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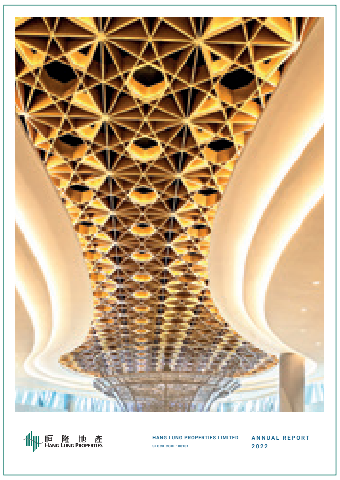
HANG LUNG GROUP

HANG LUNG GROUP LIMITED

STOCK CODE: 00010

ANNUAL REPORT 2022



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**.

Grand Gateway 66, Shanghai

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

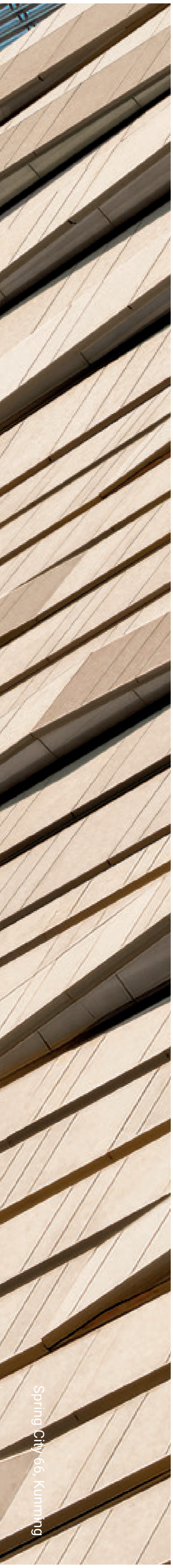
Completed investment properties **>2 million** square meters

Heartland 66, Wuhan

Olympia 66, Dalian

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.



Spring City 66, Kunming

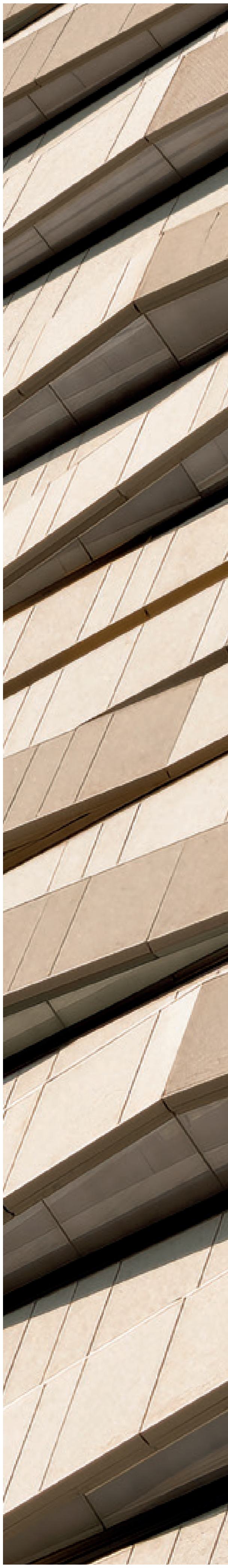
BUILDING SUSTAINABLE FUTURES

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

Corporate Profile

Hang Lung Group Limited (SEHK stock code: 00010) is one of Hong Kong's most established listed companies with more than 60 years of experience in the property development market.

Through our subsidiary Hang Lung Properties Limited (SEHK stock code: 00101), we have cultivated a leading reputation as a top-tier property developer in Hong Kong and on the Mainland with a recognized commitment to customer-centricity and quality. Our substantial Hong Kong portfolio comprises well-planned, large-scale commercial, office, and residential developments for sale and lease in prominent locations.

In the early 1990's, we took a significant step in our expansion by making our first investment on the Mainland. Adhering to an ensuing strategy of developing prime sites in major cities, our Mainland portfolio currently includes two large-scale developments in Shanghai – the commercial, office, and residential complex Grand Gateway 66 and the commercial and office complex Plaza 66 – together with the landmark developments Palace 66 and Forum 66 in Shenyang, Parc 66 in Jinan, Center 66 in Wuxi, Riverside 66 in Tianjin, Olympia 66 in Dalian, Spring City 66 in Kunming, and Heartland 66 in Wuhan. We are continuing to build on these successes by establishing another world-class development named Westlake 66 in Hangzhou.

With solid growth and an expanded footprint, we recognize our increased impacts on the environment and communities in which we operate, as well as our responsibilities and obligations to future generations. Further to our outlined 2030 Sustainability Goals and Targets, we 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 ambition to become one of the most sustainable real estate companies in the world.

Together with our subsidiary Hang Lung Properties, **We Do It Well**.

Our Vision

We create compelling spaces that enrich lives

Our Mission

We pursue sustainable growth by connecting our customers and communities

Our Values

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

Integrity
Sustainability
Excellence
Openness

Financial Highlights

Results

in HK$ Million (unless otherwise stated)

	2022			2021		
	Property Leasing	Property Sales	Total	Property Leasing	Property Sales	Total
Revenue	10,625	316	10,941	10,919	–	10,919
– Mainland China	7,218	–	7,218	7,402	–	7,402
– Hong Kong	3,407	316	3,723	3,517	–	3,517
Operating profit/(loss)	7,596	87	7,683	7,898	(91)	7,807
– Mainland China	4,886	(51)	4,835	5,020	(38)	4,982
– Hong Kong	2,710	138	2,848	2,878	(53)	2,825
Underlying net profit/(loss) attributable to shareholders	2,964	38	3,002	3,029	(38)	2,991
Net decrease in fair value of properties attributable to shareholders	(284)	–	(284)	(402)	–	(402)
Net profit/(loss) attributable to shareholders	2,680	38	2,718	2,627	(38)	2,589

	At December 31, 2022	At December 31, 2021
Shareholders' equity	92,819	95,842
Net assets attributable to shareholders per share (HK$)	$68.2	$70.4

Earnings and Dividends (HK$)

	2022	2021
Earnings per share		
– Based on underlying net profit attributable to shareholders	$2.20	$2.20
– Based on net profit attributable to shareholders	$2.00	$1.90
Dividends per share	$0.86	$0.86
– Interim	$0.21	$0.21
– Final	$0.65	$0.65

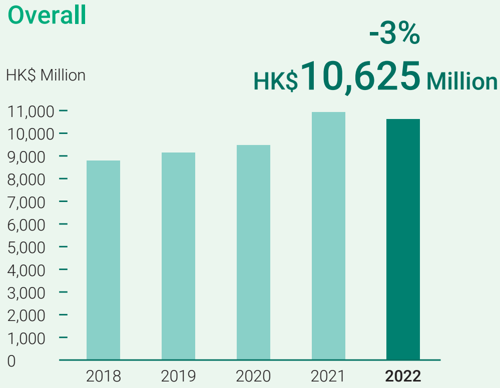
Financial Ratios

	2022	2021
Payout ratio (based on net profit attributable to shareholders)		
– Total	43%	45%
– Property leasing	44%	45%
– Property leasing (after deducting amount of interest capitalized)	52%	53%
Payout ratio (based on underlying net profit attributable to shareholders)		
– Total	39%	39%
– Property leasing	40%	39%
– Property leasing (after deducting amount of interest capitalized)	46%	45%

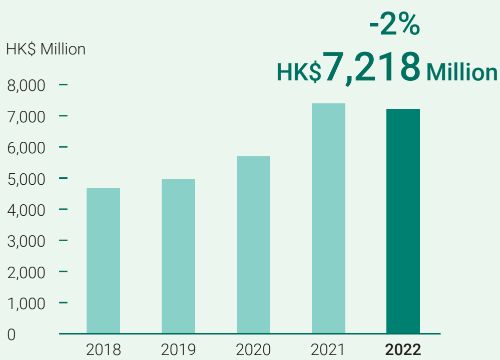
	At December 31, 2022	At December 31, 2021
Net debt to equity ratio	25.9%	22.3%
Debt to equity ratio	29.6%	27.9%

Property Leasing Revenue

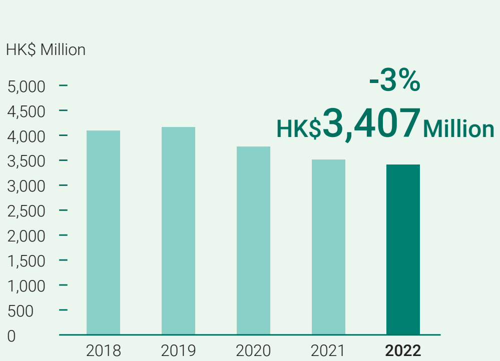
Overall



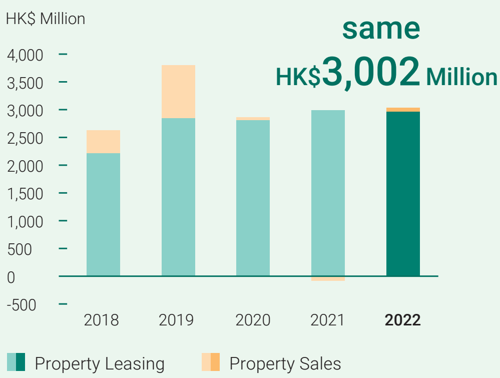
Mainland China



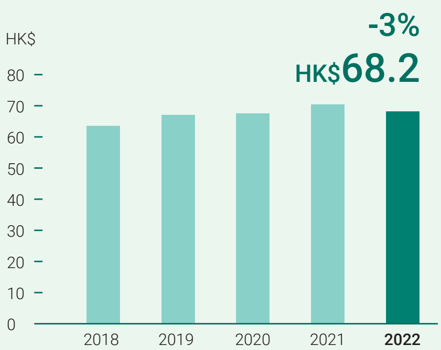
Hong Kong



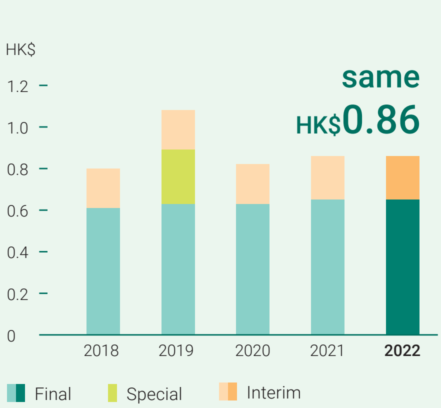
Underlying Net Profit



Net Assets Attributable to Shareholders per Share



Dividends per Share



Ronnie C. Chan
Chair

Results and Dividend

For the year ended December 31, 2022, overall revenue remained stable at HK$10,941 million. Amid the depreciation of the Renminbi (RMB) since the second quarter of 2022 and the challenging environment brought by COVID-19 both on the Mainland and in Hong Kong, rental revenue dropped slightly by 3% to HK$10,625 million.

Underlying net profit attributable to shareholders was largely the same as in 2021 at HK$3,002 million after excluding all the effects of property revaluation. Underlying earnings per share amounted to HK$2.20.

Net profit attributable to shareholders, after considering all the effects of property revaluation, rose by 5% to HK$2,718 million. Earnings per share increased correspondingly to HK$2.00.

The Board recommends a final dividend of HK65 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 HK86 cents.

Business Review

2022 was one of the most peculiar years I have seen for the Chinese economy and our business. Despite being two years into the pandemic, it would have been hard-pressed to imagine at the beginning of the year what we had to endure in the year that followed. Because of the pandemic controls, two things ensued.

The first was the complete shuttering of all malls in Shanghai for two months. That took place in April and May. The second was that, throughout the year and particularly in the second half, infection cases popped up sporadically across the country, which was invariably met with the curbing of retail activities to varying degrees. In some ways, the second six months of the year were more difficult to handle for mall operators like us.

In light of such uncertainties and difficulties, our set of results should be considered rather satisfactory. We have yet to know how our competitors had fared last year. I assume many of them had struggled. (Many years ago, we decided to always be the first or among the first to announce our results. It is a matter of good governance.) The question is: Why did we do relatively well in such a tumultuous climate? I believe there are both strategic as well as operational reasons.

Strategically, we have decided almost two decades ago to concentrate only on the top end of the retail mall business. While general merchandise consumption can easily shift to online shopping, the luxury sector is much less affected. However, developing and managing a top-end mall is a completely different ballgame than doing likewise for the masses. So far, only about half a dozen developers-cum-owners have succeeded. During the pandemic when people preferred to or were compelled to stay at home, luxury sales plummeted. For luxury products, seeing, touching, feeling, and actual fitting are still almost a prerequisite before buying. So, during the pandemic, whenever there was a relaxation of quarantine rules, which came intermittently, such shoppers rushed out to buy. As they had no way of knowing when the next opportunity would return, they only visited the best stores in town for the brands of their choice. Given our premier market position in almost every city where we have such malls, we probably benefitted much more than others.

This brings me back to two strategic issues that I have communicated in these letters in years past. Our respect for what I termed the five-point luxury retail real estate genetics is absolutely critical. To excel in this business, a mall must have an excellent location, an acceptable development brief, be of sufficient size, be properly designed, and be well built. We abide by these religiously.

A second strategic point relates to market competitiveness. In all mainland Chinese cities outside Shanghai and Beijing, only one, two, or at most three stores of any luxury brand can be sustained. (As the economy further grows, perhaps one day a fourth store can be opened in tier-1.5 cities such as Hangzhou and Chengdu.) And if there are more than one top-end mall, then shopping dollars will disproportionately flow to the market leader. The gap between the top-ranking mall and the second is usually quite large. This is why we always strive to be the number one in each city we operate, and have succeeded in almost all cases so far.

For these strategic considerations, I refer my readers to my previous letters on this topic, such as those in the 2021 Annual Report and 2019 Interim Report of Hang Lung Properties. These can be found on our website.

Operationally, our team has also done well to ensure respectable performance in last year's challenging environment. Here, I can cite several management initiatives of the past few years that have contributed to this. Whereas no one can say that we could have foreseen the unique troubles we encountered, consistently doing things right and always taking advantage of opportunities to strengthen ourselves will likely prepare us well for rainy days. And 2022 saw a lot of rainy days!

Olympia 66, Dalian

For example, during the six to seven years of bear market that ended in 2017-2018, we launched a consequential Asset Enhancement Initiative (AEI) at our two oldest developments in Shanghai. By the time the pandemic arrived in late January 2020, they were in tip-top shape. The design was improved and the systems were upgraded. It made our products more appealing to shoppers, more attractive to tenants, and in time, more cost-effective to the Company. When times are tough, we would have fewer items that would break down, without creating additional stress to Management. As a result, the AEIs brought both long- as well as short-term benefits.

Management has also been hard at work upgrading our properties that were completed during the long market lull. Built as luxury facilities, we had to initially fill these with sub-luxury brands because the top fashion houses froze their expansion plans until 2018. Once things relaxed, Center 66 in Wuxi was the first to benefit, followed by Olympia 66 in Dalian. Around the same time, we also upgraded our oldest property, Grand Gateway 66 in Shanghai, from four-star to

Spring City 66, Kunming

Heartland 66, Wuhan

five-star. Together with the two latest additions of Spring City 66 in Kunming (opened in 2019) and Heartland 66 in Wuhan (opened in 2021), and our two earliest luxury malls, Plaza 66 in Shanghai and Forum 66 in Shenyang, these seven malls have kept our revenue and profit healthy throughout the pandemic years, including 2022.

As I have written before, the more luxurious a brand, the more rent it can pay given its higher profit margin, which is why we always strive to attract such names to our malls. Let us consider say the 25 or so of the most desirable top brands. During the three years from December 2019 to December 2022, we have doubled the number across our seven properties aforementioned, with sales nearly tripled in the same period. This, I suspect, is a unique experience that stands out among almost all owners of retail space. It would not surprise me if today we have a higher concentration of such tenants than any operator in mainland China, which is the world's biggest market for luxury goods. It is also the fastest-growing sizable market anywhere.

Another reason for a somewhat satisfactory 2022 was the success achieved in our office portfolio. From day one we had no delusions that this product type would be financially high-yielding. It has always been ancillary and complementary to our shopping mall business. Oversupply is serious, and only slightly better in Shanghai and Beijing. I know of non-Mainland players exiting the market because of their inability to make money in this sector.

So why did we do well when most others did not? In the past, I have written about this at length so I will not belabor it here. Suffice to summarize it this way: outside Beijing and Shanghai, there are hardly any truly Class A office towers. There must be some demand for it. The market is not yet big but will likely grow over time. Given that, developing world-class office towers in economically strong tier-two cities should be an acceptable endeavor. That was the strategy we proclaimed more than 15 years ago, and which we have implemented since. The outcomes are exactly as we have expected.

Our efforts were based on the success we achieved in Shanghai, where we built four skyscrapers, two each in Plaza 66 and Grand Gateway 66. (We later sold one block at Grand Gateway 66 to a then joint venture partner.) The huge tower in Forum 66 in Shenyang also did acceptably well at over 90% occupancy. More recently, we erected four more buildings — two in Center 66 in Wuxi and one each in Spring City 66 in Kunming and Heartland 66 in Wuhan. Leasing continued during the pandemic, and all performed reasonably well. Overall occupancy is moving ever closer to 90%; even Heartland 66 in Wuhan, inaugurated in November 2020 during the worst time of the public health threat, is now almost three-quarters full.

Center 66, Wuxi


Grand Gateway 66, Shanghai

In the past few years, average rental revenue growth from this product type has been robust. Even last year, it rose by 9%. When taking all eight office towers as a group, this makes it our second largest rent contributor to the entire Mainland rental portfolio behind only Plaza 66 in Shanghai. Since 2021, we have collected more office rent on the Mainland than in Hong Kong.

Before leaving the subject of why we did reasonably well last year, I should mention one more point — our corporate culture. While this is not an operational matter, it does affect our operations at critical times. Consider the two-month closure of our two Shanghai malls last year when a good number of our staff could not leave our properties at all. Or consider the danger our Wuhan colleagues faced when the pandemic was first reported in early 2020. A caring organization like ours that engenders staff loyalty became a critical factor. The fidelity and solidarity of our colleagues are both admirable. For that, I am thankful.

Prospects

Provided that nothing exceptional happens, as we saw in the past three years and especially in 2022, this coming year would have the potential to become a rather rewarding one. Obviously, it is too early to tell, but, objectively analyzing the situation, there is that possibility. Lunar New Year is always an auspicious time for consumption, which usually falls between the last week of January and the first half of February. It came particularly early this year, with Lunar New Year's Day falling on January 22. Consequently, looking at our January results alone can be misleading. We always take the numbers of the first two months together for comparison purposes. 2021 was a record year for us, and last year was an anomaly. With this in mind, we should compare this year's results with those of both 2021 and 2022.

For our business, risks can come from three sources — from within the company, the domestic environment, and the international arena. The one that concerns me the least is our internal operations. We have robust internal control systems and are reasonably lowly geared. Management is cautious in decision-making, especially regarding major capital expenditures. And I dare say that our Board of Directors is likely one of the most vigorous in our business in this part of the world. The chances of hugely untoward circumstances that would affect our internal operations, while obviously not zero, is very low.

Like businesses anywhere in the world, the second risk area is always the domestic economic and social environment. Hong Kong, our home base, is undoubtedly the freest of all significant economies in the world. This holds true even to this day, and I expect that to continue into the foreseeable future.

That constant is critical, but for real estate practitioners, the local market is undergoing fundamental changes. Since Hong Kong's economy took off about 50 years ago, land shortage and therefore high property prices became the norm. It was almost a one-way bet for local developers. Provided that one was cautious in avoiding periodic market backlashes, those who had confidence in Hong Kong's economy and housing sector could not but win. However, things are now changing. For reasons I have previously explained and will not repeat here, land supply will, for the first time, become sufficient. Housing will become commoditized.

Because we have hardly played in this space in the past 20 years, it is of no direct concern to us. We only develop luxury residential which is expected to remain strong, partly due to the anticipated arrival of more Mainland wealthy, but this sector in absolute size is small.

Whatever the case, approximately one-third of our rental revenue is still derived from Hong Kong commercial properties. Future income levels will depend on the vibrancy of our economy. It seems quite clear to me that our city must undergo major changes to remain competitive. Some industries like tourism must be revived and strengthened after the pandemic. This would not only help our retail business greatly but also create jobs. Real estate, including construction, will, as explained above, remain significant, although price growth will be moderated. International trade and logistics are always important, but as we shall later see, may have reached its peak. Given the present terrible China-U.S. relations, there is a fair chance of these shrinking in the years to come.

Examining these traditional industries one by one, a legitimate question emerges: Where would economic increase come from? Somehow, our city must find new impetus for growth. Two directions to look seem obvious — mainland China and technology.

The Mainland market is clearly massive compared to our own. Now relatively advanced compared to only two decades ago, her economy is teeming with opportunities. Reasons for not taking advantage of these are all but excuses. People who do not embrace these opportunities, especially those of the younger generation, probably do not deserve to succeed. I know of many from North America, Europe, and even Africa who have established thriving careers or businesses there. Why not Hong Kong's youths!?

Moreover, Hong Kong's population has been constantly changing. In the 1950's, besides the British, our elites were mostly Shanghainese. By the 1970's, they were replaced by local Cantonese. Beginning in the 1990's, there are increasing numbers of Putonghua speakers on our streets. 30 years ago, you would find them mostly in poorer communities far away from Central District. For those who know Hong Kong Island, that would be the likes of Shau Kei Wan in the east end of the island. 20 years ago, they inhabited North Point, Causeway Bay, and Wan Chai on the outskirts of downtown. In the past decade, however, you can find many in Central, most of whom occupy high-paying jobs. Just dress well and walk inside a luxury store in Central. The saleslady will speak to you in Putonghua, as my wife and I have experienced. For once, we felt that we must be rich!

Such higher income bracket "New HongKongers" are either well-educated overseas or are the wealthy from the Mainland. The number has been growing consistently and represents a new impetus for our economic growth. Before the National Security Law (NSL) of June 2020, those who were anti-Beijing and anti-Hong Kong government tended to also dislike these new immigrants. The only real distinction between the two groups was that some moved here from the same place (the Mainland) a few decades earlier. It is simply foolish of any Hong Kong person to discriminate against those who have followed the same footsteps. Frankly, many of them are better educated and wealthier than the average Hong Kong citizen. These new additions to our society are already quietly providing an important source of economic vitality to our city. For us not to recognize this shows our ignorance. For us not to understand their continued contributions to our economy means we are blind. Instead, we should embrace them for our common good.

Technology investments in Hong Kong are also slowly gaining ground. We always have competent science and engineering faculties at our universities. Commercialization of research results lagged behind. One reason is that we lacked success models. Nothing inspires our society, our youths, and other scientists more than seeing a few young scientists successfully turning the fruits of their labor into billion-dollar enterprises. Goodness knows how many tech entrepreneurs have been inspired by one person, like Bill Gates. In mainland China, there are many such role models, but the same is almost non-existent in Hong Kong. Partly because of the lack of land which translates into high prices in the production of gadgets, the few young and successful founders of tech companies had to relocate to Shenzhen to turn their passion into a viable business. There are some indications that this may be changing.

Another reason for our previous lack of high-tech enterprises was that Hong Kong's market was small. But now that we are becoming economically integrated with China, this limitation is removed. Since 1997, the emphasis on politics on the parts of some had stymied our economic integration with the huge market up north. Yet the past 20 to 30 years were exactly the time when Mainland's tech industry took off. It is high time that we should join the game.

