding Company

The ultimate holding company is Hang Lung Group Limited, a company incorporated in Hong Kong.

32 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended December 31, 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended December 31, 2022 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's financial statements.

33 Approval of Financial Statements

The financial statements were approved and authorized for issue by the Board of Directors on January 31, 2023.

34 Principal Subsidiaries

At December 31, 2022

Company	Issued Share Capital (HK\$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Antonis Limited*	10,000	100	100	Property leasing	Hong Kong
AP City Limited	2	100	–	Property leasing	Hong Kong
AP Joy Limited	2	100	–	Property leasing	Hong Kong
AP Properties Limited				Property leasing	Hong Kong
'A' shares	34	100	–		
'B' shares	6	100	–		
AP Star Limited*	2	100	–	Investment holding	Hong Kong
AP Success Limited	2	100	–	Property leasing	Hong Kong
AP Universal Limited*	2	100	–	Property leasing	Hong Kong
AP Win Limited*	1,000,000	100	–	Property leasing	Hong Kong
AP World Limited	2	100	100	Property leasing	Hong Kong
Bonna Estates Company Limited	1,000,000	100	100	Property leasing	Hong Kong
Caddo Enterprises, Limited*	4,000,000	100	–	Property leasing	Hong Kong
Country Bond Development Limited				Investment holding	Hong Kong
'A' shares	990	79.8	–		
'B' share	1	100	–		
Dokay Limited*	2	100	–	Property leasing	Hong Kong
Easegood Enterprises Limited*	2	100	–	Investment holding	Hong Kong
Fu Yik Company Limited*	3	100	–	Property leasing	Hong Kong
Gala Ruby Limited*	2	100	100	Investment holding	Hong Kong
Grand Centre Limited	4	100	–	Property leasing	Hong Kong
Grand Hotel Group Limited	10,200	100	–	Apartment operating & management	Hong Kong
Grand Hotel Holdings Limited*				Investment holding	Hong Kong
'A' shares	1,004,834,694	100	–		
'B' shares	6,000,000	100	–		
Hang Chui Company Limited	2	100	–	Property leasing	Hong Kong
Hang Far Company Limited*	2	100	–	Investment holding	Hong Kong
Hang Fine Company Limited	200	100	–	Property leasing	Hong Kong
Hang Kwok Company Limited*	10,000	100	–	Property leasing	Hong Kong
Hang Lung (Administration) Limited	10,000	100	100	Management services	Hong Kong
Hang Lung (Dalian) Limited*	1	100	–	Investment holding	Hong Kong
Hang Lung (Jiangsu) Limited*	1	100	–	Investment holding	Hong Kong

34 Principal Subsidiaries (Continued)

At December 31, 2022

Company	Issued Share Capital (HK\$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Hang Lung (Jinan) Limited*	1	100	–	Investment holding	Hong Kong
Hang Lung (Kunming) Limited*	1	100	–	Investment holding	Hong Kong
Hang Lung (Liaoning) Limited*	1	100	–	Investment holding	Hong Kong
Hang Lung (Shenyang) Limited*	2	100	–	Investment holding	Hong Kong
Hang Lung (Tianjin) Limited*	2	100	–	Investment holding	Hong Kong
Hang Lung (Wuhan) Limited*	1	100	–	Investment holding	Hong Kong
Hang Lung (Wuxi) Limited*	1	100	–	Investment holding	Hong Kong
Hang Lung Gala Place Limited	2	100	–	Property leasing	Hong Kong
Hang Lung Project Management Limited*	10,000	100	100	Project management	Hong Kong
Hang Lung Property Management Limited*	100,000	100	–	Property management	Hong Kong
Hang Lung Real Estate Agency Limited*	2	100	100	Property agencies	Hong Kong
Hang Top Limited*	3	66.7	–	Investment holding	Hong Kong
Hang Wise Company Limited*	200	66.7	–	Property development	Hong Kong
HLP (China) Administrative Limited	1	100	–	Management services	Hong Kong
HLP (China) Limited*	2	100	100	Investment holding	Hong Kong
HLP Finance Limited#	US\$1	100	100	Financial services	British Virgin Islands
HLP Financial Services Limited	RMB1	100	–	Financial services	Hong Kong
HLP Treasury Limited	2	100	100	Financial services	Hong Kong
HLP Treasury Services Limited*	2	100	–	Financial services	Hong Kong
Hoi Sang Limited*	2	100	–	Investment holding	Hong Kong
Lockoo Limited*	1,000,002	100	–	Property development	Hong Kong
Mansita Limited*	2	100	–	Property leasing	Hong Kong
Modalton Limited	2	100	–	Property leasing	Hong Kong
Palex Limited*	2	100	–	Property leasing	Hong Kong
Passion Success Limited*	1	100	–	Investment holding	Hong Kong
Pocaliton Limited	2	100	–	Property leasing	Hong Kong
Rago Star Limited	2	100	–	Property leasing	Hong Kong
Stocket Limited	2	100	100	Property leasing	Hong Kong
Superlane Development Limited	1,000	66.7	–	Property development	Hong Kong
Tegraton Limited	2	100	–	Property leasing	Hong Kong
Total Select Limited	1	100	–	Property development	Hong Kong
Wai Luen Investment Company, Limited*	100,000	100	–	Property leasing	Hong Kong
Yangli Limited*	2	100	–	Property leasing	Hong Kong

