2023 ANNUAL REPORT

HANG LUNG PROPERTIES LIMITED

STOCK CODE: 00101

恒隆地產 HANG LUNG PROPERTIES


Center 66, Wuxi

INHERITANCE
INNOVATION
SUSTAINABILITY

The 2023 Hang Lung annual reports illustrate our dedication to pioneering innovation while protecting the cultural heritage of the communities in which we operate. Beyond building stunning, world-class architecture accentuated with modern interiors and exceptional service, we also restore important historical landmarks, where possible, and blend them into our overall project design.

The cover of the Hang Lung Properties report captures this commitment by showcasing the Chenghuang Temple at Center 66 in Wuxi. The ancient complex includes a carefully restored and reassembled fourteenth-century opera house built during the Ming Dynasty.

The Hang Lung Group report highlights the poetic contrast between the former Zhejiang Xingye Bank and Riverside 66 in Tianjin. We restored the century-old bank building to its original state and modernized its amenities, breathing new life into a cultural masterpiece.

This twin pursuit of innovation and heritage preservation reinforces our mission to “Pursue sustainable growth by connecting our customers and communities,” as well as our brand motto of **We Do It Well**.

CONTENTS

CORPORATE PROFILE

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

We are a well-established, top-tier property developer with customer-centricity at the heart of our operations. Our diversified portfolio comprises numerous properties in Hong Kong and in 9 Mainland cities of Shanghai, Shenyang, Jinan, Wuxi, Tianjin, Dalian, Kunming, Wuhan and Hangzhou. Through its luxury positioning under the "66" brand, our Mainland portfolio has established a leading position as the "Pulse of the City".

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

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

OUR VISION

We create compelling spaces that enrich lives

OUR MISSION

We pursue sustainable growth by connecting our customers and communities

OUR VALUES

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

Integrity
Sustainability
Excellence
Openness

FINANCIAL HIGHLIGHTS

Results

in HK$ Million (unless otherwise stated)

	2023			2022		
	Property Leasing	Property Sales	Total	Property Leasing	Property Sales	Total
Revenue	**10,316**	**–**	**10,316**	10,031	316	10,347
– Mainland China	**6,967**	**–**	**6,967**	6,752	–	6,752
– Hong Kong	**3,349**	**–**	**3,349**	3,279	316	3,595
Operating profit/(loss)	**7,441**	**(52)**	**7,389**	7,166	87	7,253
– Mainland China	**4,749**	**(44)**	**4,705**	4,554	(51)	4,503
– Hong Kong	**2,692**	**(8)**	**2,684**	2,612	138	2,750
Underlying net profit/(loss) attributable to shareholders	**4,177**	**(40)**	**4,137**	4,135	64	4,199
Net decrease in fair value of properties attributable to shareholders	**(167)**	**–**	**(167)**	(363)	–	(363)
Net profit/(loss) attributable to shareholders	**4,010**	**(40)**	**3,970**	3,772	64	3,836

	At December 31, 2023	At December 31, 2022
Shareholders' equity	**132,408**	133,381
Net assets attributable to shareholders per share (HK$)	**$29.4**	$29.6

Earnings and Dividends (HK$)

	2023	2022
Earnings per share		
– Based on underlying net profit attributable to shareholders	**$0.92**	$0.93
– Based on net profit attributable to shareholders	**$0.88**	$0.85
Dividends per share	**$0.78**	$0.78
– Interim	**$0.18**	$0.18
– Final	**$0.60**	$0.60