Today, Hong Kong is also facing a serious external threat. It is an existential question for this city. From the time the city became a British colony in 1841 until the 2019 riots and the subsequent NSL the following year, it has always been accepted as part of the global economic system, and a significant one at that. First, that status was established because the then colonial master, the U.K., was part of that system. Second, after 1997, the world accepted the One-Country-Two-Systems construct guaranteed by the Basic Law. Things however began to change in recent years as China-U.S. relations continued to deteriorate, a point I will briefly return to when discussing the future of business on the Mainland. Hurting Hong Kong is a way to get at Beijing.

At the present moment, there is a powerful force led by the U.S. to push Hong Kong toward Beijing. Facts notwithstanding, it clearly wants to deny the One-Country-Two-Systems construct and practice. In politics, truth is less important than political expediency. With the international press planted firmly in one ideological camp, and unwilling to accept nuance, what they say becomes the "truth." Perception becomes "reality."

The idea is to decouple Hong Kong from much of the Western world, as is already happening to mainland China. Academic and scientific exchanges can be impinged. Next comes the movement of certain goods and then people. If possible, even capital flow can be disrupted. The only protection therefrom is that some of these actions will hurt the West as much. To believe that Hong Kong in the near future can remain as free as before in its relations to the outside world is perhaps unrealistic. Only those who are unaware of cross-border forces at play will think that way. Hong Kong, and indeed Beijing, would do well to think through such issues, existing or potential, as they relate to Hong Kong, and take appropriate actions to preserve our economy and livelihood.

The world has always been a cruel place. Since World War II (WWII), Hong Kong has fortunately been spared much of the pain. When tragedies took place in far-away places, they do not concern us as much, but now Hong Kong needs to rethink to survive, if not thrive.

Under British rule, Hong Kong was primarily an economic city. Only the colonial master was allowed to touch politics. Consequently, the city thrived commercially. Right before the U.K. was forced to leave, London skillfully opened the door of local politics that has plagued us since. The NSL is a necessary step to enable us to return to economics. Yet at the same time, the West is dragging Hong Kong into international politics, namely, China-U.S. relations. Such is the reality facing this city. The jury is still out as far as our future is concerned, and I have my worries.

For Hang Lung, we have had limited new investments in Hong Kong for the past 20 years or so. However, this is still our headquarters, and we have no intention of leaving. Our recent investment to increase our stake in Citygate by the airport is a demonstration of that decision.

Since two-thirds of our rental revenue is derived from the Mainland and growing, what happens there is of tremendous significance to us. China's Reform and Opening-Up Policy is entering its 45th year. While its overall success cannot be disputed, such as lifting hundreds of millions out of poverty, it has also faced immense challenges. The years between 1989 and 1992 were a particularly difficult time. It was until the will of one man, Mr. Deng Xiaoping, who turned the ship around in early 1992 when he took the famous Southern Tour to resuscitate the reform effort. In fact, it was that act and its results that convinced us to try investing in the Mainland. At the end of that year, we purchased our first piece of land in Shanghai which is now Grand Gateway 66.

Today China is facing a different challenge. 30 years ago, the issues then were ideological and domestic; today, the problems are economic and geopolitical. Frankly, what is confronting China today has never been seen before.

On the economic front, there are three key issues at play. First, the way China chose to fight the pandemic turned out to be extremely costly. Ultimately, even the Beijing government, which had tremendous financial resources, succumbed to the pressure and had to give up the fight. The rest of the world had already long capitulated to the virus. China was just the last bastion to fall. To save lives is indeed admirable, but perhaps at final analysis, death of a small portion of the population, especially of the old, is a way nature balances things out. If humankind does not accept it, then nature will hit back somehow. Today everywhere we are witnessing the stunting of the intellectual and social development of children by virtue of closing schools for a protracted period of time, escalating mental illness among adults, and causing economic pain for all. How serious and long-lasting are their effects to society? There can be no conclusions yet; such are subjects for many doctoral dissertations. It will take many decades before we would know the answer.

The economic cost to China in fighting COVID-19 will take many years to recover. Yet, there are two more big-ticket items unfolding around the same time. While China can probably handle any one or two of these problems, all three occurring simultaneously will place the economy under significant strain.

The second economic trouble relates to the bursting of the housing bubble. The timing could not have been worse, but the problem has been long in the making. Briefly repeating what I have previously written, this problem on its own is a manageable one. China has overcome similar difficulties more than once in the past 25 years or so. With the help from state-owned enterprises, Beijing will ensure that the process of financially unwinding is orderly. There is no reason to believe otherwise today. While many concentrate on how to financially resolve the problem, as I have also written before, a more interesting question is what the future shape of the residential market would be. What has to change?

The first thing that needs adjusting must be the mindset of the developers. It can no longer be a game of size and speed. Market participants will have to be far more wise than brave. Their old model, which I repeatedly reminded everyone, was unsustainable. I believed it would implode, and implode it did. The old business model created many companies whose size (calculated, say, by annual sales in money or square meter terms) had ballooned beyond measure. They easily ranked among the biggest in the world. That game is over. Some Chinese developers will still be humongous, but they must not be half as highly geared as before.

Almost a decade ago, it was customary for many Mainland developers to get into what they called tourism real estate, culture real estate, and senior citizen real estate. All were reasonable activities, but none was that large on its own when compared with the regular housing market. Their enthusiasm in such sectors told me that the huge regular residential sector could no longer produce profits as before. Consequently, they had to get into much smaller niche markets where profitability has yet to be proven. Not a good sign if I were a market participant. Thank goodness that we were not!

Many even became excited about publicly listing their housing management companies on the stock market. While a legitimate business, it is by nature very different from their main activity of buying land, developing apartments, and selling them. There was such a frenzy whipped up by them and their investment bankers. Yet, in terms of profitability, such an auxiliary service enterprise cannot compare to developing housing units for sale. Again, this was a sign to me that this mega cycle of building housing projects, which lasted around 30 years, was about to end. And end it did.

At a large annual public forum on real estate held on the Mainland last summer, I advised local developers to perhaps consider the option of leaving the housing market for good. I questioned whether anyone took my word seriously. Regardless, since that time, I am sure that a good number in my audience has been forced to walk away from the market, many with financial scars. Since many of them are still relatively young, applying their entrepreneurship skills to other industries may give them a better chance of success. I can only wish them well.

That said, there will always be a housing market, especially given the exceptionally large population size and the country's continued urbanization. There will always be first-time home buyers as well as those trading up. Whether future demand will be as strong as the past remains to be seen. But in the shorter term, say of the next two to three years, the lack of land sales today, and so the coming shortage of completed apartments, may help price recovery somewhat.

There is yet another alternative for home developers, which has been discussed at length. Some have even acted on it; namely, to transition into commercial developers and even owners. In the past decade or so, many have tried, but few have succeeded. One developer even publicly said that he wanted his company to emulate Hang Lung. I could have told him then that he would not succeed. Indeed, he did not, for he could not adopt our mindset, which is necessary to not only develop but also own and manage luxury properties. Longfor Properties is one of the few who has successfully made the transition. They have built up a profitable retail rental property portfolio, albeit not of the luxury kind.

The reason so few have succeeded in this area is not difficult to understand. To become a developer of high-end malls requires a tremendous amount of expertise and financial resources. Years ago, many home builders had plenty of the latter but little of the former. Today, the same people may lack both. Moreover, a certain long-term mindset is necessary to acquire the needed expertise. Few can make the leap from a build-to-sell mentality to one of build-to-hold, and it is particularly challenging if they want to play in the luxury sector. It is easy for any of us to overestimate our own abilities and underestimate the actual difficulties.

The sad fact remains that many developers will not survive the present systemic market downturn. Their failure is not only a personal tragedy but also a toll on society. They and their shareholders may lose all or a substantial part of their equity. Bondholders will have to take a hair-cut, while the banks will likely be left holding the bag when the Titanic sinks. State-owned enterprises may have to be summoned to reluctantly complete their projects. Depending on the entry price, they may or may not make much money. But for their efforts, most notably averting social unrest that may result if purchased flats are not delivered to buyers reasonably on time and with passable quality, the government may reward them in due course. Such, I understand, is how the game is played.

On top of the costs associated with COVID-19 expenses and the housing market related impacts on the economy, there is also the issue of the Internet platform entities and educational institutions. The biggest damage it did to the economy was probably the perceived unpredictability of government policies, which introduced much uncertainty. It scared the business community whose reaction will likely be inaction. This lack of confidence, coupled with the actual economic issues mentioned earlier, will take time to reverse.

The third area of risk arises from the international arena, impacts of which have already been felt by many. I have previously written about the likelihood of preserving the supply chain ecosystem on Chinese soil, with the exception of certain strategic products. This should still be true. However, it does not mean that China can enjoy the good times she has had before. Those goods that can be manufactured elsewhere may be the first to go. End-product buyers may only order from factories outside China. One possibility is that product design may originate from the West, prototyping will be conducted in China, such as in the Greater Bay Area (GBA, roughly the same industrial chain as the Pearl River Delta but bigger), while the ultimate assembly may be completed outside China. For most goods, this may occur in places like Vietnam; for higher-end products, this may even be done in the U.S. or Western Europe.

Economically speaking, this is a lose-lose proposition. China will stand to lose many jobs. Even though the country, like many places, is short of labor, the employment of masses of less-skilled factory workers helps keep society peaceful. People who have stable jobs are less likely to cause trouble for themselves and the community. Retraining and re-employing this horde will not be easy, for the number is large.

Notwithstanding possible cost savings from cheaper labor costs outside China, the entire endeavor must be rather inflationary. Inefficiencies will rise, for there is no other place on earth that has a more complete set of production engineers and skilled workers than those in Southern China. Extra time, material wastage, and higher defect rates will all be eventually passed on to the end user. The more complicated logistics will mean increased periodic disruptions of supplies. Some of these costs may be absorbed along the supply chain, but it is unlikely to be all. Buyers including end consumers in Western countries will have to pay more, even though they can barely afford the extra inflationary pressure. In other words, the whole world will suffer, beginning with China. How she will cope will tax the wisdom of her leaders.

In my many years in business, I have yet to see a time like today that is so fraught with risks, some of which my generation has never seen. Consequently, I have devoted most of this letter to analyzing old and new risk factors. They are primarily outside our Company's purview, and I consider them eminent dangers. Since we cannot control what is external to us, all we can do to partially mitigate these risks is to prepare ourselves wisely and watchfully. Chief among these measures is to tighten our internal control systems, not to overborrow, and not to make serious capital expenditure mistakes. This is why we have remained cautious.

There must still be opportunities even during tough times. Conceptually, the two best countries to invest in must be China and the U.S. Their economies are huge, being the top two economies in the world. They are also both multifaceted. But even more significant is the belief that, domestic social problems notwithstanding, relatively speaking both countries will likely be politically stable.

Given the extremely troubling relationship between the two biggest nations, the world will inevitably be torn apart. As much as most countries prefer not to choose sides, the U.S. is compelling them to do so. As such, cross-border businesses will likely be challenging. Since we are located in the Asia Pacific, engaging in primarily domestic business in China has become our only choice.

I am gratified that our chosen sector — luxury retail rental — must be among the better ones. To use the term recently coined by Chinese leaders, we are part of the internal circulation of the dual circulation. Since economic opening 40-some years ago, the country relied heavily on external circulation such as foreign capital and expertise. It is now being rebalanced. Domestic consumption will become more important than ever.

For now, the luxury end of our retail mall operations should be the best place to be in. But if domestic and/or international troubles arise, it is possible that the wealthy will buy less. We are not at that point yet, but we should be cognizant of that remote possibility.

In Hong Kong, I am hopeful that we have passed the trough. With pandemic control measures being mostly removed as the virus seems to be receding, the streets are again full of people. Tourists are returning. Rents from our retail shops should do better this year, but I am less sanguine about the office market.

On the Mainland, we have had a reasonably good beginning this year. It will take some time to determine if it will last. Events domestic and international are both evolving very fast, and we have to remain watchful.

I hold out hope that 2023 will be a good year.

Ronnie C. Chan
Chair
Hong Kong, January 31, 2023

Vice Chair's Notes

Adriel Chan
Vice Chair

Thank you for your continued support of Hang Lung Group. 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.

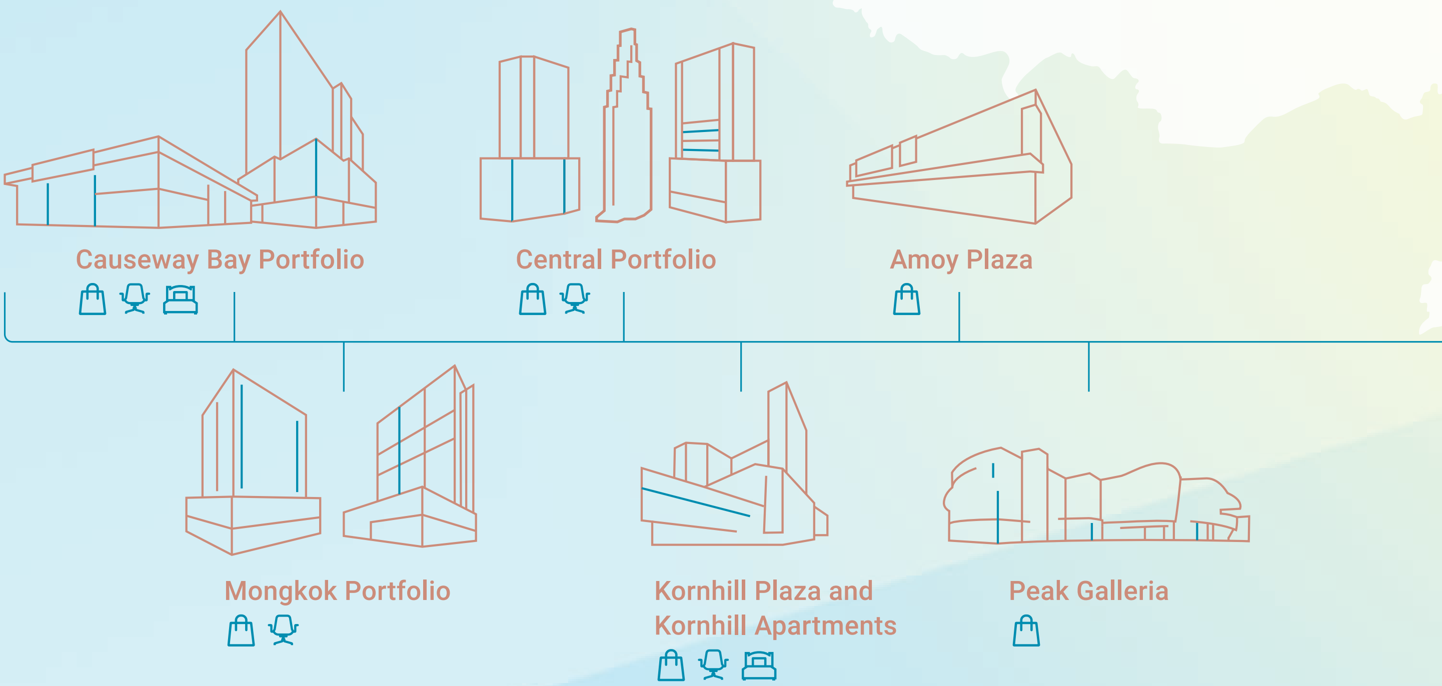
Besides the typical outcomes expected of an industry forum, Hang Lung and LVMH wanted a more concrete next step. As such, we took the recommendations from the Forum, combined them with key elements of our agreement, and will be issuing a Common Charter for sustainability in March 2023 outlining our commitments 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




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

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

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 close to 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)

Luxury Malls ↓1%

Sub-luxury Malls ↓4%

Offices ↑9%

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

Completed Investment Properties 2.36 million square meters*

Properties under Development 1.03 million square meters#

* For a detailed breakdown of gross floor area of our completed investment properties, please refer to table "C. Major Investment Properties" on page 69

\# For a detailed breakdown of gross floor area of our properties under development, please refer to table "A. Major Properties under Development" on page 66

Plaza 66, Shanghai

Shopping Mall

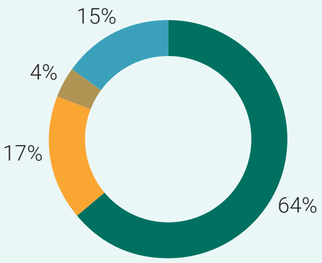
The jewel in the crown of our portfolio had a bit of a setback in 2022 as pandemic containment measures in Shanghai and across much of mainland China hampered spending by the Chinese elite, negatively impacting rental revenue and tenant sales. Nevertheless, Plaza 66 maintained full occupancy with more 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)

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



Occupancy Rate

	Retail	Office
Occupancy Rate	100%	96%

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

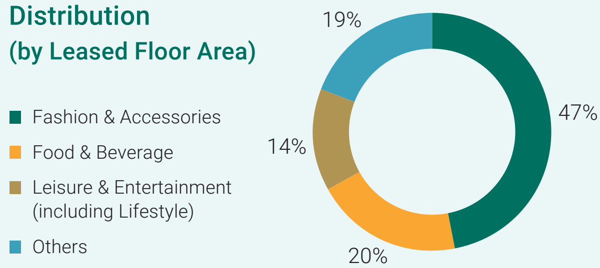
Shopping Mall

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.

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

Retail Segment Distribution (by Leased Floor Area)



Occupancy Rate

Retail	Office	Residential & Serviced Apartments
99%	97%	90%

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

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.

Office Tower

Rental revenue for the Grade A office tower has proven to be more resilient, with growth recorded for five consecutive years. Liquid Advertising, an existing tenant, expanded their presence in the building and took up additional space that had been surrendered by educational businesses. Lease renewals concluded with companies including BBDO and Westrock.

In 2023, efforts will be placed on tenant retention as competition heats up in the popular Xujiahui area. New prospects are being sought in the business services, consumer goods, and TMT sectors.

Residential and Serviced Apartments

Offering more than 600 furnished apartments and first-class leisure facilities, the property started the year on a strong note before Shanghai's tightened pandemic containment measures stifled demand from within and outside of mainland China. Occupancy bounced back strongly from June as the measures relaxed and the units remain popular with expatriates, wealthy Chinese families and multinational companies. In 2023, the property will continue to tap on local demands, with flexible pricing options being offered to corporate clients to capture additional short-stay business and to increase rental revenue.

Palace 66, Shenyang

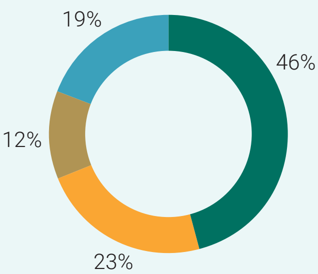
The shopping center had a challenging year as COVID-19 led to a 25-day closure in early spring, sapped consumer confidence and curbed travel. Nevertheless, the shopping center took the opportunity to solidify its tenant mix with % Arabica, Descente, chuu, K-Swiss, orchirly and OVV joining the likes of 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.

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.

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

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

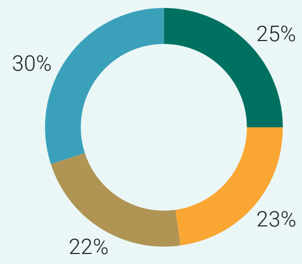
Northeast China's tallest building boasts a strong tenant mix from the worlds of banking, manufacturing, professional services, TMT and finance, providing a strong and solid base. Softening demand for office space and aggressive discounting by rivals weighed on rental income and occupancy at Forum 66 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.

Retail Segment Distribution (by Leased Floor Area)



Occupancy Rate

Retail	87%
Office	91%

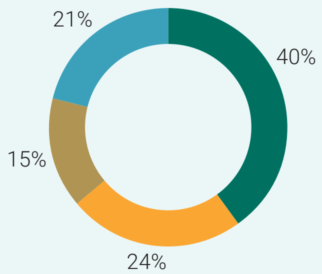
Number of shopping mall tenants (at year-end): 137

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.

Retail Segment Distribution (by Leased Floor Area)



Occupancy Rate

Retail 90%

Number of shopping mall tenants
(at year-end)

332

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.

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.

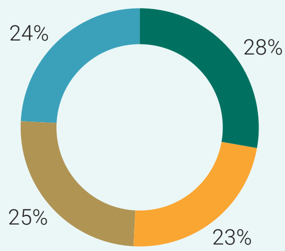
Office Towers

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)

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



	Retail	Office
Occupancy Rate	99%	85%

Number of shopping mall tenants (at year-end): 218

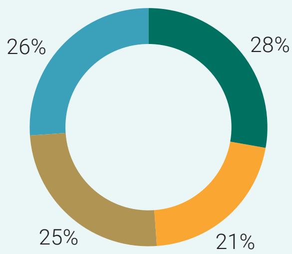
Riverside 66 in Tianjin turns into a social media-worthy hotspot during the summer. Different activities are held on the weekends for customers to relax

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 Sisyphe 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

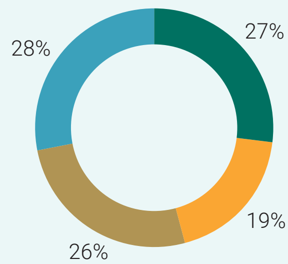
Despite a 6% drop in average daily footfall due to successive waves of the pandemic, rental revenue and associated tenant sales surged as the mall continued its transformation from a lifestyle shopping hub to a regional luxury landmark. Rental revenue was up 40% on the previous year, and tenant sales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

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

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

Spring City 66, Kunming

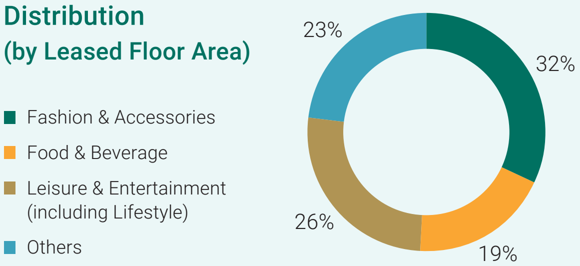
Shopping Mall

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

Retail Segment Distribution (by Leased Floor Area)



Occupancy Rate

Retail 95%

Office 88%

Number of shopping mall tenants
(at year-end)

297

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.

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.

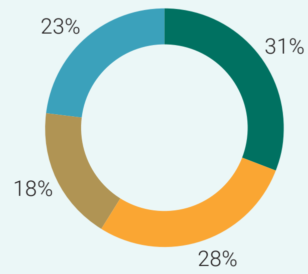
First anniversary celebrations took place over three days in May, setting a new record for daily tenant sales, and included a lightshow on the Yangtze River. New initiatives planned for this year include the introduction of a lounge area for top-tier members of HOUSE 66 as well as a new themed zone in 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

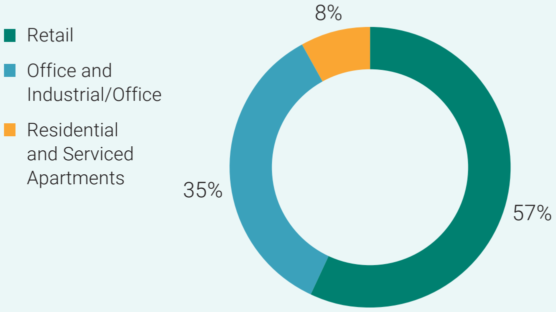
Main usage
Retail, office, apartments for sale

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.

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



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.

Hong Kong Property Leasing Continued to Demonstrate Resilience

Tenant Sales

Stay flat
Year-on-year

Retail

Occupancy Rate#
98%

Offices and Industrial/Office

Occupancy Rate#
90%

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.