34 Principal Subsidiaries (Continued)

At December 31, 2022

Wholly Foreign Owned Enterprises in Mainland China	Registered Capital	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Dalian Hang Lung Properties Ltd.	RMB5,586,877,355	100	–	Property development & leasing	Mainland China
Hangzhou Hang Lung Properties Ltd.	RMB11,767,500,000	100	–	Property development	Mainland China
Hubei Hang Lung Property Development Co., Ltd.	RMB7,900,000,000	100	–	Property development & leasing	Mainland China
Kunming Hang Ying Properties Ltd.	RMB8,055,634,575	100	–	Property development & leasing	Mainland China
Liaoning Hang Lung Properties Ltd.	RMB8,040,096,324	100	–	Property development & leasing	Mainland China
Shandong Hang Lung Properties Ltd.	US\$385,000,000	100	–	Property development & leasing	Mainland China
Shenyang Hang Lung Properties Ltd.	US\$349,990,000	100	–	Property development & leasing	Mainland China
Tianjin Hang Lung Properties Ltd.	HK\$5,329,600,000	100	–	Property development & leasing	Mainland China
Wuxi Hang Lung Properties Ltd.	RMB4,691,746,261	100	–	Property development & leasing	Mainland China
Wuxi Hang Ying Properties Ltd.	RMB960,716,180	100	–	Property development	Mainland China

Equity Joint Ventures in Mainland China	Registered Capital (US\$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Shanghai Hang Bond Property Development Co., Ltd.	167,004,736	82	–	Property development & leasing	Mainland China
Shanghai Kong Hui Property Development Co., Ltd.	165,000,000	69.3 [^]	–	Property development & leasing	Mainland China

Operated in Hong Kong

* Not audited by KPMG

[^] Represents the Group's attributable interest in the commercial portion of the properties held either directly or indirectly by the subsidiary

The above list gives the principal subsidiaries of the Group which in the opinion of the directors, principally affect the profit and assets of the Group.

35 Joint Ventures

At December 31, 2022

Company	Issued Share Capital (HK\$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Country Link Enterprises Limited	5,000,000	36.8	–	Investment holding	Hong Kong
Ease Smart Development Limited				Investment holding	Hong Kong
'A' share	1	–	–		
'B' share	1	100	–		
Star Play Development Limited*	3	33.3	–	Property leasing	Hong Kong

* Not audited by KPMG

206 Ten-Year Financial Summary

in HK\$ million (unless otherwise stated)	2022	2021	2020
CONSOLIDATED STATEMENT OF PROFIT OR LOSS			
Revenue			
Property leasing	10,031	10,321	8,911
Property sales	316	–	62
	10,347	10,321	8,973
Operating profit/(loss)			
Property leasing	7,166	7,462	6,437
Property sales	87	(91)	44
	7,253	7,371	6,481
Underlying net profit attributable to shareholders			
Effect of changes in fair value of properties	(363)	(497)	(6,772)
	3,836	3,868	(2,571)
Net profit/(loss) attributable to shareholders			
Dividends for the year	(3,509)	(3,509)	(3,418)
	327	359	(5,989)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Net assets employed (Note 1)			
Investment properties	167,861	177,456	164,322
Investment properties under development	22,703	22,399	27,544
Properties for sale	11,668	10,790	7,988
Other assets	5,227	5,075	5,143
	207,459	215,720	204,997
Other liabilities	(24,018)	(26,156)	(25,211)
	183,441	189,564	179,786
Financed by			
Shareholders' equity	133,381	141,719	138,295
Non-controlling interests	9,765	10,665	9,893
Net debt/(cash)	40,295	37,180	31,598
	183,441	189,564	179,786
Number of shares issued (in million)	4,499	4,499	4,498
PER SHARE DATA			
Basic earnings/(loss) (HK\$)	\$0.85	\$0.86	(\$0.57)
Dividends (HK cents)	78¢	78¢	76¢
Interim	18¢	18¢	17¢
Final	60¢	60¢	59¢
Net assets attributable to shareholders (HK\$)	\$29.6	\$31.5	\$30.7
FINANCIAL INDICATORS			
Dividend payout ratio	91%	91%	N/A
Underlying dividend payout ratio	84%	80%	81%
Net debt to equity	28.1%	24.4%	21.3%
Debt to equity	31.8%	30.0%	25.6%
Interest cover (times)	5	5	4
Return on average shareholders' equity	2.8%	2.8%	N/A