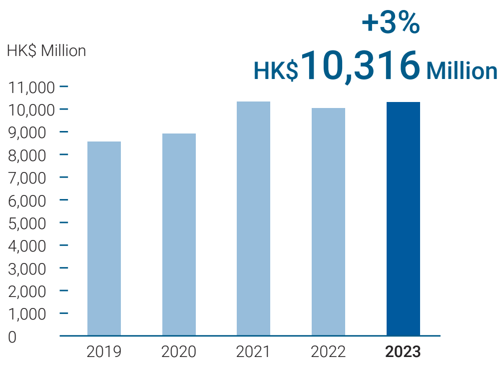
Financial Ratios

	2023	2022
Payout ratio (based on net profit attributable to shareholders)		
– Total	**88%**	91%
– Property leasing	**88%**	93%
– Property leasing (after deducting amount of interest capitalized)	**111%**	114%
Payout ratio (based on underlying net profit attributable to shareholders)		
– Total	**85%**	84%
– Property leasing	**84%**	85%
– Property leasing (after deducting amount of interest capitalized)	**106%**	102%

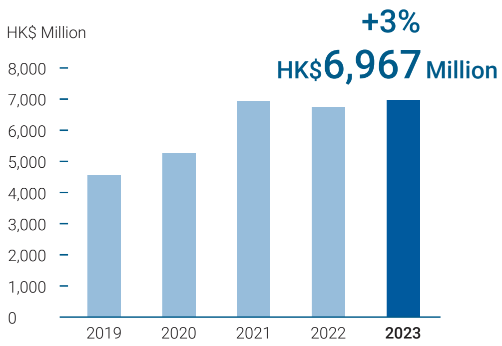
	At December 31, 2023	At December 31, 2022
Net debt to equity ratio	**31.9%**	28.1%
Debt to equity ratio	**35.7%**	31.8%

Property Leasing Revenue

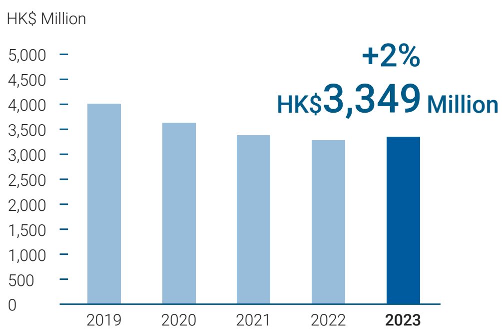
Overall



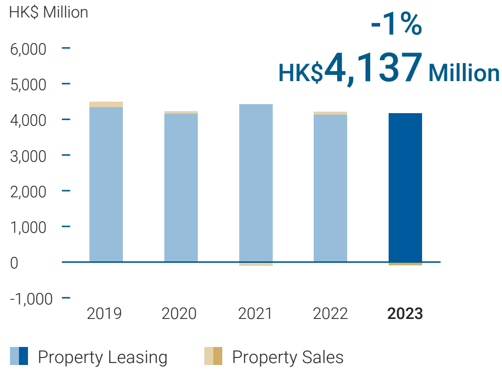
Mainland China



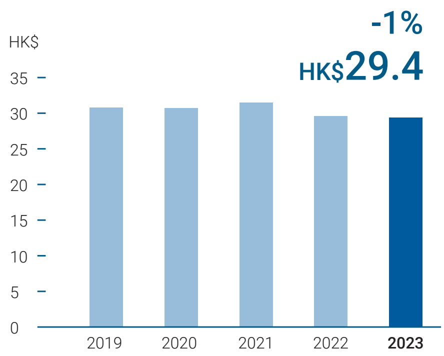
Hong Kong



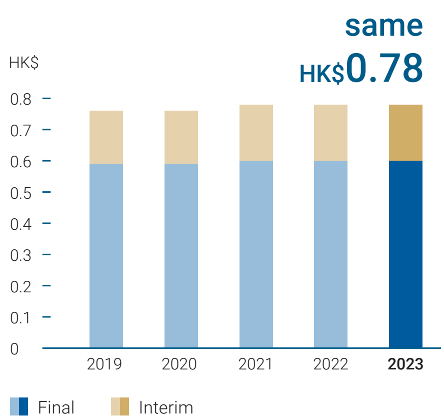
Underlying Net Profit



Net Assets Attributable to Shareholders per Share



Dividends per Share



2023 HIGHLIGHTS

Project Milestones

HANGOUT Launched at Heartland 66, Wuhan

Hang Lung's second self-operated multifunctional workspace in mainland China opened, bringing an innovative business hub for high-quality enterprises to Wuhan. HANGOUT has attracted numerous corporations, including Fortune 500 pharmaceutical companies and several of China's top 500 insurance companies.