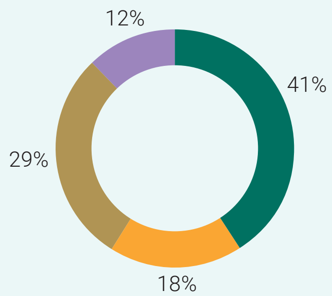
Causeway Bay Portfolio

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)

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



Occupancy Rate

Retail	Office	Residential & Serviced Apartments
98%	90%	77%

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

The Central Portfolio is a hub of fine-dining establishments

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.

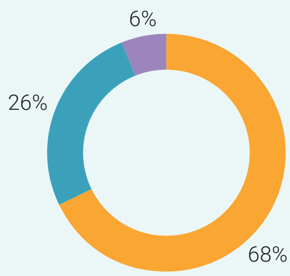
Office rents at the nearby Hang Lung Centre, a building that's popular among leading operators in the medical, beauty and wellness sectors, held fairly stable in 2022 as occupancy improved. Keen competition for tenants is likely to pressure market rates this year and flexible packages will be offered 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.

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)

- Food & Beverage
- Bank
- Others



Occupancy Rate	Retail 78%	Office 84%
Number of shopping mall tenants (at year-end)	11	

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.

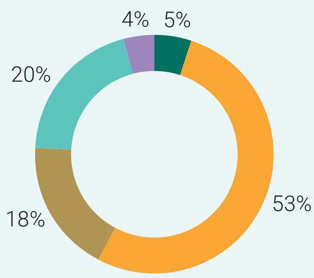
With overseas visitors still in short supply, Peak Galleria will keep seeking to draw in local consumers by strengthening its food and drink offering as well as adding more lifestyle and experiential brands. By refining the tenant mix, the mall will solidify its reputation for unique offerings and the 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.

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.

Retail Segment Distribution (by Leased Floor Area)



Occupancy Rate
Retail
96%

Number of shopping mall tenants (at year-end)
47

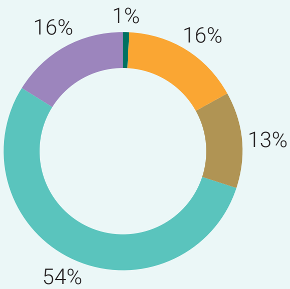
Kornhill Plaza and Kornhill Apartments

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	Office	Residential & Serviced Apartments
100%	94%	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.

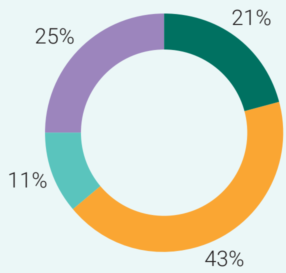
Mongkok Portfolio

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 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)



Occupancy Rate

Retail 100%

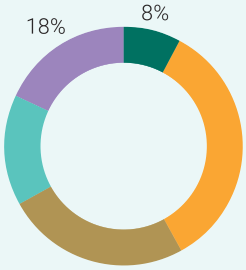
Office 93%

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

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 subsidiary, Hang Lung Properties, 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

Hong Kong Property Sales and Development

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

Outlook

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

On the Mainland, after the turbulence brought from the surge in COVID-19 cases in December, our leasing portfolio is expected to reach new heights and continue its growth momentum. 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 benefit as the Mainland relaxes the pandemic control measures and borders progressively re-open. The prime beneficiaries among our leasing portfolios will be the properties in Causeway Bay and Mongkok, as well as Peak Galleria. 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 launch of our new project, 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.

Our property development business will achieve milestones in 2023. On the Mainland, subject to market conditions, we will make the respective public launches of our premium serviced residences brand, Hang Lung Residences (namely, Heartland Residences in Wuhan, Grand Hyatt Residences in Kunming, and Center Residences in Wuxi). The first batch handover to buyers of units of Heartland Residences is targeted 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.)	% Held by the Group	Stage of Completion	Expected Completion Year
MAINLAND CHINA							
WUHAN							
Heartland Residences	Jinghan Avenue, Qiaokou District	16,687	Apartments for Sale	131,493	60.1%	Superstructure	2023 onwards
WUXI							
Center 66 (Phase 2)	Jiankang Lu, Liangxi District	16,767	Apartments for Sale, Hotel	107,118	60.1%	Superstructure (Center Residences) Foundation (Hotel)	2024 onwards
KUNMING							
Spring City 66	Dongfeng Dong Lu/ Beijing Lu, Panlong District	56,043	Apartments for Sale, Hotel	98,054	60.1%	Superstructure	2023 (Grand Hyatt Kunming) 2024 onwards (Grand Hyatt Residences Kunming)
HANGZHOU							
Westlake 66	Bai Jing Fang, Xiacheng District	44,827	Retail, Office, Hotel	194,100	60.1%	Foundation and basement construction	2024 onwards
SHENYANG							
Forum 66	Qingnian Da Jie, Shenhe District	92,065	Retail, Office, Apartments for Sale	502,660	60.1%	Foundation	2027 onwards
HONG KONG							
NORTH POINT							
228 Electric Road Redevelopment	228 Electric Road, IL 1618	650	Retail, Office	9,754	73.4%	Superstructure	2023
KOWLOON BAY							
The Aperture	11 Ngau Tau Kok Road, NKIL 1744	1,923	Retail, Apartments for Sale	16,226	60.1%	Superstructure	2023
SOUTHERN DISTRICT							
Shouson Hill Road Redevelopment	37 Shouson Hill Road, RBL 357	8,806	Apartments for Sale	4,403	60.1%	Planning	2025

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.)	% Held by the Group	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	60.1%	9	18

C. Major Investment Properties

At December 31, 2022

	Location	Lease Expiry	Total Gross Floor Area (sq.m.)			No. of Car Parking Spaces
			Retail	Office and Industrial/ 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.) Retail	Office and Industrial/ Office	Residential & Serviced Apartments	No. of Car Parking Spaces
HONG KONG						
KORNHILL (QUARRY BAY)						
Kornhill Plaza	1-2 Kornhill Road, IL 8566	2059*	53,080	10,577	–	1,069
Kornhill Apartments	2 Kornhill Road, IL 8566	2059*	–	–	35,275	–
THE PEAK AND MID-LEVELS						
Peak Galleria	118 Peak Road, RBL 3	2047	12,446	–	–	493
The Summit	41C Stubbs Road, IL 8870	2047	–	–	15,225	54
HONG KONG SOUTH						
Burnside Villa	9 South Bay Road, RBL 994	2072	–	–	9,212	89
MONGKOK						
Grand Plaza	625 & 639 Nathan Road, KIL 10234 & KIL 10246	2060	20,905	31,251	–	40
Hang Tung Building	1112-1120 Canton Road, KIL 9708	2045*	–	–	–	1,000
Gala Place	56 Dundas Street, KIL 9590	2044*	7,454	30,205	–	478
TSIM SHA TSUI AND WEST KOWLOON						
Grand Centre	8 Humphreys Avenue, KIL 7725 & KIL 8026	2038	3,688	7,198	–	–
Hanford Commercial Centre	221B-E Nathan Road, KIL 10619 & KIL 8132	2037	1,444	4,891	–	–
AquaMarine	8 Sham Shing Road, NKIL 6338	2050	22,350	–	–	352
The Long Beach	8 Hoi Fai Road, KIL 11152	2050	20,174	–	–	87
KOWLOON BAY						
Amoy Plaza	77 Ngau Tau Kok Road, NKIL 53, NKIL 1482, NKIL 2660 & NKIL 3947	2047	49,006	–	–	620
CHEUNG SHA WAN AND KWAI CHUNG						
9 Wing Hong Street	9 Wing Hong Street, NKIL 6229	2047	–	35,223	–	95
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	–	–	–
TUEN MUN						
Tai Hing Gardens	11 Tsun Wen Road and 10A Ho Hing Circuit, Tuen Mun, TMTL 312	2047	10,970	–	–	387
Luen Cheong Can Centre	8 Yip Wong Road, Tuen Mun, Lot 1169 in DD131	2047	–	7,856	–	37

* 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.)# Retail	Office	Hotel	Residential & Serviced Apartments	No. of Car Parking Spaces
MAINLAND CHINA							
SHANGHAI							
Grand Gateway 66 Gardens 1 & 2	2118 Hua Shan Lu, Xuhui District	2063	–	–	–	65,587	–
Grand Gateway 66	1 Hong Qiao Lu, Xuhui District	2043	122,262	67,223	–	18,355	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

Financial Review

Consolidated Results

For the financial year ended December 31, 2022, the total revenue of Hang Lung Group Limited (the Company) and its subsidiaries (collectively known as "the Group") was at the same level as in 2021 at HK$10,941 million while operating profit fell by 2% to HK$7,683 million. The revenue of our property leasing business decreased by 3% to HK$10,625 million, mainly due to the depreciation of the Renminbi (RMB) against the Hong Kong dollar since the second quarter of 2022 and the business suspensions of our malls caused by COVID-19 in Shanghai during April and May. Property sales revenue of HK$316 million was recognized during the year (2021: Nil).

The underlying net profit attributable to shareholders remained flat at HK$3,002 million. The underlying earnings per share stayed flat at HK$2.20.

Considering a net revaluation loss on properties attributable to shareholders of HK$284 million (2021: HK$402 million), the Group reported a net profit attributable to shareholders of HK$2,718 million (2021: HK$2,589 million). The corresponding earnings per share was HK$2.00 (2021: HK$1.90).

Revenue and Operating Profit

	Revenue			Operating Profit/(Loss)		
	2022 HK$ Million	2021 HK$ Million	Change	**2022 HK$ Million**	2021 HK$ Million	Change
Property Leasing	**10,625**	10,919	-3%	**7,596**	7,898	-4%
Mainland China	**7,218**	7,402	-2%	**4,886**	5,020	-3%
Hong Kong	**3,407**	3,517	-3%	**2,710**	2,878	-6%
Property Sales	**316**	–	N/A	**87**	(91)	N/A
Total	**10,941**	10,919	–	**7,683**	7,807	-2%

Dividend

The Board of Directors has recommended a final dividend of HK65 cents per share for 2022 (2021: HK65 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 HK21 cents per share (2021: HK21 cents), the full-year dividends for 2022 amounted to HK86 cents per share (2021: HK86 cents).

Property Leasing

During the year, the Group's total rental revenue decreased by 3% to HK$10,625 million. Rental revenue from our Mainland portfolio edged up by 1% in RMB terms but declined by 2% in HKD terms owing to the RMB depreciation since the second quarter of 2022. Due to the impact of the fifth wave of the COVID-19 pandemic, rental revenue for our Hong Kong portfolio was down by 3%.

On the Mainland, amid the various headwinds faced by the retail sector during the year, our leasing portfolio demonstrated resilience. The outbreak of the highly contagious Omicron variant in the first half of 2022 prompted a strict two-month closure of business operations at our malls in Shanghai during April and May that heavily affected our performance. Yet, our shopping malls outside Shanghai and our office portfolio continued to show respectable growth despite the business suspension in Shanghai and we achieved 1% revenue growth in RMB terms in the first half. In the second half, local pandemic containment measures were reintroduced as COVID cases spread across Mainland which caused business disruptions and drop in foot traffic. The negative sentiment was amplified in December since the pandemic situation heightened and infection cases penetrated across Mainland. Nevertheless, 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. Our geographical and business diversification strategies again demonstrated its effectiveness. The overall 2022 revenue grew by 1% in RMB terms against last year.

In Hong Kong, with the fifth wave of COVID-19 early in the year having lingering effects on businesses and consumer sentiment, the operating environment was fragile. New round of the government's electronic Consumption Voucher Scheme during the year has boosted consumer sentiment to a certain extent. During this challenging time, we continued to provide support to our tenants and less rent relief was needed in the second half of 2022. Overall, we kept narrowing the gap against 2021 as rental revenue was only 3% lower, while we reported a 4% drop in the first half. We also managed to maintain stable tenant sales and keep the occupancy rate at a high level.

Mainland China[1]

Property Leasing – Mainland China Portfolio

	Revenue		
	2022 RMB Million	2021 RMB Million	Change
Malls	**4,607**	4,662	-1%
Offices	**1,361**	1,248	9%
Residential & Serviced Apartments	**149**	137	9%
Hotel	**73**	94	-22%
Total	**6,190**	6,141	1%
Total in HK$ Million equivalent	**7,218**	7,402	-2%

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

In RMB terms, the total rental revenue and operating profit rose by 1%. In HKD terms, both decreased by 2% and 3%, respectively, owing to the RMB's depreciation since the year's second quarter. Despite COVID-19-related interruptions to business operations in many cities, the performance of our mall portfolio remained stable. The suspension of business across our malls caused by COVID-19 in Shanghai and Shenyang was substantially compensated for by a solid improvement in the performance of our malls outside of these two cities. Our quality office portfolio was a bright spot, recording respectable revenue growth year-on-year. The growth was mainly driven by an increase in occupancy rates at our younger office towers in Wuxi, Kunming, and Wuhan. Hotel operations were unfavorably affected by the various pandemic containment measures which impeded travel across provinces and cities.

Malls

Amid the challenging operating environment posed by numerous local pandemic containment measures and weak consumer sentiment, the revenue of our mall portfolio decreased by 1% compared to last year. Luxury-positioned malls recorded a 1% drop in revenue, while revenue of sub-luxury malls slipped by 4% year-on-year.

Property Leasing – Mainland China Mall Portfolio

	Revenue			Year-End Occupancy Rate	
Name of Mall and City	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

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

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

Luxury malls

Our flagship **Plaza 66** mall in Shanghai recorded a 10% and 24% year-on-year revenue and tenant sales decline, respectively. We developed and launched a range of CRM programs and marketing campaigns, including our signature “Home to Luxury” party, to boost consumer sentiment and footfall. We successfully decreased our year-on-year drop in rental revenue amid business interruptions throughout the year. As of December 31, 2022, the mall remained fully occupied.

Despite a 19% drop in tenant sales of the **Grand Gateway 66** mall in Shanghai due to business suspension caused by COVID-19 in April and May, revenue only marginally decreased compared to 2021. After completing the Asset Enhancement Initiative (AEI) in late 2020, the mall was upgraded and managed to secure more high-quality tenants. An occupancy rate of 99% was maintained at year end.

Under the tightened pandemic containment measures, the **Forum 66** mall in Shenyang was temporarily closed for nearly a month beginning in mid-March, followed by occasional entry restrictions during the year. Regardless, the 2022 leasing performance was satisfactory. The year also marked the 10th anniversary of Forum 66. We rolled out various marketing initiatives to enhance consumer sentiment and tenant sales, lessening the impact of mall closures during the year's first half. Compared to last year, the full-year revenue and tenant sales decreased by 8% and 18%, respectively. However, the numbers improved following the reopening of the mall in mid-April. The occupancy rate fell by three points to 87% at year end.

The undisputed leader in luxury retail in Wuxi, the **Center 66** mall performed well despite the challenging landscape. As a result of the resurgence in COVID-19 cases, the mall was closed for more than a week from the end of March, and business hours were shortened in July to contain the infection rate. The gradual improvement of pandemic situation triggered signs of recovery. Marketing campaigns were rolled out to boost footfall and consumption. Thanks to positive rental reversion, revenue and tenant sales rose by 7% and 1%, respectively, despite the difficult conditions. The occupancy rate remained high at 99%.

Cementing its position as the city's premium shopping and leisure destination, **Olympia 66** in Dalian benefited from its successful transformation into a luxury-led mall with an impressive performance during the year. A strong line-up of luxury tenants opened stores during the year and the occupancy rate improved by two points to 89%. An improved tenant mix and the launch of effective marketing initiatives bolstered revenue and tenant sales by 40% and 67%, respectively.

As the city's prime luxury hub, the **Spring City 66** mall in Kunming earned 6% more revenue mainly due to positive rental reversions from a strong base rent even though tenant sales decreased by 4%. Several international brands entered the mall with a local debut, flagship, or pop-up store, keeping the mall offering fresh and engaging for consumers.
The occupancy rate slipped by two points to 95%.

The **Heartland 66** mall in Wuhan is our first large-scale commercial development in central China. Located in the thriving Qiaokou District, the mall is well connected to Wuhan's commercial and business hubs and an ideal home for first-in-town flagship and specialty stores. Since its opening in March 2021, tenant sales and footfall have kept up the momentum. Revenue rose by 52% to RMB232 million while tenant sales increased by 158% despite the mall closing for three weeks in October and November following tightened COVID-19 situation. The occupancy rate rose by two points to 86% at year end.

Sub-luxury malls

Palace 66 in Shenyang was adversely affected by its temporary closure for nearly a month beginning in mid-March and tightened pandemic containment measures. We witnessed a revenue and tenant sales decline of 10% and 24%, respectively. In mid-April, business resumed, and consumer sentiment gently recovered. We took the opportunity to replace non-performing tenants with higher quality, competitive tenants. As of year end, the occupancy rate decreased by nine points to 81%.

Revenue of **Parc 66** in Jinan stayed flat and tenant sales slipped by 20%. Following the completion of phase one of the three-year AEI, which commenced in June 2021, a variety of brands opened at the mall during the year. Effective marketing strategies and CRM programs enhanced the mall's reputation, enticing multiple beauty brands and first-in-town brands to open stores. The remaining phases of the AEI will continue to enhance the mall's long-term competitiveness and profitability. The occupancy rate dropped by three points to 90% at year end.

Revenue from **Riverside 66** in Tianjin decreased by 5%, and tenant sales dropped by 29% since business was suspended for more than a week in May and again in September 2022 due to a resurgence in COVID-19 cases. We upgraded the tenant mix by replacing non-performing tenants with more attractive brands to enhance the mall's competitiveness. The occupancy rate fell by six points to 80% when compared to last year.

Offices

Accounting for 22% of our total Mainland rental revenue, our office portfolio was a bright spot with a resilient income stream despite weak market sentiment. The year-on-year revenue advanced by 9% to RMB1,361 million while the occupancy level of newer projects, such as the office towers in Kunming and Wuhan, continued to increase.

Property Leasing – Mainland China Office Portfolio

	Revenue			Year-End Occupancy Rate	
Name of Office and City	**2022 RMB Million**	2021 RMB Million	Change	**2022**	2021
Plaza 66, Shanghai	**639**	629	2%	**96%**	97%
Grand Gateway 66, Shanghai	**251**	247	2%	**97%**	98%
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	**1,361**	1,248	9%		

Despite the heightened COVID-19 situation from April to May 2022, the two Grade A office towers at **Plaza 66** in Shanghai continued to deliver good rental performance during the year. Revenue increased by 2% and the occupancy rate remained high at 96%. During the economic downturn, Plaza 66 demonstrated resilience backed by its strong tenant profile, professional management services, and prime location in the city's traditional central business district.

The office tower at **Grand Gateway 66** in Shanghai increased revenue by 2% during the year, and the occupancy rate remained high at 97%. Grand Gateway 66 continued to generate steady revenue despite new office developments in the Xuhui District, which intensified competition in the market.

The office tower at **Forum 66** in Shenyang recorded a revenue decline of 2%. Facing pressure on rent following a rising supply of office space and soft demand in Shenyang, Forum 66 retained its market leadership by leveraging its prominent location, top-grade design, and premium management services. The occupancy rate slipped by one point to 91%.

Overall, the revenue of the two office towers at **Center 66** in Wuxi rose by 5% to RMB119 million even the occupancy rate decreased 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 hence performance is expected to be improved afterwards.

Revenue of the office tower at **Spring City 66** in Kunming jumped by 56% to RMB126 million, and the occupancy rate surged by 17 points to 88%. Spring City 66 secured high-quality tenants motivated by our competitive advantage, including a prime location in Kunming, premium facilities, and value-added services. We accelerated leasing by offering modular offices with high-quality fit-outs and furnishings.

The **Heartland 66** Office Tower in Wuhan started operations in November 2020. In 2022, revenue rose to RMB96 million, and the occupancy rate climbed by 16 points to 73% by year end. HANGOUT at Heartland 66 is expected to open in the first half of 2023, aiming to replicate the success of HANGOUT at Center 66.

Residential & Serviced Apartments

Income from our residential and serviced apartments at Grand Gateway 66 in Shanghai increased by 9%. The occupancy rate decreased by one point to 90% as of December 31, 2022.

Hotel

The intermittent COVID-19 outbreak at various intervals across the year in Shenyang negatively impacted our business. Proactive dining promotions and staycation packages were launched to attract local customers. After the pandemic situation started to alleviate, the performance of Conrad Shenyang gradually recovered. 2022's full-year revenue decreased by 22% to RMB73 million.

Hong Kong

In 2022, the retail and office markets were weakened by ongoing COVID-19 control measures, which reduced demand from tourists and foreign corporations – even when the government lifted the quarantine requirement towards the end of the year. Properties located in Causeway Bay, Central, The Peak, and Mongkok remained under pressure due to their reliance on tourism. In the first quarter of the year, the government imposed social distancing measures and capacity limits which directly affected tenants of specific trades, including cinemas, gyms, and restaurants.

We were, however, able to maintain occupancy at a satisfactory level by aligning the tenant mix at our malls with local consumer patterns. We also launched marketing campaigns via the "hello Hang Lung Malls Rewards Program" to coincide with the government's electronic Consumption Voucher Scheme.

Tenants, including restaurants, cinemas, education centers, gyms, and beauty parlors, which endured complete or partial closure, resumed business after the fifth wave of COVID-19 subsided. After that, rent relief in the year's second half was significantly reduced compared to the first half.

Revenue and operating profit decreased by 3% to HK$3,407 million and 6% to HK$2,710 million, respectively, with a rental margin of 80%. Tenant sales stayed flat against 2021.

Property Leasing – Hong Kong Portfolio

	Revenue			Year-End Occupancy Rate	
	2022 HK$ Million	2021 HK$ Million	Change	**2022**	2021
Retail	**1,950**	2,002	-3%	**98%**	97%
Offices and Industrial/Office	**1,205**	1,273	-5%	**90%**	87%
Residential & Serviced Apartments	**252**	242	4%	**73%**	72%
Total	**3,407**	3,517	-3%		

Retail

Due to negative rental reversions, revenue from our Hong Kong retail portfolio dropped by 3% to HK$1,950 million.

The revenue of properties at central business and tourist districts declined by 6% due to negative rental reversions and rent relief as a result of the ongoing effects of the pandemic and cross-border travel restrictions. In response, we introduced brands that focus on local consumption to optimize the tenant mix. The occupancy rate rose by one point to 96%.

Our community malls were more resilient and the revenue remained stable compared to last year. Both **Kornhill Plaza** in Hong Kong East and **Amoy Plaza** in Kowloon East were fully let at the reporting date.

Offices and Industrial/Office

The weak office market and negative rental reversions led to a 5% drop in revenue to HK$1,205 million.

On the Hong Kong Island side, the pandemic fueled office vacancies and supply overshot demand. Our revenue decreased by 8%. Popular tourism areas of Central, Wanchai, and Causeway Bay suffered due to ongoing travel restrictions throughout most of the year. Banking on its unique position in a neighborhood setting, our **Hong Kong East portfolio** was less affected. Given the challenging market conditions, we adopted several measures to maintain comparatively high occupancy levels across our office buildings.

Our **Kowloon portfolio** was more resilient due to the semi-retail positioning of Grand Plaza, Grand Centre, and Gala Place. Revenue remained stable.