Note:

1. Net assets employed are presented by excluding net debt/cash.

	2019	2018	2017	2016	2015	2014	2013
	8,556	8,181	7,779	7,737	7,751	7,216	6,638
	296	1,227	3,420	5,322	1,197	9,814	2,500
	8,852	9,408	11,199	13,059	8,948	17,030	9,138
	6,325	6,060	5,672	5,710	5,704	5,589	5,326
	162	762	2,238	3,209	844	7,419	1,511
	6,487	6,822	7,910	8,919	6,548	13,008	6,837
	4,474	4,093	5,530	6,341	4,387	10,022	5,050
	1,698	3,985	2,594	(146)	705	1,682	2,162
	6,172	8,078	8,124	6,195	5,092	11,704	7,212
	(3,418)	(3,374)	(3,374)	(3,373)	(3,373)	(3,409)	(3,359)
	2,754	4,704	4,750	2,822	1,719	8,295	3,853
	159,534	136,676	134,444	125,421	129,425	120,137	107,587
	27,602	31,186	21,592	17,282	16,709	25,611	30,478
	5,642	2,442	1,612	2,352	3,830	4,046	5,695
	3,896	3,786	3,832	5,527	2,765	3,439	4,199
	196,674	174,090	161,480	150,582	152,729	153,233	147,959
	(22,495)	(15,606)	(16,521)	(15,680)	(16,355)	(19,078)	(16,134)
	174,179	158,484	144,959	134,902	136,374	134,155	131,825
	138,669	137,561	136,158	126,565	128,989	132,327	124,534
	9,143	6,033	6,087	5,580	5,903	6,676	6,633
	26,367	14,890	2,714	2,757	1,482	(4,848)	658
	174,179	158,484	144,959	134,902	136,374	134,155	131,825
	4,498	4,498	4,498	4,498	4,497	4,485	4,479
	\$1.37	\$1.80	\$1.81	\$1.38	\$1.13	\$2.61	\$1.61
	76¢	75¢	75¢	75¢	75¢	76¢	75¢
	17¢	17¢	17¢	17¢	17¢	17¢	17¢
	59¢	58¢	58¢	58¢	58¢	59¢	58¢
	\$30.8	\$30.6	\$30.3	\$28.1	\$28.7	\$29.5	\$27.8
	55%	42%	42%	54%	66%	29%	47%
	76%	82%	61%	53%	77%	34%	66%
	17.8%	10.4%	1.9%	2.1%	1.1%	0.0%	0.5%
	20.1%	19.0%	17.4%	20.5%	24.3%	25.2%	26.7%
	4	7	11	16	16	24	19
	4.5%	5.9%	6.2%	4.8%	3.9%	9.1%	5.9%

Financial Terms

Finance costs	Total of interest expense on total borrowings and other borrowing costs, net of amount capitalized
Total borrowings	Total of bank loans and other borrowings, net of unamortized other borrowing costs
Net debt	Total borrowings net of cash and deposits with banks
Net profit attributable to shareholders	Profit for the year (after tax) less amounts attributable to non-controlling interests
Underlying net profit attributable to shareholders	Net profit attributable to shareholders excluding changes in fair value of properties net of related income tax and non-controlling interests

Financial Ratios

Basic earnings per share	= $\frac{\text{Net profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$	Debt to equity	= $\frac{\text{Total borrowings}}{\text{Total equity}}$
Net assets attributable to shareholders per share	= $\frac{\text{Shareholders' equity}}{\text{Weighted average number of shares in issue during the year}}$	Net debt to equity	= $\frac{\text{Net debt}}{\text{Total equity}}$
Interest cover	= $\frac{\text{Profit from operations before changes in fair value of properties}}{\text{Finance costs before capitalization less interest income}}$	Payout ratio	= $\frac{\text{Dividends attributable to the year}}{\text{Net profit attributable to shareholders}}$