Completion of 228 Electric Road in Hong Kong

Newly added to our office portfolio, the 22-story development provides exquisitely designed offices above a retail podium in the vibrant heart of the North Point business district, with proximity to the transport network.

Elevating Our Bespoke CRM Program and Brand Campaign

Hang Lung 66 Brand Campaign

Held in June, the annual campaign took inspiration from the works of Italian artist Joys di Padova and created immersive spaces at our shopping malls in mainland China. The unique experience blended art and fashion in seamless sophistication and led the Pulse of the City.

Pre-Sale of Grand Hyatt Residences Kunming Commenced

The first hotel-branded residences under Hang Lung's residence portfolio began pre-sale in October. The project's sales gallery and show flats were also unveiled to prospective customers.

Center Residences in Wuxi Topped Out

Center Residences in Wuxi successfully topped out in December. The development will offer approximately 570 housing units, 1,000 car parking spaces, a world-class clubhouse, and comprehensive activity areas.

HOUSE 66 Brand Visual Refresh

Celebrating its 6th anniversary, HOUSE 66 completed a brand visual refresh and upgraded a selection of its member benefits and privileges. The CRM program also launched a brand-new mini-program to provide members with a richer and smoother digital experience.

hello dollar Unveiled in Hong Kong

With the launch of the "hello dollar" in Hong Kong in May, members of the "hello Hang Lung Malls Rewards Program" can now convert their hello points earned from in-mall spending to hello dollars to use as cash at participating tenants, offering more payment flexibility.

Awards and Accolades

We were honored to receive 15 prestigious awards for our Annual Reports 2022.

Striving for perfection in everything we do has earned us multiple awards and industry recognitions.

Westlake 66 in Hangzhou won the gold award in the "Best New Mega Development" category at the MIPIM Asia Awards 2023

The China Shopping Mall Value Board awarded Parc 66 in Jinan a bronze award in the "Asset Enhancement" category

The Hang Lung website won 2 gold awards for "General Websites – Real Estate" and "Website Features – Best Practices" at the w3 Awards 2023

Hang Lung Properties was named one of Deloitte's "China Best Managed Companies" for the 3rd consecutive year

Hang Lung Properties received "Best IR Company – Large Cap" and "Best IR by IRO (Investor Relations Officer) – Large Cap" accolades at the 9th Investor Relations Awards

Peak Galleria in Hong Kong was awarded "Outstanding Flagship Service Brand" at the 2023 Service Talent Award

At the Muse Creative Awards 2023, Hang Lung was recognized with a platinum award for its 2022 advent calendar and 2 gold awards for its 2023 corporate calendar and corporate website

ASIA-PACIFIC STEVIE® AWARDS

The "Gateway to Happiness Celebration Party" and "Pixar Fluffy Festival", organized by Grand Gateway 66 in Shanghai, won a silver and bronze award, respectively, at the 13th Global Eventex Awards as well as 4 accolades at the 2023 Asia-Pacific Stevie® Awards

Plaza 66, Shanghai

PLACES THAT CONNECT

With customer centricity at the heart of our ethos, we aspire to exceed the expectations of our customers and stakeholders through personalized services that reflect the Hang Lung branded experience. We endeavor to create immersive, vibrant spaces that foster an inclusive sense of community and strengthen connections and collaborations.