Residential & Serviced Apartments

Our residential and serviced apartments segment earned 4% more revenue year-on-year. This was largely due to an improvement in average occupancy at Kornhill Apartments after adopting a competitive pricing strategy.

Property Sales

Revenue of HK$316 million, with a corresponding profit margin of 52%, was recognized during the year for the sale of one house on Blue Pool Road following its completion in 2022. An operating profit of HK$87 million was recorded from property sales in 2022 after expenses for selling new Kowloon Bay development project The Aperture, marketing Heartland Residences in Wuhan, and other operating costs were taken into account.

The Group sold four more residential units at The Aperture during the year. Together with the residential units sold in 2021, the revenue is expected to be recognized in 2023 following the completion of the sale.

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

Share of Results of Joint Ventures

Our share of results from joint ventures improved from losses of HK$14 million in 2021 to profits of HK$153 million in the year under review. Apart from the year-on-year reduction in joint venture investment properties' revaluation losses, we recorded a one-off gain of HK$94 million from our acquisition of additional 6.67% interests in Citygate, the mixed-use commercial complex in Tung Chung, Hong Kong, in 2022. Following the acquisition, our interests in Citygate increased to 26.67%.

Property Revaluation

As of December 31, 2022, the total value of our investment properties and those under development amounted to HK$199,084 million, including the mainland China portfolio of HK$135,635 million and the Hong Kong portfolio of HK$63,449 million. These properties were appraised by Savills, an independent valuer, as of December 31, 2022.

A revaluation loss of HK$352 million was recorded (2021: gain of HK$458 million).

The mainland China portfolio recorded a gentle revaluation loss of HK$108 million (2021: gain of HK$1,763 million), representing less than 1% of the portfolio value. The outbreak of the Omicron variant of COVID-19 in 2022 had no material impact on the valuation.

The Hong Kong portfolio had a revaluation loss of HK$244 million (2021: loss of HK$1,305 million). The decrease was smaller than 1% against the value as of December 31, 2021.

Net revaluation loss after tax and non-controlling interests of HK$284 million was reported (2021: net revaluation loss of HK$402 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 regularly updated the procurement plan and closely monitored staffing requirements to mitigate the impact.

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 track and scheduled for completion during 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 subsidiary, Hang Lung Properties Limited, and includes a retail area across the lower floors. The project is targeted 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 aim to ensure that financial resources are always available to meet operational needs and developments. We have maintained an appropriate capital structure with multiple financing channels. A sufficient level of standby banking facilities and other debt capital funding is sustained to protect the Group from unexpected market dislocations. All financial risk management, including debt refinancing, foreign exchange exposure, and interest rate volatility, is centrally managed and controlled at the corporate level.

We closely monitor and regularly review our funding needs to allow a fair degree of financial flexibility and liquidity while optimizing the cost of funds. Various sources of debt financing are in place 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, the Group 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$9.1 billion in sustainability-linked loan facilities. These are collectively considered sustainable finance, accounting for 45% 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	**2,124**	37%	5,617	61%
RMB	**3,498**	60%	3,367	37%
USD	**163**	3%	156	2%
Total cash and bank balances	**5,785**	100%	9,140	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$45,953 million (December 31, 2021: HK$45,883 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	**33,152**	72%	33,384	73%
RMB	**12,801**	28%	12,499	27%
Total borrowings	**45,953**	100%	45,883	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	**28,577**	62%	23,885	52%
Total borrowings	**45,953**	100%	45,883	100%

Gearing Ratios

At the reporting date, the net debt balance amounted to HK$40,168 million (December 31, 2021: HK$36,743 million). The net debt to equity ratio was 25.9% (December 31, 2021: 22.3%), and the debt to equity ratio was 29.6% (December 31, 2021: 27.9%). The net debt to equity ratio increased primarily due to capital expenditures in both mainland China and Hong Kong.

Excluding the balances of Hang Lung Properties Limited and its subsidiaries (collectively known as "Hang Lung Properties"), the Company and its other subsidiaries had a net cash balance of HK$127 million (December 31, 2021: HK$437 million).

Maturity Profile and Refinancing

At the balance sheet date, the average tenure of the entire loan portfolio was 3.1 years (December 31, 2021: 3.0 years). The maturity profile was staggered over more than 10 years. Around 71% 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	**4,729**	11%	8,079	18%
After 1 but within 2 years	**8,345**	18%	7,753	17%
After 2 but within 5 years	**27,621**	60%	23,869	52%
Over 5 years	**5,258**	11%	6,182	13%
Total borrowings	**45,953**	100%	45,883	100%

As of December 31, 2022, total undrawn committed banking facilities amounted to HK$24,789 million (December 31, 2021: HK$18,295 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).

Excluding the balances of Hang Lung Properties, the undrawn committed banking facilities of the Company and its other subsidiaries amounted to HK$3,415 million (December 31, 2021: HK$3,650 million).

Net Finance Costs and Interest Cover

For the year ended December 31, 2022, gross finance costs increased by 2% to HK$1,537 million. The effect of the increase in total borrowings was partially offset by a decline in the average effective cost of borrowing, which decreased to 3.5% (2021: 3.7%) taking advantage of 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$537 million accordingly.

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

Foreign Exchange Management

RMB fluctuations are our principal exchange rate risk. Our exposure is primarily determined by the currency translation risk from our subsidiaries' net assets in mainland China.

We refrain from speculating on the movement of the RMB against the HKD. Considering the cash inflows from local operations and RMB borrowings, we maintain an appropriate level of RMB resources to meet our capital needs in mainland China. We regularly conduct business reviews to assess the funding required for our mainland China projects, guided by regulatory restrictions, project development schedules, and the market environment. Our funding plan is modified to accommodate any changes in circumstances.

As of December 31, 2022, net assets denominated in RMB accounted for approximately 71% of our total net assets. Compared with December 31, 2021, the RMB depreciated against the HKD by 8.5%. An exchange loss of HK$10,320 million (2021: gain of HK$3,342 million) was recognized in other comprehensive income/exchange reserve following the translation of these assets from RMB into HKD at the exchange rate on the reporting date.

Charge of Assets

The Group's assets were not charged to third parties as of December 31, 2022.

Contingent Liabilities

The Group had no 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 received by our subsidiary Hang Lung Properties

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

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

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

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.

Photo credit: Marie Rouge

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

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.

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 **45%** 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

Climate Resilience

Approved Science-based Targets

Our subsidiary, 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, Hang Lung Properties is committed to reducing absolute scope 1 and 2 GHG emissions by 46.6% by 2030. From a 2020 base year, Hang Lung Properties is 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

Our subsidiary Hang Lung Properties is 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, 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.

Parc 66 in Jinan

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

45% 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 (set up under our subsidiary, Hang Lung Properties Limited) to Sustainable Finance Framework (Framework) and extended the scope of the framework to the Company. 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.

Corporate Governance Report

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

Vision

We create compelling spaces that enrich lives

Mission

We pursue sustainable growth by connecting our customers and communities

Values

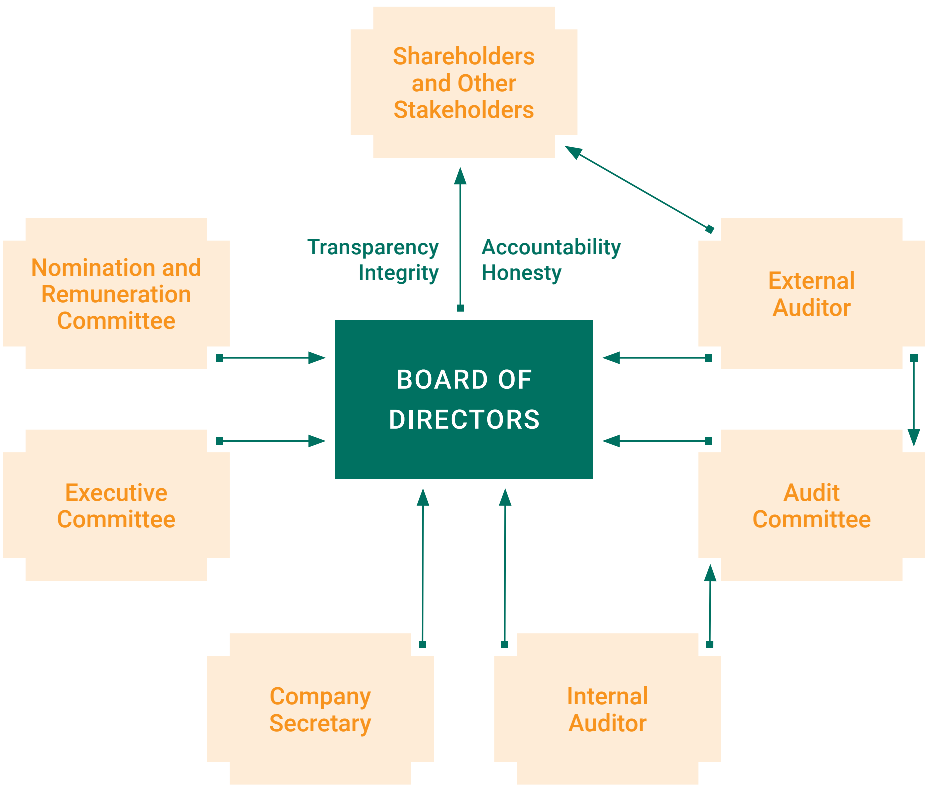
Integrity, Sustainability, Excellence, Openness

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

Our Strong Belief in Good Governance

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

Corporate Governance Structure



A Sound Corporate Culture

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

Professional and Accountable Board

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

Prudent Risk Management and Effective Internal Controls

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

Compliance with Corporate Governance Code

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

The key areas are listed below:

Board & Board Committees

- Six Board meetings were held in 2022
- Four Audit Committee meetings were held in 2022
- Nomination and Remuneration 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 2017
- 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 with more than 21 days before AGM

Our major subsidiary, HLP, received 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 11 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)
- three NEDs
  Mr. Gerald L. Chan
  Mr. George K.K. Chang
  Mr. Roy Y.C. Chen
- four INEDs
  Mr. Simon S.O. Ip
  Prof. P.W. Liu
  Prof. L.C. Tsui
  Mr. Martin C.K. Liao

Our NEDs 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 a brother of Mr. Gerald L. Chan, a cousin of Mr. Roy Y.C. Chen and the father of Mr. Adriel Chan. Mr. George K.K. Chang is an employee of Morningside Group, which was co-founded by Mr. Ronnie C. Chan and Mr. Gerald L. Chan and is currently chaired by Mr. Gerald L. Chan.

Board Diversity

The Board Diversity Policy sets out the approach to achieve diversity on the Board with the 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.

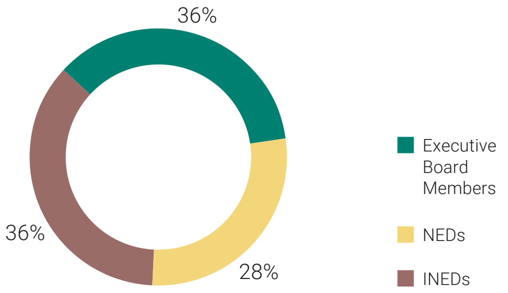
Close to 41% of the overall workforce are female among which, over 60% of administrative staff are female. Appropriate balance of gender diversity of workforce is maintained taking into account the business models and operational needs.

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.

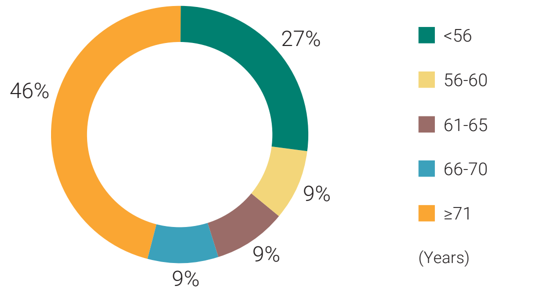
The Board Diversity Policy is available on our website under "Our Management" of the "Corporate Governance" section.

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

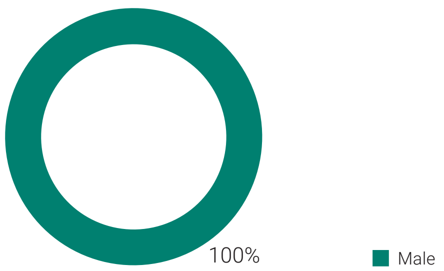
Designation



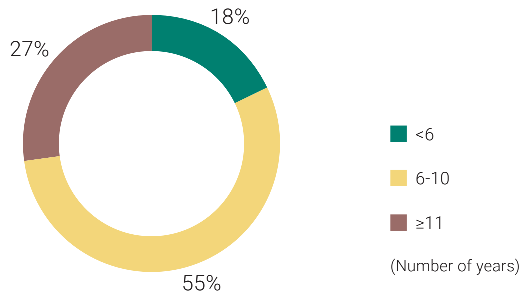
Age



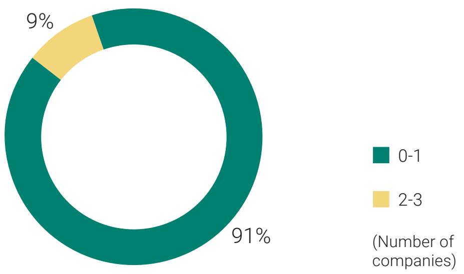
Gender



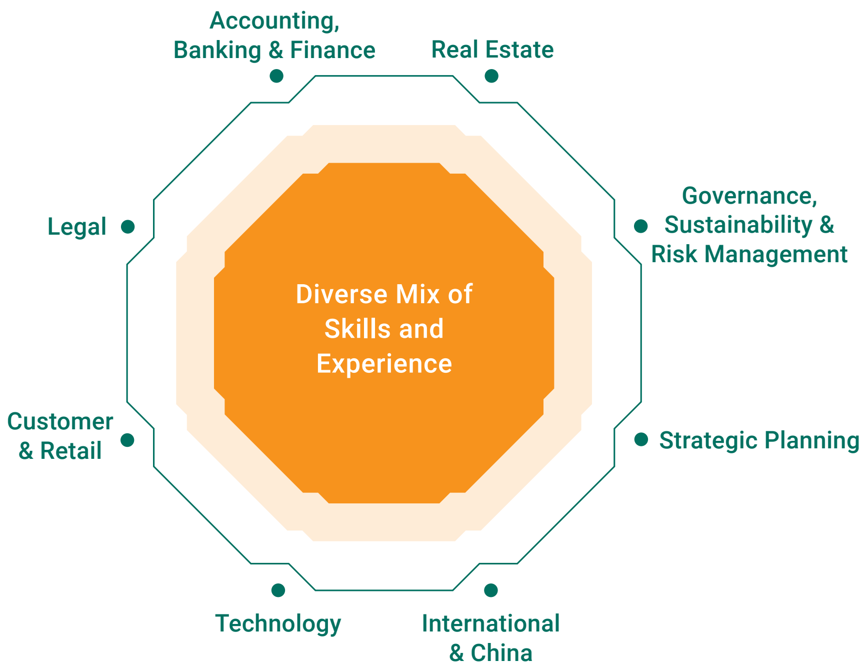
Directorship with the Company



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 118 to 122 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.

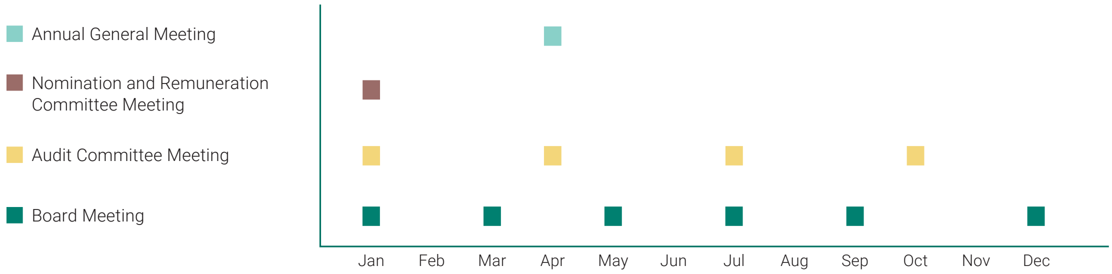
The NEDs and INEDs have made an invaluable contribution to the development of the Company's strategies and policies, providing independent, constructive, and informed advice. They have given the Board and the Board committees on which they serve, the benefit of their skills, expertise, and diversified 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 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 held 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 96%. 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	Board	Audit Committee	Nomination and Remuneration Committee	2022 AGM
	Meetings Attended/Held			
Independent Non-Executive Directors				
Simon S.O. Ip	6/6	4/4	1/1	1/1
P.W. Liu	6/6	4/4	1/1	1/1
L.C. Tsui	6/6	4/4	N/A	1/1
Martin C.K. Liao	6/6	N/A	1/1	1/1
Non-Executive Directors				
Gerald L. Chan	3/6	N/A	N/A	0/1
George K.K. Chang	6/6	4/4	N/A	1/1
Roy Y.C. Chen	6/6	N/A	N/A	1/1
Executive Board Members				
Ronnie C. Chan	6/6	N/A	N/A	1/1
Adriel Chan	6/6	N/A	N/A	1/1
Weber W.P. Lo	6/6	N/A	N/A	1/1
Kenneth K.K. Chiu	6/6	N/A	N/A	1/1
H.C. Ho (Note)	1/1	N/A	N/A	N/A

Note
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 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 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 or any of his 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 NEDs 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 NEDs and INEDs, in particular, and ensures constructive relations between Executive Board Members, NEDs 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 independence and we consider each INED to be independent.

In respect of the re-election of an INED who has served on the Board for more than nine years in the AGM, we will state in the notice of the AGM the reason why we consider the INED to 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 NEDs 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
Gerald L. Chan	A, B, C
Simon S.O. Ip	A, B, C
P.W. Liu	A, B, C
L.C. Tsui	A, B, C
Martin C.K. Liao	A, B, C
George K.K. Chang	A, B, C
Roy Y.C. Chen	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 three INEDs, namely, Mr. Simon S.O. Ip (Chair of the Committee), Prof. P.W. Liu and Prof. L.C. Tsui, and one NED, namely Mr. George K.K. Chang, 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, Prof. P.W. Liu (Chair of the Committee), Mr. Simon S.O. Ip and Mr. Martin C.K. Liao. 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 included 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 HLP; and
- recommendations to the Board on the remuneration of the NEDs 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 HLP as of December 31, 2022 were as follows:

	The Company	Hang Lung Properties Limited	
Board Members	Number of Shares	Number of Shares	Number of Share Options
Ronnie C. Chan	40,369,500 (Note 1)	17,155,000	18,800,000
Adriel Chan	551,002,580 (Notes 1 & 2)	2,733,898,340 (Note 2)	10,400,000
Weber W.P. Lo	290,000	790,000	18,750,000
Gerald L. Chan	–	–	–
Simon S.O. Ip	–	–	–
P.W. Liu	–	100,000	–
L.C. Tsui	–	–	–
Martin C.K. Liao	–	–	–
George K.K. Chang	–	–	–
Roy Y.C. Chen	–	–	–
Kenneth K.K. Chiu	–	–	4,100,000

Notes

1. These interests included 28,579,500 shares of the Company 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 another 522,423,080 shares of the Company and 2,733,898,340 shares of HLP 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.

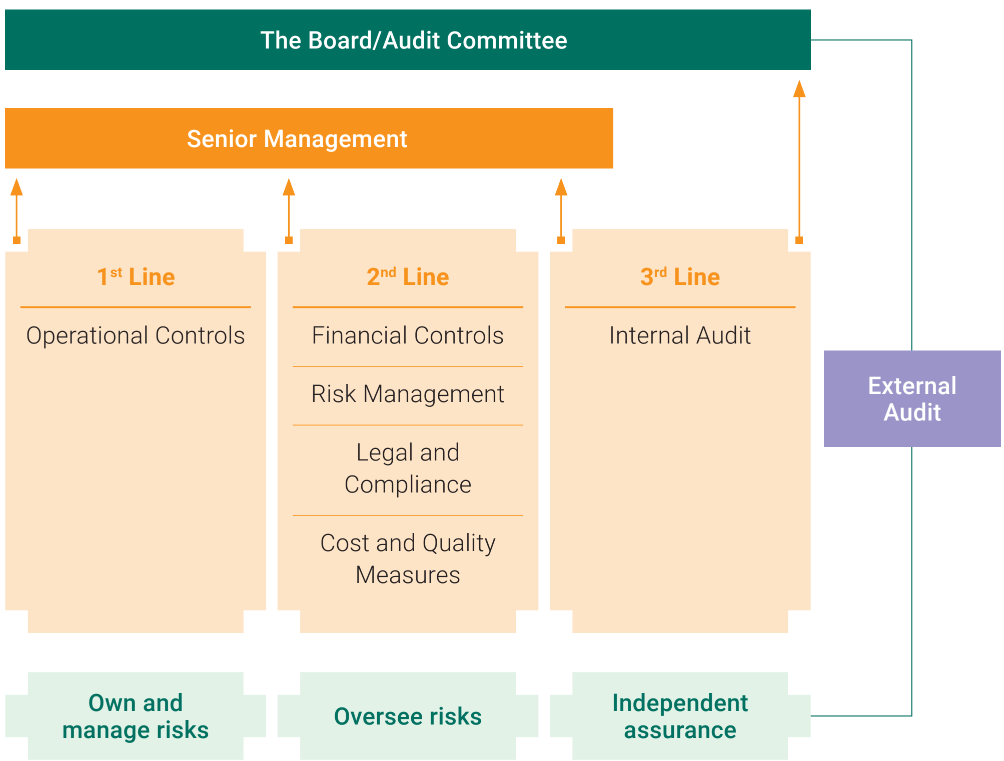
2. *Risk Management and Internal Controls*

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:

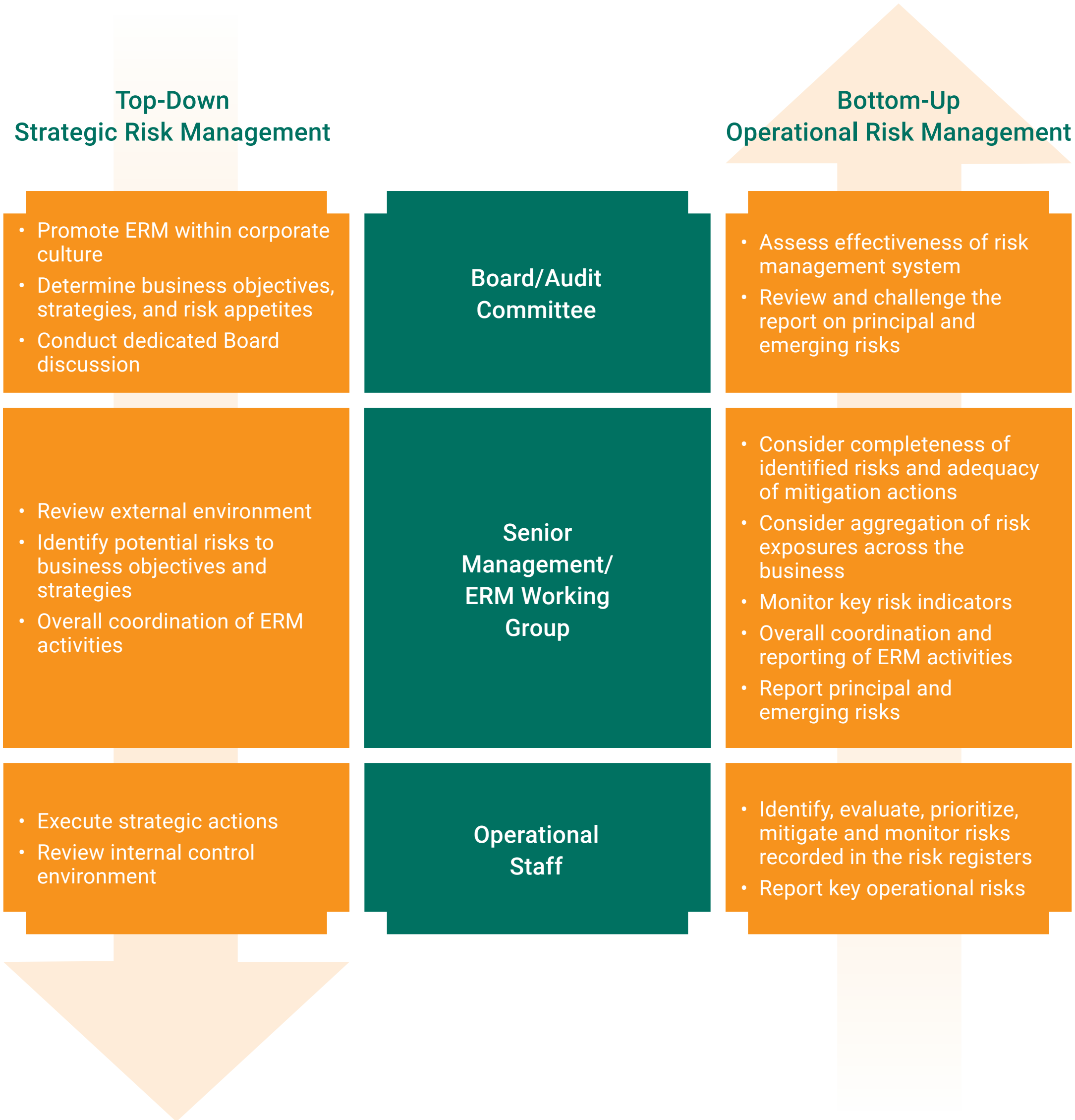
- reviewed the effectiveness of the Company's ERM framework;
- reviewed risk assessment criteria to ensure they were appropriately defined and continued to be relevant in light of the Company's business and risk profile;
- organized various workshops for management and operational staff to promote understanding 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	↔	• 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
Design complexity, tight deadlines, and fluctuations in material costs after tender award present implementation challenges in delivering projects safely, on budget, on time, and in line with the required quality	↔	• Establish clear roles and responsibilities for accountability and division of duties among design, project management, and business operations at various stages of the development cycle • 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
Fast-paced technological innovations such as e-commerce and artificial intelligence, as well as rapidly changing consumer behaviors and tastes, could impact the Company's business model or strategy	↑ Advances in technology and changing consumer tastes undermine competitiveness	• 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
Challenges to reposition or redefine our leasing strategy for Hong Kong projects under turbulent market conditions	↑ Lingering impacts of the global pandemic have affected customer footfall and rental revenue to varying degrees	• Evaluate our existing leasing strategy from the perspective of these special circumstances, and reposition the at-risk malls with a change of focus or by improving the tenant mix • Act fast on market changes to recruit blooming trades under our leasing portfolios, introduce exclusive concepts and experience flagships, and continue to monitor high-impact trade tenants • Conduct ongoing branding and marketing programs 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	↔	• 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	• 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	• 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	↔	• 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	• 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	↔	• 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	• 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	• Continually track and monitor the RMB exchange rate • Maintain an appropriate level of RMB resources for the Company's capital requirements in mainland China • Monitor currency risks and perform periodic sensitivity analyses • Modify our currency hedging strategy as necessary
Market liquidity may change from time to time and inhibit our ability to acquire adequate and cost-effective funding	↔	• Centralize the management of cash and financing at the corporate level by the Treasury Team • Maintain closer relationships with banks and intermediaries; Effective management of concentration of bank loans • Manage the maturity profile of deposits and loans to minimize refinancing risk • Establish and maintain diversified channels of debt financing
Credit/counterparty risk exposure primarily from rents receivable and deposits placed with banks	↔	• Undertake comprehensive credit assessments of prospective tenants • Require rental deposits and rent in advance, and closely monitor outstanding rents to mitigate our rents receivable risk • Assign bank exposure limits to mitigate concentration risk on our deposits • Only make deposits with banks that have sound financial strength and/or good credit ratings

In addition to the principal risk categories outlined above, the Company has identified and monitored specific emerging risks, such as 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@hanglung.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 centricity 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	**13**	13
Non-audit services	**3**	4

(V) Communication With Stakeholders

1. Shareholders

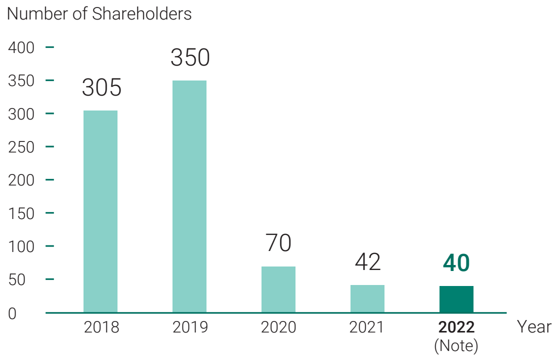
The Board has a shareholders communication policy setting out strategies to promote effective communication between the Company and its shareholders, with the aim of ensuring that sufficient information is provided to enable active engagement with the Company and the proper exercise of shareholder rights 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 of the Board committees are routinely present to answer queries raised by shareholders. The External Auditor also attends and reports to shareholders at the AGM every year. Notice of the AGM and related papers are sent to shareholders at least 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 exercised 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 40 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 of HLP; 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:

	Shareholders		Shareholdings	
Domicile	**Number**	**%**	**Number of Shares**	**%**
Hong Kong	1,804	98.04	1,017,130,284	74.70
Mainland China	8	0.43	139,375	0.01
Macau	3	0.16	112,700	0.01
Taiwan	2	0.11	2,874	0.00
Australia and New Zealand	3	0.16	16,250	0.00
Canada and United States of America	14	0.77	97,923	0.01
United Kingdom	2	0.11	508	0.00
Others	4	0.22	344,118,328	25.27
TOTAL	**1,840**	**100.00**	**1,361,618,242**	**100.00**

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

	Shareholders*		Shareholdings*	
Holding Range	**Number**	**%**	**Number of Shares**	**%**
1 – 1,000 shares	468	25.43	210,201	0.01
1,001 – 5,000 shares	614	33.37	1,859,284	0.14
5,001 – 10,000 shares	290	15.76	2,391,185	0.18
10,001 – 100,000 shares	423	22.99	11,675,076	0.86
Over 100,000 shares	45	2.45	1,345,482,496	98.81
TOTAL	**1,840**	**100.00**	**1,361,618,242**	**100.00**

* incorporating, in their respective shareholdings range, 261 participants of Central Clearing and Settlement System holding a total of 843,071,156 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 48.48% 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

1. Mr. Ronnie Chichung Chan
2. Mr. Adriel Wenbwo Chan
3. Mr. Weber Wai Pak Lo
4. Mr. Gerald Lokchung Chan
5. Mr. Simon Sik On Ip
6. Prof. Pak Wai Liu
7. Prof. Lap-Chee Tsui
8. Mr. Martin Cheung Kong Liao
9. Mr. George Ka Ki Chang
10. Mr. Roy Yang Chung Chen
11. Mr. Kenneth Ka Kui Chiu

Mr. Ronnie Chichung Chan GBM

Chair

Aged 73, Mr. Chan joined the Group in 1972, and became the Chair in 1991. He also serves as the Chair of Hang Lung Properties Limited, the Group's major publicly listed subsidiary. 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 brother of Mr. Gerald Chan, a Non-Executive Director of the Company and the father of Mr. Adriel Chan, the Vice Chair of the Company.

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 major listed subsidiary, Hang Lung Properties 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 major listed subsidiary, Hang Lung Properties 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. Gerald Lokchung Chan

Non-Executive Director

Aged 71, Mr. Chan has been a Director of the Company since 1986. As a co-founder of Morningside, Mr. Chan has been active in venture capital and private equity investments since 1987. He also serves on the advisory boards of numerous universities including the University of California, Los Angeles, Harvard University and also the Chair of Overseers Committee of Morningside College, The Chinese University of Hong Kong. Mr. Chan received his undergraduate training in engineering at the University of California, Los Angeles, and his Doctor of Science degree from Harvard University. He is the Chairman of Apellis Pharmaceuticals, Inc. and Stealth BioTherapeutics Corp (become a private entity in November 2022), a Director of LumiraDx Limited and he was a Non-Executive Director of Aduro Biotech, Inc. He is a brother of Mr. Ronnie Chan, the Chair of the Group.

Mr. Simon Sik On Ip GBS, CBE, JP

Independent Non-Executive Director

Aged 74, Mr. Ip joined the Board as an Independent Non-Executive Director in 1998. He is a solicitor and Notary Public. Mr. Ip has a distinguished record of public service. He is a former Legislative Councillor, past President of the Law Society of Hong Kong, a past Member of the Exchange Fund Advisory Committee, a past Member of The Advisory Committee on Post-service Employment of Civil Servants and a Member of the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials. Mr. Ip is also a former Chairman of the Hong Kong Jockey Club. He is the Founding Chairman of the Hong Kong Institute of Education (now known as The Education University of Hong Kong) and holds honorary positions in two local universities and Tsinghua University. Mr. Ip was an Independent Non-Executive Director of 長飛光纖光纜股份有限公司 (Yangtze Optical Fibre and Cable Joint Stock Limited Company). He was awarded the Gold Bauhinia Star in July 2017.

Prof. Pak Wai Liu SBS, JP

Independent Non-Executive Director

Aged 75, Prof. Liu joined the Board as an Independent Non-Executive Director in March 2015. He is a Research Professor and was formerly Pro-Vice-Chancellor of The Chinese University of Hong Kong. He was formerly the Director of the Institute of Global Economics and Finance and was appointed a Distinguished Fulbright Scholar in 2000-01. Prof. Liu serves on many government advisory bodies. He is the Chairman of the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials and a Member of the Judicial Officers Recommendation Commission. Prof. Liu was a past Member of the Working Group on Long-Term Fiscal Planning of the HKSAR, the Commission on Strategic Development, the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR, the Provisional Minimum Wage Commission, the Independent

Commission on Remuneration for the Members of the District Councils of the HKSAR and the Aviation Development Advisory Committee. He is also a Director of the Hong Kong Institute for Monetary and Financial Research of the Hong Kong Monetary Authority and the Shenzhen Finance Institute. He was a Non-Executive Director of the Securities and Futures Commission and the Chairman of its Remuneration Committee. Prof. Liu received his AB degree from Princeton University and Ph.D degree from Stanford University in the U.S. He is an Independent Non-Executive Director of Transport International Holdings Limited, and was an Independent Non-Executive Director of China Zheshang Bank Co., Ltd. and Hang Lung Properties Limited, the listed subsidiary of the Company. Prof. Liu was awarded the Silver Bauhinia Star (SBS) in 1999, and appointed Justice of Peace (JP) in 2006.

Prof. Lap-Chee Tsui OC, GBM, GBS, JP

Independent Non-Executive Director

Aged 72, Prof. Tsui joined the Board as an Independent Non-Executive Director in November 2014. Prof. Tsui was the fourteenth Vice-Chancellor of the University of Hong Kong. He was a Member of the Research Institute at The Hospital for Sick Children in Toronto, Canada since 1981, rising to Geneticist-in-Chief of the Hospital in 1996 and Head of the Genetics and Genomic Biology Program in 1998. Prof. Tsui also held academic appointments at the University of Toronto since 1983, and was awarded the title of University Professor in 1994 and has held an Emeritus status since 2006. He was also the President of the Human Genome Organization from 2000 to 2002. Prof. Tsui has received numerous awards for his work, including the Royal Society of Canada Centennial Award in 1989, Gairdner International Award in 1990, Cresson Medal of Franklin Institute in 1992, XII Sanremo International Award for Genetic Research in 1993, the Distinguished Scientist Award from the Medical Research Council, Canada in 2000, Killam Prize of Canada Council in 2002, the European Cystic Fibrosis Society Award in 2009, 2018 Warren Alpert Foundation Prize and 16 honorary degrees from universities worldwide. He was elected as Fellow of the Royal Society of Canada in 1990, Fellow of the Royal Society of London in 1991, Member of Academia Sinica in 1992, Foreign Associate of the National Academy of Sciences of the U.S. in 2004, Foreign Member of the Chinese Academy of Sciences in 2009, and Founding President of The Hong Kong Academy of Sciences in 2015. Prof. Tsui obtained a Bachelor's degree and Master's degree in biology from The Chinese University of Hong Kong in 1972 and 1974 respectively. He also obtained a Doctorate degree in biological sciences from the University of Pittsburgh in 1979. Prof. Tsui is an Independent Non-Executive Director of PuraPharm Corporation Limited. He was awarded the Grand Bauhinia Medal in July 2016.

Mr. Martin Cheung Kong Liao GBS, JP

Independent Non-Executive Director

Aged 65, Mr. Liao joined the Board as an Independent Non-Executive Director in November 2014. Mr. Liao is elected Deputy (representing Hong Kong Special Administrative Region ("HKSAR")) to the 11th to 13th National People's Congress of the People's Republic of China. He is currently a Member of the 14th National Committee of the Chinese People's Political Consultative Conference. He has been appointed as a Non-Official Member of the Executive Council of the HKSAR since November 2016. He also serves as a Member of the Legislative Council of the HKSAR and the Chairman of The Advisory Committee on Corruption of the ICAC. Mr. Liao previously served as the Chairman of the Anti-Money Laundering and Counter-Terrorist Financing Review Tribunal. He graduated with a Bachelor of Economic Science (Hons) degree and a Master of Laws degree from University College London. Mr. Liao is a practising barrister in Hong Kong and was called to the Bar in England and Wales in 1984 and was called to the Bar in Hong Kong in 1985. He is also an advocate and a solicitor admitted in Singapore since 1992. Mr. Liao is an Independent Non-Executive Director of Bank of China Limited. He was awarded the Silver Bauhinia Star in 2014 and Gold Bauhinia Star in 2019, and appointed Justice of the Peace in 2004.

Mr. George Ka Ki Chang

Non-Executive Director

Aged 70, Mr. Chang joined the Board as a Non-Executive Director in March 2015. He is the Managing Director of Morningside Group, chaired by Mr. Gerald Chan and co-founded by Mr. Ronnie Chan and Mr. Gerald Chan. Mr. Chang started his professional career in a major international accounting firm and has over eight years of experience in public accounting in Hong Kong and Toronto. Prior to joining Morningside Group in 1991, he held senior financial positions in several international manufacturing and trading companies. Mr. Chang received his M.B.A. degree from the University of Wisconsin at Madison and is a Member of the American Institute of Certified Public Accountants, Canadian Institute of Chartered Accountants and Hong Kong Institute of Certified Public Accountants. He sits on the board of several private companies in Asia and North America. Mr. Chang formerly served as a board member of publicly-traded companies and accumulated experience in high technology companies. He is an Independent Non-Executive Director of Crystal International Group Limited.

Mr. Roy Yang Chung Chen

Non-Executive Director

Aged 59, Mr. Chen joined the Board as a Non-Executive Director in September 2015. He is a Director of Sterling Enterprises Limited responsible for managing various investments in global markets, and was formerly the Chairman and the Chief Executive Officer of Grace Financial Limited, specializing in wealth management. Starting his career as a merchant banker in the U.S. and the U.K. until joining Sterling Enterprises Limited in 1993, Mr. Chen has accumulated extensive experience in international banking, finance and investment. He has been actively involved in promoting and improving corporate governance with a special interest in family business situations since 2000 and was appointed the Founding Director of the Family Business Network Pacific Asia Ltd. (FBNPA) from 2008 to 2012. Mr. Chen is also the Vice Chairman of Seeds Foundation and serves on the grants committee of ZeShan Foundation and Seeds Foundation. He previously served as a Member of the Listing Committee of Hong Kong Stock Exchange, Takeovers and Mergers Panel and the Public Shareholders Group of the Securities and Futures Commission of Hong Kong. Mr. Chen received his Bachelor of Arts degree in Economics from Claremont McKenna College, and an M.B.A. from Columbia University in the U.S.

Mr. Kenneth Ka Kui Chiu

Chief Financial Officer

Aged 47, Mr. Chiu joined the Boards of the Company and its major listed subsidiary, Hang Lung Properties 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.

Profile of Key Executive

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.

The Directors of the Board of Hang Lung Group 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 development for sales and leasing, property investment for rental income, and other investments. The Company and its subsidiaries (collectively referred to as the Group) also operate in car park management and property management, and through its joint ventures, are involved in the provision of dry and laundry cleaning services.

An analysis of the revenue and trading results of 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 33 and 34 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 139 to 201.

Dividends

The Board recommends a final dividend of HK65 cents per share which, together with the interim dividend of HK21 cents per share paid on September 29, 2022, makes a total of HK86 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 its subsidiary HLP. 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 28 to 69 and pages 70 to 81 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 88 to 117. 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 28 to 69.

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 70 to 81 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 82 to 87. 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 202 and 203.

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$21,113 million (2021: HK$19,990 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 66 to 69.

Share Capital

During the year, the Company did not issue any shares (2021: Nil).

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

Share Capital of the Company's Listed Subsidiary

During the year, the Company's listed subsidiary, HLP 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 a share option scheme of HLP adopted on April 18, 2012).

Equity-Linked Agreements

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.

Directors

The Directors of the Board of Hang Lung Group 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. Gerald L. Chan
Mr. Simon S.O. Ip
Prof. P.W. Liu
Prof. L.C. Tsui
Mr. Martin C.K. Liao
Mr. George K.K. Chang
Mr. Roy Y.C. Chen
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 118 to 122. Details of their remuneration are set out in Note 6 to the Financial Statements.

In accordance with article 103 of the Articles of Association, Mr. Gerald L. Chan, Prof. L.C. Tsui, Mr. Martin C.K. Liao and Mr. Adriel Chan will retire from the Board by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

The list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is available on the Company's website at http://www.hanglunggroup.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 or any of its 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 or any of its subsidiaries was a party, and in which a Director of the Board or his 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:

		The Company (Long Positions)		Hang Lung Properties Limited (Long Positions)		
Name	Capacity	Number of Shares	% of Total Number of Issued Shares	Number of Shares	% of Total Number of Issued Shares	Number of Share Options (Note 3)
Ronnie C. Chan	Personal & Other	40,369,500 (Note 1)	2.96	17,155,000	0.38	18,800,000
Adriel Chan	Personal & Other	551,002,580 (Notes 1 & 2)	40.47	2,733,898,340 (Note 2)	60.76	10,400,000
Weber W.P. Lo	Personal	290,000	0.02	790,000	0.02	18,750,000
Gerald L. Chan	–	–	–	–	–	–
Simon S.O. Ip	–	–	–	–	–	–
P.W. Liu	Personal & Family	–	–	100,000	–	–
L.C. Tsui	–	–	–	–	–	–
Martin C.K. Liao	–	–	–	–	–	–
George K.K. Chang	–	–	–	–	–	–
Roy Y.C. Chen	–	–	–	–	–	–
Kenneth K.K. Chiu	Personal	–	–	–	–	4,100,000

Notes:

1. Other interests included 28,579,500 shares of the Company 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 another 522,423,080 shares of the Company and 2,733,898,340 shares of HLP 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 HLP 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 or any of its 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 HLP to grant options to selected participants as incentives or rewards for their contributions to HLP group, to attract skilled and experienced personnel, to incentivize them to remain with HLP group and to motivate them to strive for the future development and expansion of HLP group by providing them with the opportunity to acquire equity interest in HLP.

Under the share option schemes, the board of directors of HLP is authorized to grant options to selected participants, including employees and directors of any company in HLP group, subject to the terms and conditions such as performance targets as the board of directors of HLP 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 the Company and HLP at their respective annual general meetings held on April 27, 2022, the 2012 Share Option Scheme was terminated and a new share option scheme of HLP 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 HLP 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 HLP 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 HLP shares subject to each option are determined by the board of directors of HLP at the time of grant.

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

		Number of Share Options							
Date of Grant	Category of Participants (Note 1)	Outstanding as at Jan 1, 2022	Granted during the Year	Exercised during the Year	Lapsed/ Forfeited during the Year	Outstanding as at Dec 31, 2022	Exercise Price per Share HK$	Vesting Dates (Note 2)	Expiry Date (Note 2)
Jun 4, 2013	*Current Directors:*						28.20	Jun 4, 2015 : 10%	Jun 3, 2023
	Ronnie C. Chan	4,500,000	–	–	–	4,500,000		Jun 4, 2016 : 20%	
	Adriel Chan	200,000	–	–	–	200,000		Jun 4, 2017 : 30%	
	Former Director:							Jun 4, 2018 : 40%	
	H.C. Ho (Note 3)	3,000,000	–	–	–	3,000,000			
	Employees	15,140,000	–	–	(580,000)	14,560,000			
		22,840,000	**–**	**–**	**(580,000)**	**22,260,000**			
Dec 5, 2014	*Current Directors:*						22.60	Dec 5, 2016 : 10%	Dec 4, 2024
	Ronnie C. Chan	2,750,000	–	–	–	2,750,000		Dec 5, 2017 : 20%	
	Adriel Chan	150,000	–	–	–	150,000		Dec 5, 2018 : 30%	
	Former Director:							Dec 5, 2019 : 40%	
	H.C. Ho (Note 3)	1,850,000	–	–	–	1,850,000			
	Employees	15,070,000	–	–	(530,000)	14,540,000			
		19,820,000	**–**	**–**	**(530,000)**	**19,290,000**			
Aug 10, 2017	*Current Directors:*						19.98	Aug 10, 2019 : 10%	Aug 9, 2027
	Ronnie C. Chan	1,925,000	–	–	–	1,925,000		Aug 10, 2020 : 20%	
	Adriel Chan	1,850,000	–	–	–	1,850,000		Aug 10, 2021 : 30%	
	Former Director:							Aug 10, 2022 : 40%	
	H.C. Ho (Note 3)	1,850,000	–	–	–	1,850,000			
	Employees	24,558,000	–	–	(1,528,000)	23,030,000			
		30,183,000	**–**	**–**	**(1,528,000)**	**28,655,000**			

Date of Grant	Category of Participants (Note 1)	Number of Share Options: Outstanding as at Jan 1, 2022	Granted during the Year	Exercised during the Year	Lapsed/ Forfeited during the Year	Outstanding as at Dec 31, 2022	Exercise Price per Share HK$	Vesting Dates (Note 2)	Expiry Date (Note 2)
May 16, 2018	*Current Director:*						18.98	May 16, 2020 : 10%	May 15, 2028
	Weber W.P. Lo	10,000,000	–	–	–	10,000,000		May 16, 2021 : 20%	
		10,000,000	**–**	**–**	**–**	**10,000,000**		May 16, 2022 : 30%	
								May 16, 2023 : 40%	
Jun 28, 2019	*Current Directors:*						18.58	Jun 28, 2021 : 10%	Jun 27, 2029
	Ronnie C. Chan	3,025,000	–	–	–	3,025,000		Jun 28, 2022 : 20%	
	Adriel Chan	2,200,000	–	–	–	2,200,000		Jun 28, 2023 : 30%	
	Weber W.P. Lo	2,750,000	–	–	–	2,750,000		Jun 28, 2024 : 40%	
	Former Director:								
	H.C. Ho (Note 3)	1,900,000	–	–	–	1,900,000			
	Employees	35,086,900	–	–	(3,095,200)	31,991,700			
		44,961,900	**–**	**–**	**(3,095,200)**	**41,866,700**			
May 12, 2021	*Current Directors:*						19.95	May 12, 2023 : 10%	May 11, 2031
	Ronnie C. Chan	3,300,000	–	–	–	3,300,000		May 12, 2024 : 20%	
	Adriel Chan	3,000,000	–	–	–	3,000,000		May 12, 2025 : 30%	
	Weber W.P. Lo	3,000,000	–	–	–	3,000,000		May 12, 2026 : 40%	
	Former Director:								
	H.C. Ho (Note 3)	2,100,000	–	–	–	2,100,000			
	Employees	51,705,000	–	–	(4,710,000)	46,995,000			
		63,105,000	**–**	**–**	**(4,710,000)**	**58,395,000**			
Oct 6, 2021	*Current Director:*						17.65	Oct 6, 2023 : 10%	Oct 5, 2031
	Kenneth K.K. Chiu	2,000,000	–	–	–	2,000,000		Oct 6, 2024 : 20%	
		2,000,000	**–**	**–**	**–**	**2,000,000**		Oct 6, 2025 : 30%	
								Oct 6, 2026 : 40%	
Feb 21, 2022	*Current Directors:*						16.38	Feb 21, 2024 : 10%	Feb 20, 2032
	Ronnie C. Chan	–	3,300,000	–	–	3,300,000		Feb 21, 2025 : 20%	
	Adriel Chan	–	3,000,000	–	–	3,000,000		Feb 21, 2026 : 30%	
	Weber W.P. Lo	–	3,000,000	–	–	3,000,000		Feb 21, 2027 : 40%	
	Kenneth K.K. Chiu	–	2,100,000	–	–	2,100,000			
	Former Director:								
	H.C. Ho (Note 3)	–	2,100,000	–	–	2,100,000			
	Employees	–	53,570,000	–	(2,840,000)	50,730,000			
		–	**67,070,000**	**–**	**(2,840,000)**	**64,230,000**			
	Current Directors	**40,650,000**	**11,400,000**	**–**	**–**	**52,050,000**			
	Former Director	**10,700,000**	**2,100,000**	**–**	**–**	**12,800,000**			
	Employees	**141,559,900**	**53,570,000**	**–**	**(13,283,200)**	**181,846,700**			
Total		**192,909,900**	**67,070,000**	**–**	**(13,283,200)**	**246,696,700**			

Notes:

1. In respect of the categories of participants, "employees" include current and former employees of HLP and its subsidiaries and persons who were granted share options as an incentive to enter into employment contracts with HLP and/or any of its subsidiaries.
2. Exercise periods of the share options start from the respective vesting dates and end on the respective expiry dates.
3. 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 HLP.