General Terms

AGM	annual general meeting of the Company
Articles of Association	the articles of association of the Company
Board	board of Directors
Board Member(s)	Director(s) of the Board
CEO	chief executive officer
CFO	chief financial officer
CG Code	Corporate Governance Code contained in Appendix 14 to the Listing Rules
Companies Ordinance	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company	Hang Lung Properties Limited
CRM	customer relationship management
Director(s)	directors of the Company
ERM	enterprise risk management
ESG	environmental, social and governance
ESG Guide	Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Listing Rules
Executive Board Member(s)	executive Director(s) of the Board
Group	the Company and its subsidiaries
HKEX	Hong Kong Exchanges and Clearing Limited
HKSAR	the Hong Kong Special Administrative Region of the People's Republic of China
HLG	Hang Lung Group Limited (the ultimate listed holding company of the Company)
INED(s)	independent non-executive Director(s)
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
NED	non-executive Director
RMB	Renminbi
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Stock Exchange	The Stock Exchange of Hong Kong Limited

Directors

Ronnie C. Chan *GBM (Chair)*

Adriel Chan *(Vice Chair)*

Weber W.P. LO *(Chief Executive Officer)*

Nelson W.L. Yuen*

Dominic C.F. Ho*

Philip N.L. Chen* *(re-designated from Non-Executive Director to Independent Non-Executive Director on January 31, 2023)*

Andrew K.C. Chan *BBS, JP**

H.K. Chang *GBS, JP**

Anita Y.M. Fung *BBS, JP**

Kenneth K.K. Chiu *(Chief Financial Officer)*

* *Independent Non-Executive Director*

Audit Committee

Dominic C.F. Ho *(Chair)*

Andrew K.C. Chan *BBS, JP*

H.K. Chang *GBS, JP*

Anita Y.M. Fung *BBS, JP*

Nomination and Remuneration Committee

Nelson W.L. Yuen *(Chair)*

Dominic C.F. Ho

H.K. Chang *GBS, JP*

Anita Y.M. Fung *BBS, JP*

Authorized Representatives

Weber W.P. Lo

Winnie Ma

Company Secretary

Winnie Ma

Registered Office

28th Floor, Standard Chartered Bank Building

4 Des Voeux Road Central, Hong Kong

Tel: 2879 0111

Fax: 2868 6086

Website: <http://www.hanglung.com>

Email: HLProperties@hanglung.com

Auditor

KPMG

Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

2022

July

Announcement of interim results July 28, 2022

September

Interim dividend paid September 29, 2022

2023

January

Announcement of annual results January 31, 2023

April

Latest time for lodging transfers 4:30 p.m. on April 24, 2023
 (for attending and voting at annual general meeting)

Closure of share register April 25 to 28, 2023
 (for attending and voting at annual general meeting) (both days inclusive)

Annual general meeting 10:00 a.m. on April 28, 2023
 (Details are set out in the notice of annual general meeting accompanying this annual report)

May

Latest time for lodging transfers (for final dividend) 4:30 p.m. on May 4, 2023

Closure of share register (for final dividend) May 5, 2023

Proposed final dividend payable May 19, 2023

212 Listing Information

At December 31, 2022

4,499,260,670 shares listed on The Stock Exchange of Hong Kong Limited

Stock Code

Hong Kong Stock Exchange: 00101

Reuters: 0101.HK

Bloomberg: 101 HK

Board Lot Size (Share)

1,000

American Depositary Receipt (ADR)

Sponsored Level-1 (Over the Counter)

CUSIP Number/Ticker Symbol: 41043M104/HLPPY

ADR to Underlying Share Ratio: 1:5

Depository Bank: The Bank of New York Mellon

Website: <http://www.adrbnymellon.com>

Share Registrar

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East, Wan Chai, Hong Kong

Tel: 2862 8555

Fax: 2865 0990

Investor Relations Contact

Joyce Kwock

Email: ir@hanglung.com

Share Information

	Share Price		Total Trading Volume Number of Shares (‘000)		Share Price		Total Trading Volume Number of Shares (‘000)
	High HK\$	Low HK\$			High HK\$	Low HK\$	
2022				2021			
First quarter	16.37	13.33	206,251	First quarter	22.60	18.88	309,878
Second quarter	16.40	13.14	492,796	Second quarter	22.25	18.84	211,057
Third quarter	14.62	12.47	256,532	Third quarter	22.00	16.80	273,429
Fourth quarter	15.48	9.28	413,041	Fourth quarter	18.68	15.08	267,139
Share Price as at December 31, 2022:			HK\$15.26	Share Price as at December 31, 2021:			HK\$16.04
Market Capitalization as at December 31, 2022:			HK\$68.66 billion	Market Capitalization as at December 31, 2021:			HK\$72.17 billion

STOCK CODE
00101