Olympia 66, Dalian

Grand Gateway 66, Shanghai

CHAIR'S LETTER TO SHAREHOLDERS

Ronnie C. Chan
Chair

Results and Dividend

Despite the depreciation of the Renminbi (RMB) and the absence of any contribution from property sales, overall revenue held up when compared to 2022 at HK$10,316 million for the year ended December 31, 2023. The entire amount came from rental revenue, which represented an increase of 3% from last year.

The reported underlying leasing profit attributable to shareholders slightly increased by 1% to HK$4,177 million. However, without any contribution from property sales, the underlying net profit attributable to shareholders, when excluding all the effects of property revaluation, declined only by 1% to HK$4,137 million. Underlying earnings per share likewise fell to HK$0.92.

Net profit attributable to shareholders, after considering all the effects of property revaluation, increased by 3% to HK$3,970 million. Earnings per share rose correspondingly to HK$0.88.

The Board recommends a final dividend of HK60 cents per share, payable on or about June 14, 2024, to shareholders of record on May 10, 2024. If approved by shareholders, total dividends per share for the year ended December 31, 2023 will be HK78 cents.

Business Review

For most Mainland businesses, ours included, 2023 opened with much promise. The strict measures against COVID-19 were suddenly lifted in December 2022, and nationwide herd immunity was achieved in five to six weeks. By early January, normalcy appeared to have returned. The government was expected to take strong measures to stimulate the economy. Everything was looking upbeat.

During the first four months of the year, the market did perform well, but the momentum began to wane. Apparently, the government's economic stimuli were unable to sustain growth. Weakening sentiment gradually set in, with few encouraging signs as the year progressed.

When comparing the same period in 2023 to 2022, the rise in tenant sales during the first half was powerful but slowed in the second half. A similar pattern was observed in rental growth. Of late, the government seemed to have dialed up its stimulation, but whether this is sufficient to reverse the economic slowdown remains to be seen. As I have written in my recent letters, this is not only a financial or economic issue; it is also a structural one. It involves the loss of confidence from individuals to consume and enterprises to reinvest. Until that is restored, temporary upward movements can hardly be sustained. This is why I believe that, this time, the arrival of a full recovery will be measured in years and not months. When that happens, the economic structure will hopefully be healthier than before, thus assuring more sustainable growth.

As previously reported, for the 23 years since we opened our first commercial property on the Mainland in December 1999 until 2022, our Mainland rental portfolio in RMB terms has grown consistently year after year. We achieved this through a combination of organic growth as well as the addition of new properties. I am happy to report that we broke the record again in 2023 — in spite of not having new square footage added, we collected more commercial rents on the Mainland than ever before. Looking ahead, it will be a challenge to replicate this in 2024, but we will certainly do our best. We are operating under a very weak economy.

During and after the pandemic, luxury retail was one of the few sectors that was still growing nicely. But in the past several months, it too has slowed. This phenomenon is not unique to China; it is ubiquitous. In fact, relatively speaking, China is probably performing acceptably compared to most major markets around the world. Yet, her annual increase cannot be compared to the many years past. As one expert wrote, we must adapt to the new normal of a slower market. There may come a time when rapid growth will return, but I do not expect it in 2024.

A year ago, I stated my belief that 2023 might be a good year. I was correct since our Mainland rentals did reach new heights in our history. However, the results were not as pleasing as I had hoped because the economy continued to lose momentum throughout the year. Considering a quick recovery cannot be expected, I should comment on our net debt level, which has been creeping upward. After all, for about two years we have been operating under a rising interest rate environment.

To be sure, at the present 31.9% net debt-to-equity ratio, with a net debt balance of some HK$45 billion at year-end, our financial position is quite comfortable. This is particularly so given the nature of our business where we receive over HK$10 billion of quality recurrent rental revenue each year. Moreover, our net debt is expected to peak sometime in the next year or two. Management is therefore quite sanguine about our financial position. That said, we are taking many prudential measures to strengthen our finances, such as offering all eligible shareholders the opportunity to take scrip dividend rather than cash. This will allow us to retain more cash as working capital.