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 5)
Adriel Chan	1	551,002,580	40.47
Chan Tan Ching Fen	2	522,423,080	38.37
Cole Enterprises Holdings (PTC) Limited	2	522,423,080	38.37
Merssion Limited	2	522,423,080	38.37
Kingswick Investment Limited	3	103,609,000	7.61
Dodge & Cox	4	122,545,600	8.99
Silchester International Investors LLP	4	110,342,000	8.10
Schroders Plc	4	68,315,500	5.02

Notes:

1. These shares were the same parcel of shares held by two trusts, 522,423,080 shares of which were held by Merssion Limited under a trust and 28,579,500 shares of which were held by another trust. As Mr. Adriel Chan was a discretionary beneficiary (for 522,423,080 shares) of a trust and both a settlor and discretionary beneficiary (for 28,579,500 shares) of another trust, he was deemed to be interested in such shares under the SFO.
2. These shares were the same parcel of shares held by Merssion Limited which was held under a trust. As Ms. Chan Tan Ching Fen was the founder and Cole Enterprises Holdings (PTC) Limited was the trustee, they were deemed to be interested in such shares under the SFO.

   These share were included in the 551,002,580 shares deemed to be interested by Mr. Adriel Chan.
3. This company was a wholly-owned subsidiary of Merssion Limited, its interests were included in 522,423,080 shares held by Merssion Limited.
4. These shares were held in the capacity of investment managers.
5. Shareholding percentages were calculated based on the total number of issued shares of the Company as at December 31, 2022, being 1,361,618,242 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.

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 non-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 88 to 117.

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

Independent auditor's report to the members of Hang Lung Group Limited
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Hang Lung Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 139 to 201, 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(f) (accounting policy))

The Key Audit Matter	How the matter was addressed in our audit
The aggregate fair values of the Group's investment properties and investment properties under development as at December 31, 2022 amounted to HK$199,084 million, representing 88% of the Group's total assets as at that date. 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$352 million. The Group's investment properties, which are located in Hong Kong and Mainland China, mainly comprise shopping malls, office premises, industrial premises, residential premises and car parking bays. The fair values of the Group's investment properties and investment properties under development were assessed by management based on independent valuations prepared by an external property valuer. We identified valuation of the Group's investment properties and investment properties under development as a key audit matter because of the significance of investment properties and investment properties under development to the Group's consolidated financial statements and because the determination of the fair values involves significant judgement and estimation, including selecting the appropriate valuation methodology, capitalization rates and market rents and, for investment properties under development, an estimation of costs to complete each property development project.	Our audit procedures to assess the valuation of investment properties and investment properties under development included the following: • assessing the competence, capability, experience of the locations and types of properties subject to valuation and objectivity of the external property valuer; • evaluating the valuation methodology used by the external property valuer based on our knowledge of other property valuers for similar types of properties; • on a sample basis, comparing the tenancy information included in the valuation models, which included committed rents and occupancy rates, with underlying contracts and related documentation; • discussing the valuations with the external property valuer in a separate private session and challenging key estimates adopted in the valuations, including those relating to market selling prices, market rents and capitalization rates, by comparing them with historical rates and available market data, taking into consideration comparability and other local market factors, with the assistance of our internal property valuation specialists; and • for investment properties under development, comparing the estimated construction costs to complete each property development project with the Group's updated budgets (see further details set out in the key audit matter below).

Assessing the development costs of investment properties under development

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

The Key Audit Matter	How the matter was addressed in our audit
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.	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

Financial Statements

Consolidated Statement of Profit or Loss

For the year ended December 31, 2022

	Note	2022 HK$ Million	2021 HK$ Million	*For information purpose only* 2022 RMB Million	*For information purpose only* 2021 RMB Million
Revenue	2(a)	**10,941**	10,919	**9,380**	9,059
Direct costs and operating expenses		**(3,258)**	(3,112)	**(2,791)**	(2,581)
		7,683	7,807	**6,589**	6,478
Other net income	3	**5**	60	**4**	50
Administrative expenses		**(673)**	(618)	**(581)**	(512)
Profit from operations before changes in fair value of properties		**7,015**	7,249	**6,012**	6,016
(Decrease)/increase in fair value of properties		**(352)**	458	**(307)**	380
Profit from operations after changes in fair value of properties		**6,663**	7,707	**5,705**	6,396
Interest income		**73**	82	**63**	68
Finance costs		**(537)**	(509)	**(463)**	(422)
Net interest expense	4	**(464)**	(427)	**(400)**	(354)
Share of profits/(losses) of joint ventures	12	**153**	(14)	**131**	(11)
Profit before taxation	5	**6,352**	7,266	**5,436**	6,031
Taxation	7(a)	**(1,557)**	(2,191)	**(1,336)**	(1,814)
Profit for the year	2(b)	**4,795**	5,075	**4,100**	4,217
Attributable to:					
Shareholders	21(a)	**2,718**	2,589	**2,324**	2,154
Non-controlling interests		**2,077**	2,486	**1,776**	2,063
Profit for the year		**4,795**	5,075	**4,100**	4,217
Earnings per share	9(a)				
Basic		**HK$2.00**	HK$1.90	**RMB1.71**	RMB1.58
Diluted		**HK$2.00**	HK$1.90	**RMB1.71**	RMB1.58

The accompanying notes form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2022

	Note	2022 HK$ Million	2021 HK$ Million	*For information purpose only* 2022 RMB Million	*For information purpose only* 2021 RMB Million
Profit for the year		**4,795**	5,075	**4,100**	4,217
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		**(10,329)**	3,351	**3,382**	(1,007)
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)**	(2)	**(1)**	(2)
Other comprehensive income for the year, net of tax		**(10,254)**	3,390	**3,443**	(976)
Total comprehensive income for the year		**(5,459)**	8,465	**7,543**	3,241
Attributable to:					
Shareholders		**(3,042)**	4,477	**4,572**	1,531
Non-controlling interests		**(2,417)**	3,988	**2,971**	1,710
Total comprehensive income for the year		**(5,459)**	8,465	**7,543**	3,241

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

At December 31, 2022

	Note	2022 HK$ Million	2021 HK$ Million	*For information purpose only* 2022 RMB Million	2021 RMB Million
Non-current assets					
Property, plant and equipment					
Investment properties		**176,381**	186,582	**157,657**	152,549
Investment properties under development		**22,703**	22,399	**20,283**	18,314
Other property, plant and equipment		**317**	286	**283**	234
	10	**199,401**	209,267	**178,223**	171,097
Interests in joint ventures	12	**4,492**	3,729	**4,020**	3,049
Other assets	13	**1,434**	1,435	**1,283**	1,173
Deferred tax assets	19(b)	**144**	84	**129**	69
		205,471	214,515	**183,655**	175,388
Current assets					
Cash and deposits with banks	14	**5,785**	9,140	**5,173**	7,472
Trade and other receivables	15	**3,589**	3,555	**3,208**	2,906
Properties for sale	16	**11,689**	10,811	**10,451**	8,839
		21,063	23,506	**18,832**	19,217
Current liabilities					
Bank loans and other borrowings	17	**4,729**	8,079	**4,229**	6,605
Trade and other payables	18	**9,712**	10,790	**8,680**	8,822
Lease liabilities	11(a)	**27**	31	**24**	25
Current tax payable	19(a)	**457**	551	**408**	451
		14,925	19,451	**13,341**	15,903
Net current assets		**6,138**	4,055	**5,491**	3,314
Total assets less current liabilities		**211,609**	218,570	**189,146**	178,702
Non-current liabilities					
Bank loans and other borrowings	17	**41,224**	37,804	**36,875**	30,909
Lease liabilities	11(a)	**266**	305	**238**	249
Deferred tax liabilities	19(b)	**14,906**	15,974	**13,315**	13,060
		56,396	54,083	**50,428**	44,218
NET ASSETS		**155,213**	164,487	**138,718**	134,484
Capital and reserves					
Share capital	20	**4,065**	4,065	**3,164**	3,164
Reserves	21	**88,754**	91,777	**79,795**	75,196
Shareholders' equity		**92,819**	95,842	**82,959**	78,360
Non-controlling interests		**62,394**	68,645	**55,759**	56,124
TOTAL EQUITY		**155,213**	164,487	**138,718**	134,484

Weber W.P. Lo
Chief Executive Officer

Kenneth K.K. Chiu
Chief Financial Officer

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

HK$ Million	Shareholders' equity				Non-controlling interests	Total equity
	Share capital (Note 20)	Other reserves (Note 21)	Retained profits (Note 21)	Total		
At January 1, 2021	4,065	6,992	81,048	92,105	67,234	159,339
Profit for the year	–	–	2,589	2,589	2,486	5,075
Exchange difference arising from translation to presentation currency	–	1,866	–	1,866	1,485	3,351
Loss on net investment hedge	–	(5)	–	(5)	(4)	(9)
Cash flow hedges: net movement in hedging reserve	–	29	–	29	21	50
Net change in fair value of equity investments	–	(2)	–	(2)	–	(2)
Total comprehensive income for the year	–	1,888	2,589	4,477	3,988	8,465
Final dividend in respect of previous year	–	–	(858)	(858)	–	(858)
Interim dividend in respect of current year	–	–	(286)	(286)	–	(286)
Employee share-based payments	–	(77)	117	40	26	66
Changes arising from increase of the Group's shareholding in a subsidiary	–	364	–	364	(758)	(394)
Dividends paid to non-controlling interests	–	–	–	–	(1,845)	(1,845)
At December 31, 2021 and January 1, 2022	4,065	9,167	82,610	95,842	68,645	164,487
Profit for the year	**–**	**–**	**2,718**	**2,718**	**2,077**	**4,795**
Exchange difference arising from translation to presentation currency	**–**	**(5,805)**	**–**	**(5,805)**	**(4,524)**	**(10,329)**
Gain on net investment hedge	**–**	**5**	**–**	**5**	**4**	**9**
Cash flow hedges: net movement in hedging reserve	**–**	**40**	**–**	**40**	**27**	**67**
Net change in fair value of equity investments	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Total comprehensive income for the year	**–**	**(5,760)**	**2,718**	**(3,042)**	**(2,417)**	**(5,459)**
Final dividend in respect of previous year	**–**	**–**	**(885)**	**(885)**	**–**	**(885)**
Interim dividend in respect of current year	**–**	**–**	**(286)**	**(286)**	**–**	**(286)**
Employee share-based payments	**–**	**53**	**7**	**60**	**28**	**88**
Changes arising from increase of the Group's shareholding in a subsidiary	**–**	**1,130**	**–**	**1,130**	**(1,996)**	**(866)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**(1,866)**	**(1,866)**
At December 31, 2022	**4,065**	**4,590**	**84,164**	**92,819**	**62,394**	**155,213**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

For information purpose only

RMB Million	Shareholders' equity				Non-controlling interests	Total equity
	Share capital	Other reserves	Retained profits	Total		
At January 1, 2021	3,164	6,707	67,576	77,447	56,544	133,991
Profit for the year	–	–	2,154	2,154	2,063	4,217
Exchange difference arising from translation to presentation currency	–	(641)	–	(641)	(366)	(1,007)
Loss on net investment hedge	–	(4)	–	(4)	(4)	(8)
Cash flow hedges: net movement in hedging reserve	–	24	–	24	17	41
Net change in fair value of equity investments	–	(2)	–	(2)	–	(2)
Total comprehensive income for the year	–	(623)	2,154	1,531	1,710	3,241
Final dividend in respect of previous year	–	–	(711)	(711)	–	(711)
Interim dividend in respect of current year	–	–	(237)	(237)	–	(237)
Employee share-based payments	–	(64)	96	32	23	55
Changes arising from increase of the Group's shareholding in a subsidiary	–	298	–	298	(622)	(324)
Dividends paid to non-controlling interests	–	–	–	–	(1,531)	(1,531)
At December 31, 2021 and January 1, 2022	3,164	6,318	68,878	78,360	56,124	134,484
Profit for the year	**–**	**–**	**2,324**	**2,324**	**1,776**	**4,100**
Exchange difference arising from translation to presentation currency	**–**	**2,211**	**–**	**2,211**	**1,171**	**3,382**
Gain on net investment hedge	**–**	**4**	**–**	**4**	**3**	**7**
Cash flow hedges: net movement in hedging reserve	**–**	**33**	**–**	**33**	**22**	**55**
Net change in fair value of equity investments	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Total comprehensive income for the year	**–**	**2,248**	**2,324**	**4,572**	**2,971**	**7,543**
Final dividend in respect of previous year	**–**	**–**	**(758)**	**(758)**	**–**	**(758)**
Interim dividend in respect of current year	**–**	**–**	**(256)**	**(256)**	**–**	**(256)**
Employee share-based payments	**–**	**46**	**6**	**52**	**24**	**76**
Changes arising from increase of the Group's shareholding in a subsidiary	**–**	**989**	**–**	**989**	**(1,735)**	**(746)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**(1,625)**	**(1,625)**
At December 31, 2022	**3,164**	**9,601**	**70,194**	**82,959**	**55,759**	**138,718**

Consolidated Cash Flow Statement

For the year ended December 31, 2022

	Note	2022 HK$ Million	2021 HK$ Million	For information purpose only 2022 RMB Million	For information purpose only 2021 RMB Million
Operating activities					
Cash generated from operations	22	**5,915**	4,591	**5,086**	3,796
Tax paid					
Hong Kong Profits Tax paid		**(273)**	(352)	**(234)**	(292)
Mainland China Income Tax paid		**(1,199)**	(1,196)	**(1,039)**	(991)
Net cash generated from operating activities		**4,443**	3,043	**3,813**	2,513
Investing activities					
Payment for property, plant and equipment		**(2,721)**	(2,878)	**(2,323)**	(2,378)
Acquisition of additional interests in joint ventures	12	**(879)**	–	**(729)**	–
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		**72**	86	**62**	72
Dividends received from joint ventures		**28**	38	**24**	32
Repayment from a joint venture		**241**	–	**206**	–
Advance to unlisted investee companies		**–**	(1)	**–**	(1)
Decrease in bank deposits with maturity greater than 3 months		**41**	1,176	**35**	976
Net cash used in investing activities		**(3,203)**	(1,440)	**(2,712)**	(1,183)
Financing activities					
Proceeds from new bank loans and other borrowings	23	**37,035**	25,402	**31,807**	21,078
Repayment of bank loans and other borrowings	23	**(35,896)**	(18,760)	**(30,837)**	(15,572)
Capital element of lease rentals paid	23	**(15)**	(12)	**(12)**	(10)
Interest and other borrowing costs paid		**(1,444)**	(1,424)	**(1,237)**	(1,180)
Interest element of lease rentals paid	23	**(15)**	(16)	**(13)**	(13)
Dividends paid		**(1,171)**	(1,144)	**(1,014)**	(948)
Dividends paid to non-controlling interests		**(1,866)**	(1,845)	**(1,625)**	(1,531)
Decrease in non-controlling interests in subsidiaries		**(878)**	(382)	**(756)**	(314)
Net cash (used in)/generated from financing activities		**(4,250)**	1,819	**(3,687)**	1,510
(Decrease)/increase in cash and cash equivalents		**(3,010)**	3,422	**(2,586)**	2,840
Effect of foreign exchange rate changes		**(302)**	86	**316**	(97)
Cash and cash equivalents at January 1		**9,016**	5,508	**7,370**	4,627
Cash and cash equivalents at December 31	14	**5,704**	9,016	**5,100**	7,370

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(x) as if the presentation currency is Renminbi.

1 Significant Accounting Policies (Continued)

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (Note 1(n)).

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.

(e) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's share of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities as of the acquisition date.

Goodwill is stated at cost less accumulated impairment losses and is tested regularly for impairment (Note 1(n)).

Any excess of the Group's share of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities as of the acquisition date over the cost of a business combination is recognized immediately in profit or loss as a gain on a bargain purchase.

On disposal of an entity, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1 Significant Accounting Policies (Continued)

(f) 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.

(g) Properties for sale

1. Properties under development for sale

Properties under development for sale are classified under current assets and stated at the lower of cost and net realizable value. Costs include the acquisition cost of land, aggregate cost of development, borrowing costs capitalized (Note 1(s)) and other direct expenses. Net realizable value represents the estimated selling price as determined by reference to management estimates based on prevailing market conditions less estimated costs of completion and costs to be incurred in selling the property.

2. Completed properties for sale

Completed properties for sale are classified under current assets and stated at the lower of cost and net realizable value. Cost is determined by apportionment of the total development costs, including borrowing costs capitalized (Note 1(s)), attributable to unsold properties. Net realizable value represents the estimated selling price as determined by reference to management estimates based on prevailing market conditions less costs to be incurred in selling the property.

(h) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (Note 1(n)). 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.

(i) 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)

(i) 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(f). Otherwise, they are subsequently stated at cost less accumulated depreciation (Note 1(h)) and impairment losses (Note 1(n)).

Lease payments included in the measurement of the lease liability comprise the fixed payments (including in-substance fixed payments) less any lease incentives. Variable lease payments that do not depend on an index or rate are charged to profit or loss in the accounting period in which they are incurred.

2. As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

Rental income from operating leases is recognized in accordance with note 1(v)(1).

1 Significant Accounting Policies (Continued)

(j) 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

(k) Investments in equity instruments

Investments in equity instruments are classified and measured at fair value through profit or loss (FVTPL) except when the equity investment is not held for trading and an election is made to present the fair value changes in other comprehensive income (FVTOCI). This election is made on an investment-by-investment basis on initial recognition and is irrevocable. The gains or losses (both on subsequent measurement and derecognition) of investments that are measured at FVTPL are recognized in profit or loss. If the equity investment is designated as at FVTOCI, all gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, except for dividend income that is generally recognized in profit or loss in accordance with the policy set out in note 1(v)(5).

Investments are recognized/derecognized on the date the Group commits to purchase/sell the investments.

(l) 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(m)(1)).

(m) 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)

(m) 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.

(n) Impairment of assets

– For other property, plant and equipment, investments in joint ventures, goodwill 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. Goodwill is tested annually for impairment. 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. An impairment loss in respect of goodwill is not reversed.

– For trade and other receivables and other financial assets measured at amortized cost (including cash and deposits with banks, advances to unlisted investee companies and amounts due from joint ventures), 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)

(n) 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.

(o) 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(n)), 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(n)).

(p) 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(n).

(q) Trade and other payables (including contract liabilities)

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the revenue arising from contract with customers within the scope of HKFRS 15, *Revenue from contracts with customers*. A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized.

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (Note 1(s)).

1 Significant Accounting Policies (Continued)

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying assets for its intended use or sale are interrupted or complete.

(t) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognized at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss.

Subsequent to initial recognition, the amount initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognizes a provision when expected credit losses on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees (i.e. the amount initially recognized, less accumulated amortization).

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)

(t) 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.

(u) Provisions and contingent liabilities

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of the money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognized for any expected reimbursement that would be virtually certain. The amount recognized for the reimbursement is limited to the carrying amount of the provision.

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of properties, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

1. 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)

(v) 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.

(w) Taxation

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profits, and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

1 Significant Accounting Policies (Continued)

(w) Taxation (Continued)

When investment properties and investment properties under development are carried at fair value in accordance with the accounting policy set out in note 1(f), the amount of deferred tax recognized is measured using the tax rates that would apply on the sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

(x) Translation of foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (functional currency).

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss, except those arising from the translation of non-derivative financial liabilities designated as the hedging instruments to hedge the foreign exchange risk on net investments in foreign operations. Such exchange gains or losses to the extent that the hedge is effective are recognized in other comprehensive income (Note 1(m)(2)).

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rate ruling at the transaction dates. The transaction date is the date on which the Group initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair values are translated using the foreign exchange rates ruling at the dates the fair value was determined.

1 Significant Accounting Policies (Continued)

(x) Translation of foreign currencies (Continued)

The results and financial position of all operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. assets and liabilities are translated at the closing exchange rates at the end of the reporting period;
2. income and expenses are translated at the exchange rates approximating the exchange rates ruling at the dates of the transactions; and
3. all resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(y) Related parties

1. A person, or a close member of that person's family, is related to the Group if that person:
   (i) has control or joint control over the Group;
   (ii) has significant influence over the Group; or
   (iii) is a member of the key management personnel of the Group or the Group's parent.
2. An entity is related to the Group if any of the following conditions applies:
   (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   (iii) Both entities are joint ventures of the same third party.
   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
   (vi) The entity is controlled or jointly controlled by a person identified in (1).
   (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
   (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 Significant Accounting Policies (Continued)

(z) Segment reporting

Operating segments are reported in a manner consistent with the Group's internal financial reporting to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations. For disclosure purpose, a reportable segment comprises either one or more operating segments which can be aggregated together because they share similar economic characteristics and nature of the regulatory environment, or single operating segments which are disclosable separately because they cannot be aggregated or they exceed quantitative thresholds.