The point I want to make here, however, is not financial but strategic. A major reason why our debt level is where it is today is that, in 2018, we acquired land in Hangzhou and began construction as soon as we could. To me, this was an important strategic move, whose rationale I will explain later. There is obviously the need to balance financial stability, especially cash flow prudence, with strategic necessities. Nothing is free in business. To gain a longer-term strategic advantage, one must pay a shorter-term financial price.

As I have written many years ago, in the mainland Chinese luxury retail mall business, it is imperative that a company occupies as much as possible the following competitive positions. First, it should only be in very vibrant economic cities. Second, it must be the best in each city, although, in the biggest Mainland markets of Shanghai and Beijing, one can afford to be number two. Both sales and profitability are usually the highest in such properties which I call champions.

Plaza 66, Shanghai

Heartland 66, Wuhan

Not counting Hong Kong, I categorize Chinese cities into three groups. Only Shanghai and Beijing are in the top echelon. Each city can sustain multiple stores, say five to six, for each of the top fashion houses, such as the "Big Six" of Louis Vuitton, Dior, Chanel, Hermès, Cartier, and Gucci. Of those stores, the top two of each brand would garner the lion's share of the market.

The second group of cities comprises the six metropolises of Guangzhou, Hangzhou, Chengdu, Shenzhen, Nanjing, and Wuhan. Their economies are enormous, and each city can boast say three to four locations of each luxury brand, but the best one tends to outdistance the rest in terms of sales dollars. The runner-up may or may not be that lucrative. In other words, there will only be one or at most two champions in a city.

Group 3 consists of the better of the so-called tier-two cities. Each can manage only one — or, at most, two — stores for such brands, and the second best usually will not be particularly profitable. There can only be one champion.

For the first group of cities, our Plaza 66 is one of the two top-selling malls in Shanghai. (We do not have a presence in Beijing.) In fact, Plaza 66 is believed to have unrivaled efficiency nationwide, i.e., achieving the highest sales per square meter among all luxury malls in mainland China. We are only limited by size, so we are doing our best to expand its footprint, as I shall report later.

For the second group, we are only in Wuhan so far, which is not the strongest of its peers. Despite being a new property, Heartland 66 in Wuhan has already made considerable achievements. It is still gaining market share and has a fair chance of assuming the number one position in the city soon.

Spring City 66, Kunming

Olympia 66, Dalian

This is where Hangzhou comes in. Our Westlake 66 development certainly has the potential to become the strongest in that city. In each of the other four cities of Guangzhou, Chengdu, Nanjing, and Shenzhen, there are already one or two dominant players. It would not be easy to dislodge them. Such is the strategic significance of Hangzhou to us. We could not afford to miss the opportunity to acquire the land back in 2018. Fortunately, we won the auction. The price was well within our budget, and we are confident that we can build the best luxury mall in Hangzhou.

Group 3 cities are economically smaller but can still be highly profitable if you are the best in class, such as our Center 66 in Wuxi. The city is not large in population, but in terms of per capita household disposable income, it ranks as number one in the country. Consequently, the total tenant sales of Center 66 are only next to that of our two malls in Shanghai. I should mention that we also dominate in two other group 3 cities — Olympia 66 in Dalian and Spring City 66 in Kunming.

So far, we have four champions — Plaza 66 in Shanghai, Center 66 in Wuxi, Olympia 66 in Dalian, and Spring City 66 in Kunming. Very few developers have achieved that, but the situation may change over time. Frankly, any company that can produce one or more champions deserves our respect.

Given this landscape, the significance of Westlake 66 in Hangzhou is self-evident. It is strategically critical, albeit it has raised our debt-equity ratio for a few years. Once it opens, I expect tenant sales to be high, leading soon to pleasing rental revenue. That, in turn, will help bring down our gearing, which is reasonable even at its peak.