(aa) Employee benefits

1. Short term employee benefits and contributions to defined contribution retirement schemes

Salaries, annual bonuses, paid annual leave, the cost of non-monetary benefits and obligation for contributions to defined contribution retirement schemes, including those payables in mainland China and Hong Kong under relevant legislation, are accrued in the year in which the associated services are rendered by employees of the Group.

2. Share-based payments

The fair value of share options granted to employees is measured at grant date, taking into account the terms and conditions upon which the options were granted, and is expensed on a straight-line basis over the vesting period taking into account the probability that the options will vest, with a corresponding increase in equity (employee share-based compensation reserve).

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the employee share-based compensation reserve).

At the time when the share options are exercised, the related employee share-based compensation reserve is transferred to share capital. If the options expire or lapse after the vesting period, the related employee share-based compensation reserve is transferred directly to retained profits.

2 Revenue and Segment Information

The Group manages businesses according to the nature of services and products provided. Management has determined property leasing and property sales to be the reportable operating segments for the measurement of performance and the allocation of resources.

Segment assets principally comprise all non-current assets and current assets directly attributable to each segment with the exception of interests in joint ventures, other assets, deferred tax assets and cash and deposits with banks.

(a) Disaggregation of revenue

Revenue for the year is analyzed as follows:

HK$ Million	**2022**	2021
Under the scope of HKFRS 16, *Leases*:		
Rental income (Note 11(b))	**9,136**	9,637
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	**1,489**	1,282
	1,805	1,282
	10,941	10,919

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	**7,218**	**–**	**7,218**	7,402	–	7,402
– Hong Kong	**3,407**	**316**	**3,723**	3,517	–	3,517
	10,625	**316**	**10,941**	10,919	–	10,919
Profit/(loss) from operations before changes in fair value of properties						
– Mainland China	**4,461**	**(51)**	**4,410**	4,655	(38)	4,617
– Hong Kong	**2,467**	**138**	**2,605**	2,668	(36)	2,632
	6,928	**87**	**7,015**	7,323	(74)	7,249
(Decrease)/increase in fair value of properties	**(352)**	**–**	**(352)**	458	–	458
– Mainland China	**(108)**	**–**	**(108)**	1,763	–	1,763
– Hong Kong	**(244)**	**–**	**(244)**	(1,305)	–	(1,305)
Net interest expense	**(464)**	**–**	**(464)**	(427)	–	(427)
– Interest income	**73**	**–**	**73**	82	–	82
– Finance costs	**(537)**	**–**	**(537)**	(509)	–	(509)
Share of profits/(losses) of joint ventures	**153**	**–**	**153**	(14)	–	(14)
Profit/(loss) before taxation	**6,265**	**87**	**6,352**	7,340	(74)	7,266
Taxation	**(1,534)**	**(23)**	**(1,557)**	(2,200)	9	(2,191)
Profit/(loss) for the year	**4,731**	**64**	**4,795**	5,140	(65)	5,075
Net profit/(loss) attributable to shareholders	**2,680**	**38**	**2,718**	2,627	(38)	2,589

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	138,208	5,498	143,706	148,623	4,887	153,510
Hong Kong	64,576	6,397	70,973	64,169	5,954	70,123
	202,784	11,895	214,679	212,792	10,841	223,633
Interests in joint ventures			4,492			3,729
Other assets			1,434			1,435
Deferred tax assets			144			84
Cash and deposits with banks			5,785			9,140
			226,534			238,021

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	–	2
Others	(6)	12
	5	60

4 Net Interest Expense

HK$ Million	2022	2021
Interest income on bank deposits	73	82
Interest expense on bank loans and other borrowings	1,434	1,414
Interest on lease liabilities	15	16
Other borrowing costs	88	79
Total borrowing costs	1,537	1,509
Less: Borrowing costs capitalized (Note)	(1,000)	(1,000)
Finance costs	537	509
Net interest expense	(464)	(427)

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)	**1,590**	1,527
Depreciation	**78**	62
Auditors' remuneration		
– audit services	**14**	14
– non-audit services	**3**	4
and after crediting:		
Rental and related income from investment properties less direct outgoings of HK$3,029 million (2021: HK$3,021 million)	**7,596**	7,898

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$1,873 million (2021: HK$1,812 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 Directors' 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	**2.2**	**30.1**	**10.8**	**3.0**	**46.1**	44.5
Adriel Chan	**1.6**	**12.9**	**6.1**	**1.3**	**21.9**	21.2
Weber W.P. Lo	**1.6**	**20.2**	**10.0**	**1.0**	**32.8**	36.0
Kenneth K.K. Chiu (Appointed on October 6, 2021)	**1.6**	**5.3**	**2.6**	**0.3**	**9.8**	4.5
Non-Executive Directors						
Gerald L. Chan	**0.8**	**–**	**–**	**–**	**0.8**	0.8
George K.K. Chang	**1.0**	**–**	**–**	**–**	**1.0**	1.0
Roy Y.C. Chen	**0.8**	**–**	**–**	**–**	**0.8**	0.8
Independent Non-Executive Directors						
Simon S.O. Ip	**1.2**	**–**	**–**	**–**	**1.2**	1.2
P.W. Liu	**1.2**	**–**	**–**	**–**	**1.2**	1.2
L.C. Tsui	**1.0**	**–**	**–**	**–**	**1.0**	1.0
Martin C.K. Liao	**0.9**	**–**	**–**	**–**	**0.9**	0.9
Ex-Director						
H.C. Ho (Retired as executive director on March 1, 2022)	**0.2**	**1.3**	**10.0**	**0.1**	**11.6**	11.9
2022	**14.1**	**69.8**	**39.5**	**5.7**	**129.1**	125.0
2021	14.3	66.8	38.2	5.7	125.0	

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, all (2021: four) are existing or retired directors of the Company whose emoluments are disclosed in note 6(a). The emoluments in respect of the remaining one individual in 2021 are as follows:

HK$ Million	2021
Salaries, allowances and benefits in kind	3.1
Discretionary bonuses	6.6
The Group's contributions to retirement schemes	0.2
	9.9

(c) In addition to the above emoluments, certain directors of the Company were granted share options under the share option schemes of Hang Lung Properties Limited (HLP), 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	357	311
(Over)/under-provision in prior years	(16)	2
	341	313
Mainland China Income Tax	1,063	1,114
Total current tax	1,404	1,427
Deferred tax		
Changes in fair value of properties	22	624
Other origination and reversal of temporary differences	131	140
Total deferred tax (Note 19(b))	153	764
Total income tax expense	1,557	2,191

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$24 million (2021: HK$16 million) is included in the "share of profits/(losses) 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	6,352	7,266
Notional tax on profit before taxation at applicable rates	1,156	1,520
Tax effect of non-taxable income	(186)	(33)
Tax effect of non-deductible expenses	315	418
Tax effect of unrecognized temporary differences	(105)	(15)
Tax effect of unrecognized tax losses	393	299
(Over)/under-provision in prior years	(16)	2
Actual tax expense	1,557	2,191

8 Dividends

(a) Dividends attributable to the year

HK$ Million	2022	2021
Interim dividend declared and paid of HK21 cents (2021: HK21 cents) per share	286	286
Final dividend of HK65 cents (2021: HK65 cents) per share proposed after the end of the reporting period	885	885
	1,171	1,171

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$885 million (calculated based on HK65 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$858 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	2,718	2,589

	Number of shares	
	2022	2021
Weighted average number of shares used in calculating basic and diluted earnings per share (Note)	1,361,618,242	1,361,618,242

Note:

Diluted earnings per share was the same as the basic earnings per share for the years as there were no dilutive potential ordinary shares in existence during both years.

(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	2,718	2,589
Effect of changes in fair value of properties	352	(458)
Effect of income tax for changes in fair value of properties	22	624
Effect of changes in fair value of investment properties of joint ventures	43	116
	417	282
Non-controlling interests	(133)	120
	284	402
Underlying net profit attributable to shareholders	3,002	2,991

The earnings per share based on underlying net profit attributable to shareholders was:

	2022	2021
Basic	HK$2.20	HK$2.20
Diluted	HK$2.20	HK$2.20

10 Property, Plant and Equipment

HK$ Million	Investment properties	Investment properties under development	Others	Total
Cost or valuation:				
At January 1, 2021	173,235	27,544	880	201,659
Exchange adjustment	3,549	558	27	4,134
Additions	383	1,878	94	2,355
Disposals	(53)	–	(9)	(62)
Increase/(decrease) in fair value	1,663	(776)	–	887
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	186,582	22,399	992	209,973
Exchange adjustment	**(10,597)**	**(1,839)**	**(49)**	**(12,485)**
Additions	**599**	**2,307**	**132**	**3,038**
Disposals	**(15)**	**–**	**(19)**	**(34)**
Decrease in fair value	**(188)**	**(164)**	**–**	**(352)**
At December 31, 2022	**176,381**	**22,703**	**1,056**	**200,140**
Accumulated depreciation:				
At January 1, 2021	–	–	630	630
Exchange adjustment	–	–	22	22
Charge for the year	–	–	62	62
Written back on disposals	–	–	(8)	(8)
At December 31, 2021 and January 1, 2022	–	–	706	706
Exchange adjustment	**–**	**–**	**(30)**	**(30)**
Charge for the year	**–**	**–**	**78**	**78**
Written back on disposals	**–**	**–**	**(15)**	**(15)**
At December 31, 2022	**–**	**–**	**739**	**739**
Net book value:				
At December 31, 2022	**176,381**	**22,703**	**317**	**199,401**
At December 31, 2021	186,582	22,399	286	209,267

Cost or valuation of the property, plant and equipment is made up as follows:

December 31, 2022				
Valuation	**176,381**	**22,703**	**–**	**199,084**
Cost	**–**	**–**	**1,056**	**1,056**
	176,381	**22,703**	**1,056**	**200,140**
December 31, 2021				
Valuation	186,582	22,399	–	208,981
Cost	–	–	992	992
	186,582	22,399	992	209,973

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	**–**	**176,381**	**–**
Investment properties under development	**–**	**–**	**22,703**

HK$ Million	Fair value measurement at 2021		
	Level 1	Level 2	Level 3
Investment properties	–	186,582	–
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)	**22,991**	22,316	**1,716**	1,500
Outside Hong Kong				
– long-term leases (over 50 years)	**–**	–	**15**	28
– medium-term leases (10 to 50 years)	**114,648**	124,962	**20,972**	20,871
	176,381	186,582	**22,703**	22,399

(d) The net book value of other property, plant and equipment of the Group included long-term leases of HK$9 million (2021: HK$9 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$25 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	**5**	5
	20	21

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	**(5)**	(5)
Within financing cash flows	**(30)**	(28)
	(35)	(33)

(b) As a lessor

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to five years, with an option to renew the lease after that date, at which time all terms are renegotiated. Certain long-term leases contain rent review or adjustment clauses and the Group has a regular proportion of leases up for renewal each year. Certain leases include variable lease payments calculated with reference to the revenue of tenants.

Lease income from lease contracts in which the Group acts as a lessor is as below:

HK$ Million	**2022**	2021
Operating leases		
Fixed or variable depending on an index or rate	**7,700**	7,981
Variable not depending on an index or rate	**1,436**	1,656
	9,136	9,637

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	**6,412**	7,187
After 1 year but within 2 years	**4,198**	5,025
After 2 years but within 3 years	**2,442**	3,094
After 3 years but within 4 years	**1,180**	1,773
After 4 years but within 5 years	**474**	977
After 5 years	**317**	744
	15,023	18,800

12 Interests in Joint Ventures

HK$ Million	2022	2021
Share of net assets	**3,826**	3,051
Amounts due from joint ventures	**671**	683
Amounts due to joint ventures	**(5)**	(5)
	4,492	3,729

On March 31, 2022, the Group acquired additional 6.67% interests in Newfoundworld Investment Holdings Limited, Newfoundworld Holdings Limited and Newfoundworld Finance Limited and the respective shareholders' loans at a consideration of HK$879 million, which are the project companies of the commercial properties of Citygate in Hong Kong. The Group's interests in these joint ventures increased from 20% to 26.67%.

The fair value of the identifiable net assets and the shareholders' loans acquired was HK$973 million. The HK$94 million excess over the consideration paid was recognized as a gain under "share of profits/(losses) of joint ventures."

Amounts due from joint ventures 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.

Amounts due to joint ventures are unsecured and interest-free with no fixed terms of repayment.

At December 31, 2022, the Group had financial guarantees payable on demand of an amount not exceeding HK$573 million (2021: HK$430 million) issued to a bank in respect of a banking facility granted to a joint venture. This guarantee is not recognized in the Group's statement of financial position as its fair value is considered immaterial and the initial transaction price was nil.

Details of principal joint ventures are set out in note 34. 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	**5,105**	4,092
Current assets	**476**	425
Non-current liabilities	**(1,446)**	(1,234)
Current liabilities	**(309)**	(232)
Net assets	**3,826**	3,051

HK$ Million	2022	2021
Revenue	**311**	226
Profits/(losses) and total comprehensive income for the year	**153**	(14)

13 Other Assets

HK$ Million	2022	2021
Investments in unlisted equity instruments (Note 13(a))	**93**	94
Advance to unlisted investee companies	**159**	159
Intangible assets (Note 13(b))	**1,182**	1,182
	1,434	1,435

(a) Investments in unlisted equity instruments were measured at fair value through other comprehensive income. These equity instruments are primarily of Ever Light Limited, a company engaged in property leasing, and are expected to be held for long-term strategic purposes.

(b) Intangible assets represent goodwill arising from the Group's additions in equity interests in its subsidiary, HLP, for transactions before July 1, 2009.

14 Cash and Deposits with Banks

HK$ Million	2022	2021
Cash at banks	**2,314**	4,432
Time deposits	**3,471**	4,708
Cash and deposits with banks in the consolidated statement of financial position	**5,785**	9,140
Less: Bank deposits with maturity greater than 3 months	**(81)**	(124)
Cash and cash equivalents in the consolidated cash flow statement	**5,704**	9,016

During the year, the Group's cash and deposits with banks were interest-bearing at an average rate of 1.7% (2021: 1.8%) 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	**2,124**	5,617
Hong Kong Dollar equivalent of:		
Renminbi	**3,498**	3,367
United States Dollars	**163**	156
	5,785	9,140

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)	**45,953**	45,883
Less: Cash and deposits with banks	**(5,785)**	(9,140)
Net debt	**40,168**	36,743

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	118	117
1 – 3 months past due	27	7
More than 3 months past due	4	4
	149	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		
– Completed properties for sale	4	4
– Properties under development for sale	5,494	4,883
	5,498	4,887
In Hong Kong		
– Completed properties for sale	951	1,042
– Properties under development for sale	5,240	4,882
	6,191	5,924
	11,689	10,811

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	**4,056**	2,262
After 1 year but within 2 years	**7,393**	7,098
After 2 years but within 5 years	**19,715**	17,563
Over 5 years	**2,105**	1,654
	33,269	28,577
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
	46,114	46,049
Less: unamortized front end fees	**(161)**	(166)
Total bank loans and other borrowings	**45,953**	45,883
Amount due within 1 year included under current liabilities	**(4,729)**	(8,079)
	41,224	37,804

(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$24,789 million (2021: HK$18,295 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))	**6,314**	7,517
Contract liabilities (Note 18(b))	**479**	191
Deposits received (Note 18(c))	**2,919**	3,082
	9,712	10,790

(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.

(b) Contract liabilities

(i) Building management fees and other income from property leasing received in advance of HK$92 million (2021: HK$102 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.

(c) In the amount of deposits received, HK$1,722 million (2021: HK$1,618 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	**1,384**	1,751
Due after 3 months	**2,745**	3,155
	4,129	4,906

19 Taxation in the Consolidated Statement of Financial Position

(a) Current taxation

HK$ Million	**2022**	2021
Hong Kong Profits Tax	**169**	101
Mainland China Income Tax	**288**	450
	457	551

(b) Deferred taxation

HK$ Million	**2022**	2021
Deferred tax liabilities	**14,906**	15,974
Deferred tax assets	**(144)**	(84)
	14,762	15,890

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	2,303	12,455	(75)	16	14,699
Exchange adjustments	52	372	–	(4)	420
Charged/(credited) to					
– profit or loss (Note 7(a))	188	624	(71)	23	764
– other comprehensive income	–	–	–	7	7
At December 31, 2021 and January 1, 2022	2,543	13,451	(146)	42	15,890
Exchange adjustments	**(163)**	**(1,134)**	**–**	**4**	**(1,293)**
Charged/(credited) to					
– profit or loss (Note 7(a))	**197**	**22**	**(4)**	**(62)**	**153**
– other comprehensive income	**–**	**–**	**–**	**12**	**12**
At December 31, 2022	**2,577**	**12,339**	**(150)**	**(4)**	**14,762**

19 Taxation in the Consolidated Statement of Financial Position (Continued)

(c) Deferred tax assets not recognized

The Group has not recognized deferred tax assets in respect of tax losses of HK$10,198 million (2021: HK$9,871 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

	At January 1, 2022 and December 31, 2022		At January 1, 2021 and December 31, 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:	**1,362**	**4,065**	1,362	4,065

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								
	Exchange reserve	Hedging reserve	Investment revaluation reserve	Employee share-based compensation reserve	General reserve	Other capital reserve	Total	Retained profits	Total reserves
At January 1, 2021	1,693	(36)	63	367	275	4,630	6,992	81,048	88,040
Profit for the year	–	–	–	–	–	–	–	2,589	2,589
Exchange difference arising from translation to presentation currency	1,866	–	–	–	–	–	1,866	–	1,866
Loss on net investment hedge	(5)	–	–	–	–	–	(5)	–	(5)
Cash flow hedges: net movement in hedging reserve	–	29	–	–	–	–	29	–	29
Net change in fair value of equity investments	–	–	(2)	–	–	–	(2)	–	(2)
Total comprehensive income for the year	1,861	29	(2)	–	–	–	1,888	2,589	4,477
Final dividend in respect of previous year	–	–	–	–	–	–	–	(858)	(858)
Interim dividend in respect of current year	–	–	–	–	–	–	–	(286)	(286)
Employee share-based payments	–	–	–	(77)	–	–	(77)	117	40
Changes arising from increase of the Group's shareholding in a subsidiary	–	–	–	–	–	364	364	–	364
At December 31, 2021 and January 1, 2022	3,554	(7)	61	290	275	4,994	9,167	82,610	91,777
Profit for the year	–	–	–	–	–	–	–	**2,718**	**2,718**
Exchange difference arising from translation to presentation currency	**(5,805)**	–	–	–	–	–	**(5,805)**	–	**(5,805)**
Gain on net investment hedge	**5**	–	–	–	–	–	**5**	–	**5**
Cash flow hedges: net movement in hedging reserve	–	**40**	–	–	–	–	**40**	–	**40**
Total comprehensive income for the year	**(5,800)**	**40**	–	–	–		**(5,760)**	**2,718**	**(3,042)**
Final dividend in respect of previous year	–	–	–	–	–	–	–	**(885)**	**(885)**
Interim dividend in respect of current year	–	–	–	–	–	–	–	**(286)**	**(286)**
Employee share-based payments	–	–	–	**53**	–	–	**53**	**7**	**60**
Changes arising from increase of the Group's shareholding in a subsidiary	–	–	–	–	–	**1,130**	**1,130**	–	**1,130**
At December 31, 2022	**(2,246)**	**33**	**61**	**343**	**275**	**6,124**	**4,590**	**84,164**	**88,754**

21 Reserves (Continued)

(a) The Group (Continued)

The retained profits of the Group at December 31, 2022 included HK$632 million (2021: HK$631 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(m)(2)).

The hedging reserve comprises the Group's share of 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(m)(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	(28)	(8)	(36)
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)
Effect of share of non-controlling interests	(14)	(7)	(21)
At December 31, 2021 and January 1, 2022	(5)	(2)	(7)
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)**
Effect of share of non-controlling interests	**(24)**	**(3)**	**(27)**
At December 31, 2022	**33**	**–**	**33**

The investment revaluation reserve comprises the cumulative net change in the fair value of equity investments measured at FVTOCI (Note 1(k)).

The employee share-based compensation reserve comprises the fair value of share options granted which are not yet exercised, as explained in note 1(aa).

The general reserve was derived from retained profits and is distributable.

The other capital reserve represents any difference between the cost of the additional investment and the carrying amount of the net assets acquired at the date of exchange when acquiring an additional non-controlling interest in an existing subsidiary.

21 Reserves (Continued)

(b) The Company

HK$ Million	General reserve	Retained profits	Total reserves
At January 1, 2021	862	17,968	18,830
Profit and total comprehensive income for the year	–	2,304	2,304
Final dividend in respect of previous year	–	(858)	(858)
Interim dividend in respect of current year	–	(286)	(286)
At December 31, 2021 and January 1, 2022	862	19,128	19,990
Profit and total comprehensive income for the year	**–**	**2,294**	**2,294**
Final dividend in respect of previous year	**–**	**(885)**	**(885)**
Interim dividend in respect of current year	**–**	**(286)**	**(286)**
At December 31, 2022	**862**	**20,251**	**21,113**

The aggregate amount of the Company's reserves available for distribution to equity shareholders of the Company at December 31, 2022 was HK$21,113 million (2021: HK$19,990 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 25.9% (2021: 22.3%) and 29.6% (2021: 27.9%), 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	6,352	7,266
Adjustments for:		
Gain on disposal of investment properties	–	(17)
Dividend income from equity investments measured at FVTOCI	–	(2)
Loss on disposal of other property, plant and equipment	4	1
Employee share-based payments	88	66
Depreciation	78	62
Decrease/(increase) in fair value of properties	352	(458)
Interest income on bank deposits	(73)	(82)
Finance costs	537	509
Share of (profits)/losses of joint ventures	(153)	14
Increase in properties for sale	(1,017)	(3,408)
Increase in trade and other receivables	(249)	(263)
(Decrease)/increase in creditors and accrued expenses and contract liabilities	(19)	698
Increase in deposits received	15	205
Cash generated from operations	5,915	4,591

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	38,770	328	39,098
Cash flows	6,642	(28)	6,614
Non-cash changes:			
Entering into new leases	–	10	10
Unwind of discount and amortization of transaction costs	93	16	109
Exchange adjustment	378	10	388
At December 31, 2021 and January 1, 2022	45,883	336	46,219
Cash flows	**1,139**	**(30)**	**1,109**
Non-cash changes:			
Unwind of discount and amortization of transaction costs	**70**	**15**	**85**
Exchange adjustment	**(1,139)**	**(28)**	**(1,167)**
At December 31, 2022	**45,953**	**293**	**46,246**

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	**1,836**	5,983
Authorized but not contracted for	**14,168**	13,195
	16,004	19,178

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$69 million (2021: HK$67 million).

25 Employee Benefits (Continued)

(b) Equity compensation benefits

The share option scheme adopted by the Company's subsidiary, HLP, 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 HLP to grant options to selected participants as incentives or rewards for their contributions to HLP group, to attract skilled and experienced personnel, to incentivize them to remain with HLP group and to motivate them to strive for the future development and expansion of HLP group by providing them with the opportunity to acquire equity interest in HLP.

Under the Schemes, the board of directors of HLP is authorized to grant options to selected participants, including employees and directors of any company in HLP group, subject to the terms and conditions such as performance targets as the board of directors of HLP may specify on a case-by-case basis or generally. The exercise price of the options is determined by the board of directors of HLP at the time of grant, and shall not be less than the higher of the nominal value of HLP shares, the closing price of HLP shares at the date of grant and the average closing price of HLP 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 HLP shares subject to each option are determined by the board of directors of HLP 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 of HLP and its subsidiaries are at nominal consideration and each share option gives the holder the right to subscribe for one share of HLP.

As of the date of this report, the total number of HLP 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 HLP. The total number of HLP 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 HLP shares in issue.

25 Employee Benefits (Continued)

(b) Equity compensation benefits (Continued)

The movements of share options of HLP during the year are as follows:

(i) 2012 Share Option Scheme

	Number of share options					
Date granted	Outstanding on January 1, 2022	Granted	Forfeited/ Lapsed	**Outstanding on December 31, 2022**	Period during which options are exercisable	Exercise price (HK$)
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 of HLP 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) The directors of the Company, who were also directors of HLP, during the year held share options of HLP. The related charge recognized for such options for the year ended December 31, 2022, estimated in accordance with the Group's accounting policy in note 1(aa)(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); and
(5) 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.

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	**28,577**	23,885
Total borrowings	**45,953**	45,883

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$229 million (2021: HK$148 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	**45,953**	**52,403**	**6,544**	**9,675**	**30,080**	**6,104**
Trade and other payables	**9,712**	**9,712**	**7,600**	**1,073**	**956**	**83**
Lease liabilities	**293**	**418**	**27**	**28**	**73**	**290**
At December 31, 2022	**55,958**	**62,533**	**14,171**	**10,776**	**31,109**	**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	45,883	50,368	9,274	8,750	25,397	6,947
Trade and other payables	10,790	10,790	8,785	949	903	153
Lease liabilities	336	487	31	29	83	344
At December 31, 2021	57,009	61,645	18,090	9,728	26,383	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(n).

(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 RMB3,127 million (2021: RMB2,753 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$3,169 million (2021: HK$3,317 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	**93**	94	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	**25,600**	24,507
Current assets			
Cash and deposits with banks		**3**	1
Trade and other receivables		**3**	2
		6	3
Current liabilities			
Trade and other payables		**16**	16
Net current liabilities		**10**	13
Total assets less current liabilities		**25,590**	24,494
Non-current liabilities			
Amounts due to subsidiaries	30(b)	**412**	439
NET ASSETS		**25,178**	24,055
Capital and reserves			
Share capital	20	**4,065**	4,065
Reserves	21(b)	**21,113**	19,990
TOTAL EQUITY		**25,178**	24,055

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	**166**	166
Amounts due from subsidiaries (Note 30(a))	**25,434**	24,341
	25,600	24,507

Details of principal subsidiaries are set out in note 33.

The following table lists out the information relating to HLP in which the Group has material non-controlling interest (NCI). The summarized financial information presented below represents the amounts before any inter-company elimination.

HK$ Million	2022	2021
NCI percentage at the end of the reporting period	**39.9%**	41.3%
Non-current assets	**192,231**	201,431
Current assets	**20,457**	22,804
Current liabilities	**(14,823)**	(19,502)
Non-current liabilities	**(54,719)**	(52,349)
Net assets	**143,146**	152,384
Carrying amount of NCI	**53,219**	58,530
Revenue	**10,347**	10,321
Profit for the year	**4,397**	4,805
Total comprehensive income for the year	**(5,307)**	8,029
Profit allocated to NCI	**1,531**	1,597
Dividends paid to NCI	**1,434**	1,449
Net cash flow:		
generated from operating activities	**4,139**	2,732
used in investing activities	**(2,556)**	(1,424)
(used in)/generated from financing activities	**(4,568)**	1,976

(a) 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.

(b) 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 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.

32 Approval of Financial Statements

The financial statements were approved and authorized for issue by the Board of Directors on January 31, 2023.

33 Principal Subsidiaries

At December 31, 2022

Company	Issued Share Capital (HK$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Antonis Limited*	10,000	60.1	–	Property leasing	Hong Kong
AP City Limited	2	60.1	–	Property leasing	Hong Kong
AP Joy Limited	2	60.1	–	Property leasing	Hong Kong
AP Properties Limited				Property leasing	Hong Kong
'A' shares	34	60.1	–		
'B' shares	6	60.1	–		
AP Star Limited*	2	60.1	–	Investment holding	Hong Kong
AP Success Limited	2	60.1	–	Property leasing	Hong Kong
AP Universal Limited*	2	60.1	–	Property leasing	Hong Kong
AP Win Limited*	1,000,000	60.1	–	Property leasing	Hong Kong
AP World Limited	2	60.1	–	Property leasing	Hong Kong
Bayliner Investment Ltd.*	US$ 1	100	100	Investment holding	British Virgin Islands
Believecity Limited*	2	100	–	Investment holding	Hong Kong
Bonna Estates Company Limited	1,000,000	60.1	–	Property leasing	Hong Kong
Caddo Enterprises, Limited*	4,000,000	60.1	–	Property leasing	Hong Kong
Cokage Limited*	2	100	100	Investment holding	Hong Kong
Country Bond Development Limited				Investment holding	Hong Kong
'A' shares	990	58.1	–		
'B' share	1	60.1	–		
Country First Enterprises Limited*	2	100	–	Investment holding	Hong Kong
Country Link Enterprises Limited	5,000,000	59.0	–	Investment holding	Hong Kong
Curicao Company Limited*	2	100	–	Investment holding	Hong Kong
Dokay Limited*	2	60.1	–	Property leasing	Hong Kong
Dynamia Company Limited	2	100	100	Property development & leasing	Hong Kong

33 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
Ease Smart Development Limited				Investment holding	Hong Kong
'A' share	1	100	–		
'B' share	1	60.1	–		
Easegood Enterprises Limited*	2	60.1	–	Investment holding	Hong Kong
Ever Brilliant Investment Limited*	2	100	100	Investment holding	Hong Kong
Fu Yik Company Limited*	3	60.1	–	Property leasing	Hong Kong
Gala Ruby Limited*	2	60.1	–	Investment holding	Hong Kong
Grand Centre Limited	4	60.1	–	Property leasing	Hong Kong
Grand Hotel Group Limited	10,200	60.1	–	Apartment operating & management	Hong Kong
Grand Hotel Holdings Limited*				Investment holding	Hong Kong
'A' shares	1,004,834,694	60.1	–		
'B' shares	6,000,000	60.1	–		
Great Cheer Development Limited	2	100	100	Property development	Hong Kong
Hang Chui Company Limited	2	60.1	–	Property leasing	Hong Kong
Hang Far Company Limited*	2	60.1	–	Investment holding	Hong Kong
Hang Fine Company Limited	200	60.1	–	Property leasing	Hong Kong
Hang Kong Company Limited*	2	100	–	Investment holding	Hong Kong
Hang Kwok Company Limited*	10,000	60.1	–	Property leasing	Hong Kong
Hang Lung (Administration) Limited	10,000	60.1	–	Management services	Hong Kong
Hang Lung (China) Limited*	2	100	100	Investment holding	Hong Kong
Hang Lung (Dalian) Limited*	1	60.1	–	Investment holding	Hong Kong
Hang Lung (Jiangsu) Limited*	1	60.1	–	Investment holding	Hong Kong
Hang Lung (Jinan) Limited*	1	60.1	–	Investment holding	Hong Kong
Hang Lung (Kunming) Limited*	1	60.1	–	Investment holding	Hong Kong
Hang Lung (Liaoning) Limited*	1	60.1	–	Investment holding	Hong Kong
Hang Lung (Shenyang) Limited*	2	60.1	–	Investment holding	Hong Kong
Hang Lung (Tianjin) Limited*	2	60.1	–	Investment holding	Hong Kong

33 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 (Wuhan) Limited*	1	60.1	–	Investment holding	Hong Kong
Hang Lung (Wuxi) Limited*	1	60.1	–	Investment holding	Hong Kong
Hang Lung Enterprises Limited*	2	100	100	Investment holding	Hong Kong
Hang Lung Financial Services Limited	2	100	100	Financial services	Hong Kong
Hang Lung Gala Place Limited	2	60.1	–	Property leasing	Hong Kong
Hang Lung Investments Limited*	2	100	100	Investment holding	Hong Kong
Hang Lung Project Management Limited*	10,000	60.1	–	Project management	Hong Kong
Hang Lung Properties Limited	39,949,979,215	60.1	–	Investment holding	Hong Kong
Hang Lung Property Management Limited*	100,000	60.1	–	Property management	Hong Kong
Hang Lung Real Estate Agency Limited*	2	60.1	–	Property agencies	Hong Kong
Hang Lung Treasury Limited	2	100	100	Financial services	Hong Kong
Hang Top Limited*	3	73.4	–	Investment holding	Hong Kong
Hang Wise Company Limited*	200	73.4	–	Property development	Hong Kong
Hebo Limited	2	100	100	Property development	Hong Kong
HL Enterprises Limited*	2	100	100	Investment holding	Hong Kong
HL Mortgage (HTG) Limited*	2	100	100	Financial services	Hong Kong
HL Mortgage (NH) Limited*	2	100	100	Financial services	Hong Kong
HL Mortgage (NP) Limited*	2	100	100	Financial services	Hong Kong
HLP (China) Administrative Limited	1	60.1	–	Management services	Hong Kong
HLP (China) Limited*	2	60.1	–	Investment holding	Hong Kong
HLP Finance Limited#	US$1	60.1	–	Financial services	British Virgin Islands
HLP Financial Services Limited	RMB1	60.1	–	Financial services	Hong Kong
HLP Treasury Limited	2	60.1	–	Financial services	Hong Kong
HLP Treasury Services Limited*	2	60.1	–	Financial services	Hong Kong
Hoi Sang Limited*	2	60.1	–	Investment holding	Hong Kong

33 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
Kindstock Limited*	2	100	–	Investment holding	Hong Kong
Lockoo Limited*	1,000,002	60.1	–	Property development	Hong Kong
Luckyson Investments Limited*	10,000	100	–	Investment holding	Hong Kong
Lungsun Mortgage (PV) Limited*	20	89.7	–	Financial services	Hong Kong
Mansita Limited*	2	60.1	–	Property leasing	Hong Kong
Modalton Limited	2	60.1	–	Property leasing	Hong Kong
Nikco Limited	2	100	–	Property leasing	Hong Kong
Palex Limited*	2	60.1	–	Property leasing	Hong Kong
Passion Success Limited*	1	60.1	–	Investment holding	Hong Kong
Pocaliton Limited	2	60.1	–	Property leasing	Hong Kong
Prosperland Housing Limited*	1,560,000	100	100	Investment holding	Hong Kong
Purotat Limited*	2	100	100	Investment holding	Hong Kong
Rago Star Limited	2	60.1	–	Property leasing	Hong Kong
Scotat Limited	2	89.7	–	Investment holding	Hong Kong
Stanman Properties Limited	20	100	100	Property development & leasing	Hong Kong
Stooket Limited	2	60.1	–	Property leasing	Hong Kong
Success Cosmos Development Limited*	2	100	100	Property development	Hong Kong
Superlane Development Limited	1,000	73.4	–	Property development	Hong Kong
Tegraton Limited	2	60.1	–	Property leasing	Hong Kong
Topnic Limited	2	100	100	Property leasing	Hong Kong
Total Select Limited	1	60.1	–	Property development	Hong Kong
Wai Luen Investment Company, Limited*	100,000	60.1	–	Property leasing	Hong Kong
Yangli Limited*	2	60.1	–	Property leasing	Hong Kong
Yee Fly Investment Limited*	1,000	100	100	Investment holding	Hong Kong

33 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	60.1	–	Property development & leasing	Mainland China
Hangzhou Hang Lung Properties Ltd.	RMB11,767,500,000	60.1	–	Property development	Mainland China
Hubei Hang Lung Property Development Co., Ltd.	RMB7,900,000,000	60.1	–	Property development & leasing	Mainland China
Kunming Hang Ying Properties Ltd.	RMB8,055,634,575	60.1	–	Property development & leasing	Mainland China
Liaoning Hang Lung Properties Ltd.	RMB8,040,096,324	60.1	–	Property development & leasing	Mainland China
Shandong Hang Lung Properties Ltd.	US$385,000,000	60.1	–	Property development & leasing	Mainland China
Shenyang Hang Lung Properties Ltd.	US$349,990,000	60.1	–	Property development & leasing	Mainland China
Tianjin Hang Lung Properties Ltd.	HK$5,329,600,000	60.1	–	Property development & leasing	Mainland China
Wuxi Hang Lung Properties Ltd.	RMB4,691,746,261	60.1	–	Property development & leasing	Mainland China
Wuxi Hang Ying Properties Ltd.	RMB960,716,180	60.1	–	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	57.8	–	Property development & leasing	Mainland China
Shanghai Heng Cheng Real Estate Development Co., Ltd.	17,766,000	70	–	Property development	Mainland China
Shanghai Kong Hui Property Development Co., Ltd.	165,000,000	55.5	–	Property development & leasing	Mainland China

Operated in Hong Kong

* Not audited by KPMG

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.

34 Principal 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
Daily Win Development Limited	400	25	–	Property leasing	Hong Kong
Hang Lung-Hakuyosha Dry Cleaning Limited	519,000	50	–	Dry and laundry cleaning	Hong Kong
Metro Classic Holdings Limited	US$1	20	–	Property development	British Virgin Islands
Metro Trade International Limited	US$60	20	–	Property development	British Virgin Islands
Newfoundworld Finance Limited	100,000	26.67	–	Financial services	Hong Kong
Newfoundworld Holdings Limited	2,000,000	26.67	–	Investment holding	Hong Kong
Newfoundworld Investment Holdings Limited	US$5	26.67	–	Investment holding	British Virgin Islands
Newfoundworld Limited	2,000,000	26.67	–	Property development	Hong Kong
Pure Jade Limited	1,000,000	20	–	Property development	Hong Kong
Star Play Development Limited	3	20	–	Property leasing	Hong Kong

The above companies are not audited by KPMG.

The above list gives the principal joint ventures of the Group which in the opinion of the directors, principally affect the profit and assets of the Group.

Ten-Year Financial Summary

in HK$ million (unless otherwise stated)	2022	2021	2020
CONSOLIDATED STATEMENT OF PROFIT OR LOSS			
Revenue			
Property leasing	10,625	10,919	9,464
Property sales	316	–	62
	10,941	10,919	9,526
Operating profit/(loss)			
Property leasing	7,596	7,898	6,836
Property sales	87	(91)	44
	7,683	7,807	6,880
Underlying net profit attributable to shareholders	3,002	2,991	2,834
Effect of changes in fair value of properties	(284)	(402)	(4,375)
Net profit/(loss) attributable to shareholders	2,718	2,589	(1,541)
Dividends for the year	(1,171)	(1,171)	(1,116)
	1,547	1,418	(2,657)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Net assets employed (Note 1)			
Investment properties	176,381	186,582	173,235
Investment properties under development	22,703	22,399	27,544
Properties for sale	11,689	10,811	8,009
Other assets	9,976	9,089	9,158
	220,749	228,881	217,946
Other liabilities	(25,368)	(27,651)	(26,630)
	195,381	201,230	191,316
Financed by			
Shareholders' equity	92,819	95,842	92,105
Non-controlling interests	62,394	68,645	67,234
Net debt/(cash)	40,168	36,743	31,977
	195,381	201,230	191,316
Number of shares issued (in million)	1,362	1,362	1,362
PER SHARE DATA			
Basic earnings/(loss) (HK$)	$2.00	$1.90	($1.13)
Dividends (HK cents)	86¢	86¢	82¢
Interim	21¢	21¢	19¢
Final	65¢	65¢	63¢
Special	–	–	–
Net assets attributable to shareholders (HK$)	$68.2	$70.4	$67.6
FINANCIAL INDICATORS			
Dividend payout ratio	43%	45%	N/A
Underlying dividend payout ratio	39%	39%	39%
Net debt to equity	25.9%	22.3%	20.1%
Debt to equity	29.6%	27.9%	24.3%
Interest cover (times)	5	5	4
Return on average shareholders' equity	2.9%	2.8%	N/A

Note:

1. Net assets employed are presented by excluding net debt/cash.

	2019	2018	2017	2016	2015	2014	2013
	9,139	8,784	8,354	8,326	8,330	7,792	7,216
	296	1,231	3,420	5,322	1,198	9,814	2,518
	9,435	**10,015**	**11,774**	**13,648**	**9,528**	**17,606**	**9,734**
	6,736	6,484	6,074	6,129	6,110	5,987	5,731
	162	765	2,238	3,209	845	7,419	1,521
	6,898	**7,249**	**8,312**	**9,338**	**6,955**	**13,406**	**7,252**
	3,796	**2,631**	**3,314**	**3,772**	**2,700**	**5,730**	**3,071**
	3,020	2,654	2,000	(59)	511	1,095	1,486
	6,816	**5,285**	**5,314**	**3,713**	**3,211**	**6,825**	**4,557**
	(1,470)	(1,089)	(1,089)	(1,089)	(1,084)	(1,097)	(1,079)
	5,346	**4,196**	**4,225**	**2,624**	**2,127**	**5,728**	**3,478**
	168,218	144,572	142,406	133,005	137,338	128,357	115,818
	27,602	31,186	21,592	17,282	16,709	25,611	30,478
	5,662	2,463	1,634	2,374	3,852	4,068	5,717
	8,097	7,867	7,933	9,184	6,325	7,014	7,248
	209,579	186,088	173,565	161,845	164,224	165,050	159,261
	(23,799)	(17,210)	(18,193)	(17,237)	(18,074)	(20,582)	(17,533)
	185,780	**168,878**	**155,372**	**144,608**	**146,150**	**144,468**	**141,728**
	91,294	86,447	83,137	75,658	75,470	76,026	70,572
	67,033	64,289	66,419	62,355	64,832	68,670	65,836
	27,453	18,142	5,816	6,595	5,848	(228)	5,320
	185,780	168,878	155,372	144,608	146,150	144,468	141,728
	1,362	1,362	1,362	1,362	1,355	1,355	1,350
	$5.01	$3.88	$3.90	$2.73	$2.37	$5.04	$3.38
	108¢	80¢	80¢	80¢	80¢	81¢	80¢
	19¢	19¢	19¢	19¢	19¢	19¢	19¢
	63¢	61¢	61¢	61¢	61¢	62¢	61¢
	26¢	–	–	–	–	–	–
	$67.0	$63.5	$61.1	$55.5	$55.7	$56.1	$52.3
	22%	21%	20%	29%	34%	16%	24%
	39%	41%	33%	29%	40%	19%	35%
	17.3%	12.0%	3.9%	4.8%	4.2%	0.0%	3.9%
	19.7%	20.3%	18.7%	22.5%	26.6%	27.7%	33.0%
	5	7	10	14	14	25	23
	7.7%	6.2%	6.7%	4.9%	4.2%	9.3%	6.7%

Glossary

Financial Terms

Finance costs	Total of interest expense on total borrowings and other borrowing costs, net of amount capitalized
Total borrowings	Total of bank loans 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

$$\text{Basic earnings per share} = \frac{\text{Net profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Debt to equity} = \frac{\text{Total borrowings}}{\text{Total equity}}$$

$$\text{Net assets attributable to shareholders per share} = \frac{\text{Shareholders' equity}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Net debt to equity} = \frac{\text{Net debt}}{\text{Total equity}}$$

$$\text{Interest cover} = \frac{\text{Profit from operations before changes in fair value of properties}}{\text{Finance costs before capitalization less interest income}}$$

$$\text{Payout ratio} = \frac{\text{Dividends attributable to the year}}{\text{Net profit attributable to shareholders}}$$

General Terms

AGM	annual general meeting of the Company
Articles of Association	the articles of association of the Company
Board	board of Directors
Board Member(s)	Director(s) of the Board
CEO	chief executive officer
CFO	chief financial officer
CG Code	Corporate Governance Code contained in Appendix 14 to the Listing Rules
Companies Ordinance	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company	Hang Lung Group 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
HLP	Hang Lung Properties Limited (the Company's listed subsidiary)
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(s)	non-executive Director(s)
RMB	Renminbi
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Stock Exchange	The Stock Exchange of Hong Kong Limited

Corporate Information

Directors

Ronnie C. Chan *GBM (Chair)*
Adriel Chan *(Vice Chair)*
Weber W.P. Lo *(Chief Executive Officer)*
Gerald L. Chan#
Simon S.O. Ip *GBS, CBE, JP**
P.W. Liu *SBS, JP**
L.C. Tsui *OC, GBM, GBS, JP**
Martin C.K. Liao *GBS, JP**
George K.K. Chang#
Roy Y.C. Chen#
Kenneth K.K. Chiu *(Chief Financial Officer)*

Non-Executive Director
* *Independent Non-Executive Director*

Audit Committee

Simon S.O. Ip *GBS, CBE, JP (Chair)*
P.W. Liu *SBS, JP*
L.C. Tsui *OC, GBM, GBS, JP*
George K.K. Chang

Nomination and Remuneration Committee

P.W. Liu *SBS, JP (Chair)*
Simon S.O. Ip *GBS, CBE, JP*
Martin C.K. Liao *GBS, JP*

Authorized Representatives

Weber W.P. Lo
Winnie Ma

Company Secretary

Winnie Ma

Registered Office

28th Floor, Standard Chartered Bank Building
4 Des Voeux Road Central, Hong Kong
Tel: 2879 0111
Fax: 2868 6086
Website: http://www.hanglunggroup.com
Email: HLGroup@hanglung.com

Auditor

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

Financial Calendar

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 (for attending and voting at annual general meeting)	4:30 p.m. on April 24, 2023
Closure of share register (for attending and voting at annual general meeting)	April 25 to 28, 2023 (both days inclusive)
Annual general meeting (Details are set out in the notice of annual general meeting accompanying this annual report)	11:00 a.m. on April 28, 2023

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

Listing Information

At December 31, 2022

1,361,618,242 shares listed on The Stock Exchange of Hong Kong Limited

Stock Code

Hong Kong Stock Exchange: 00010
Reuters: 0010.HK
Bloomberg: 10 HK

Board Lot Size (Share)

1,000

American Depositary Receipt (ADR)

Sponsored Level-1 (Over the Counter)
CUSIP Number/Ticker Symbol: 41043E102/HNLGY
ADR to Underlying Share Ratio: 1:5
Depositary Bank: The Bank of New York Mellon
Website: http://www.adrbnymellon.com

Share Registrar

Computershare Hong Kong Investor Services Limited
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 High HK$	Share Price Low HK$	Total Trading Volume Number of Shares ('000)		Share Price High HK$	Share Price Low HK$	Total Trading Volume Number of Shares ('000)
2022				2021			
First quarter	16.98	14.27	30,505	First quarter	21.60	18.74	55,836
Second quarter	16.28	13.98	33,767	Second quarter	20.75	18.78	39,690
Third quarter	14.94	12.16	36,590	Third quarter	20.35	17.32	38,614
Fourth quarter	14.70	9.90	41,512	Fourth quarter	18.78	15.54	39,372
Share Price as at December 31, 2022:			**HK$14.34**	**Share Price as at December 31, 2021:**			**HK$16.66**
Market Capitalization as at December 31, 2022:			**HK$19.53 billion**	**Market Capitalization as at December 31, 2021:**			**HK$22.68 billion**

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If there is any discrepancy or inconsistency between the English and the Chinese versions, the English version shall prevail.

STOCK CODE

00010