Prospects

In recent years, geopolitical and geo-economic issues have increasingly become significant to any sizable business, ours included. Traditional risks like strategic, financial, marketing, and technology risks, remain. Some of these were even exacerbated by developments of late. For example, the rapid advancement of science and technology appears to have reached the very steep part of a J-curve. Every new technology brings positive as well as negative consequences to society. I worry that the latter has finally caught up with the former. The speed of such inventions is beyond the ability of individuals and communities to cope. It is frankly alarming.

Consider the unprecedented ethical issues some technologies now present. Humankind has never before been confronted with anything like it. Or witness the prevalence of mental illnesses, such as on university campuses everywhere, to almost pandemic levels. A Harvard medical school professor recently told me that a significant majority of their students need some form of psychological counseling. Five or six years ago, I learned that, at Yale, such percentage was only slightly lower.

Today, the geopolitical problems we face are more grave than in recent memory. When the world's most powerful nation (the U.S.) wants to take on the second biggest economy (China) in a comprehensive contest, it is bad news for all. It will impact global businesses everywhere, especially those operating in China, like us. Trouble can strike anywhere. One place that is unexpected by many is the U.S. As I shared with a top thinker and practitioner of international affairs in mid-July last year, four months before his passing, the biggest risk in international affairs today is domestic troubles in the U.S. They will have severe consequences for the rest of the world.

Today, America is a country at war with herself. To some degree, she always has been, but it has never been this serious since the end of the Civil War in 1865. Party politics has become toxic, wealth gap is wide, and racial divide is rampant. Somewhat unique to America are the issue-based schisms in society, such as gender, immigration, guns, drugs, and many others.

Imagine Donald Trump returning to the White House, an outcome that appears increasingly possible. If this happens, three phenomena will surely occur: further splintering within the U.S., further fragmentation of the world, and further diminishing of America's global standing, resulting in her faster retreat to isolationism.

I fail to see how this is good for the U.S., or, indeed, the world. Since World War II (WWII), America has assumed the role of the global police. Like it or not, to some extent the U.S. has kept the world peaceful. Once that felt or unfelt force diminishes, the world will be a mess. It will be a world adrift in a stormy sea with no possible safe haven.

In my opinion, China does not have the intention nor the ability to replace the U.S. in this regard. At the same time, multiple non-state actors are rising, whose power and ability may rival or exceed that of many nations. Who will be there to contain them? Perhaps one day, a certain convergence of events would compel the U.S. and China to work together to resolve some global security issues.

Such is the prospect of the troubled world in which we now live. This is why I have publicly stated that, in today's environment, the objective of most companies should be to survive, not thrive. There are simply too many risks, known and unknown, to take an aggressive stance on expansion. Get through the next few years, then see how the world has evolved around us. It is better to pass up an opportunity than to lose an entire business. This is why, at Hang Lung, we have maintained a cautious stand in the past few years.

In these troubled waters, China may actually be a relatively peaceful place after she successfully resolves two issues: the contest with the U.S. and her own domestic economic malaise. In the past, I have written about the former and why I am not overly pessimistic about it; here, let me briefly address the latter.

As we all know, the Chinese economy is facing numerous challenges. When forced to change, the country will. With appropriate structural reforms, I believe Beijing should be able to overcome them one day and resume growth. In the past 45 years of opening and reform, she has faced difficulties of all kinds and has always found a way out. As the proverb goes, necessity is the mother of all inventions.

Besides new impetus from an improved economic system, technological advancements will be another key driver of recovery. Unlike years past that saw a proliferation of software giants, making the country one of the most advanced in the world, the next phase will likely be propelled by breakthroughs in hardware. Thanks to the U.S., which is depriving China of advanced chips and other sophisticated products whose imports she previously relied on, the country is left with no choice but to innovate and develop them domestically. Today, tech startups led by hungry young entrepreneurs abound. Endowed with the largest cohort of engineers in the world, China will sooner or later catch up, or at least narrow the gap with the West. Just look at recent examples like Huawei's Mate 60 smartphone.

When the Chinese economy eventually recovers, likely in the coming few years, it will be quite different from that of the past. For example, the former model of local governments selling land to fund infrastructure and other public goods is no longer possible. A healthier model must be found, for not changing is no longer an option.

The Chinese government does have a useful tradition of "drawing conclusions from previous experiences" (總結經驗). However, its usefulness will altogether hinge on the correct understanding of past mistakes. Drawing wrong conclusions is a distinct possibility.

For example, I have heard some officials say that the cause of today's housing problem was the greediness of private sector developers. As such, moving forward, they proposed that residential real estate should primarily be handled by State Owned Enterprises, or SOEs.

On the surface, it makes sense. Almost all the developers who are bankrupt today are from the private sector. Because SOEs were wisely controlled by the government from overborrowing, they never had the excesses of private developers. However, the greediness of business people is not the problem; not putting proper regulations in place is. After all, greed is human nature and is at the heart of the market economy. Without it, there is no market economy. It is precisely the function of the government to institute proper rules and rein in excess greediness without killing the market. Hong Kong and Singapore developers, for example, are equally greedy, but because local rules and statutes are more adequate, their markets are much less problematic. This was not the case in decades past before appropriate laws were introduced.

Over time, these laws tend to undulate — being too tight or too loose, leading to market contraction or expansion. Every society needs to learn over time to adjust these rules so that the market does not overreact. A good government is one that has learned to do this relatively better. Like everywhere else, Beijing must learn, and is learning. This principle cannot change, although it should be customized to local conditions.

Take, for example, the mechanism for money borrowing. If banks and other providers of funds are better regulated, developers cannot overborrow. This was not the case on the Mainland, thus leading to sky-high leverage. Anyone with experience in the market economy could have easily foreseen troubles ahead. For years, I, for one, have been publicly telling Mainland home developers that their business model, indeed the entire industry, was unsustainable.

Another example relates to bankruptcy. For reasons mostly ill-founded, Mainland developers were for decades prevented from going bust. As I had observed years ago, the Chinese market must hold the longest record of not having any real estate company fail. But this was for the wrong reason — the government did not allow them to, even when they were already technically insolvent. Wrongly saving them led to a moral dilemma that emboldened companies to overborrow. Why be cautious if the government would always bail you out of financial troubles? This also encouraged unhealthy competition with each other on size and speed, rather than profitability and quality.

As I have long argued, bankruptcy of property companies is in general the least disruptive to society. Land will not disappear, and building obsolescence is very slow-moving. A developer going bankrupt does not necessarily entail a loss of jobs. The only real change is that of ownership. If a proper regulatory regime is in place, company failures would mostly be isolated incidents with little contagion effect.

Like in any economy, from time to time some developers will inevitably fail. Given market cyclicality, such bankruptcies are usually due to over-expansion at the wrong time. Let the balloon burst; it is an essential part of the market economy. Instead, mainland China has, in recent decades, gradually allowed many small balloons to become a big industry-wide one that could no longer be contained. The consequences are now grave.

Today, the trouble is not only financial but structural. As I wrote six months ago, local governments have sold land in recent years that will be sufficient for a long time to come. Moreover, the total stock of completed, or soon-to-be completed, housing units is truly enormous. The surplus will depress land and home prices for quite a while. Consequently, local governments must find new sources of revenue to keep up with the production of public goods. It will not be easy, but it will provide much room for structural experimentation. When there is a need, there will come a solution. Such is the resilience and ingenuity of the Chinese people — government officials included — which has been amply demonstrated since the economic opening in 1978.

Allow me to cite another case of learning from previous mistakes. There is now a belief in certain quarters that, soon after the beginning of the Global Financial Crisis (GFC) of 2008, China should not have pumped so much liquidity into the market. The money printed, for the most part, did not help the real economy. Instead, it fueled asset inflation and led to worsening corruption. As a result, now again facing economic malaise, money creation is very timid.

From my understanding, what went wrong in 2008-2009 was not the priming of the monetary pump per se, but the lack of regulation to guide the money printed. As a result, it did not bring the desired effect. By wisely directing the flow of money, the economy can be revived. Many countries have in the past done so effectively. Why not China?! A free economy does not mean freedom from regulations. Rather, proper regulations are absolutely necessary to preserve the free market. Just do not overdo it.

If the analyses above are correct, many short-term concerns notwithstanding, a longer-term optimism of the Chinese economy should be justifiable. Nevertheless, since the transition will take time, we will adopt precautions for the present winter. With prudent management decisions, we should be able to position the Company to take advantage of the spring that lies ahead.

In principle, this is similar to what we did in the mid-1990's. Foreseeing trouble on the horizon latest in 1995, we took steps to prepare ourselves, such as refraining from buying land, selling investment properties, issuing stocks for cash, and exchanging shorter-term debts with longer-dated ones. When the Asian Financial Crisis (AFC) began on July 2, 1997, we were prepared to seize opportunities when the timing was right. Judging that market recovery might not immediately occur, we waited another 21 months before striking out to buy land. In retrospect, those were among the most profitable projects anyone has ever done. From the perspective of a business operator, we may be at one of those rare points in time that occurs once every two to three decades.

A few days ago, I spoke with a friend from Guangzhou who has extensive knowledge of major Mainland developers. I have been seeking her advice for well over a decade. She shared with me how negative the sentiments among her friends are. To them, the sun will never rise over China's economy again. This is understandable, for I am quite aware of how dark the days are. But given my own analyses as presented above, I am not too unhappy with the sentiments of those developers. History always tells us that those who were once wildly optimistic will have their share of total despair. Perhaps that time has come.

Here is an interesting anecdote. Exactly 17 years ago, a group of more than 20 Mainland developers visited me in Hong Kong. I told them that, in 20 years or so, perhaps 60% of them would make money, of which 5%-10% would become super wealthy. In the remaining 40%, maybe 20% would face struggles or exit the industry. The rest would be bankrupt. Those were the early and happier days for Mainland real estate, and no one was concerned about my prediction. None would have imagined that they belonged to the bottom 20%. Sadly, history proved that I was way too optimistic, for most, if not all, are bankrupt today.

Yet another incident worth sharing: In the summer of 2017, I attended what may be mainland China's largest annual real estate forum. Among the ten or so developers on stage with me during one session, all except myself were from the Mainland. When asked if Hong Kong's property market would in five years' time be dominated by companies north of the border, everyone said yes. I was the lone dissenting voice. This is a reminder of how overconfident one can be in a bull market.

As I have explained before, the present downturn is not a cyclical but a structural one. This bear is not those bears of the past. As such, one cannot expect things to turn around quickly, but turn they will. We will not commit significant amounts of capital at these times. Instead, with local governments in need of funding, and with most competitors running short of cash or courage, there must be opportunities. We should be able to use limited capital in exchange for lucrative potential gains. This we are already seeing. Beyond it, there will come a time when we will be more willing to commit larger sums of money for our next phase of growth.

For now, let me report on one recently committed project. There are others in the pipeline.

Highly profitable as it may be, one imperfection of our Plaza 66 in Shanghai is its small size — about 55,000 square meters. Over the years, we have done all we could to expand it, and each expansion brought in increased total rent. Last summer, we received planning permission from the government to add 13% of retail space in a low-rise standalone building beside the existing Office Tower 2. The price of the addition is reasonable, and we can immediately start work.

As my readers know, Plaza 66 has had a long waiting list of potential tenants for a considerable period of time. Every brand, it seems, wants to be a tenant of ours. As such, leasing the space should not be a problem. In fact, we already have a good idea of what the future new tenants may be, and what rent they will likely pay. By knowing fairly well both the costs and possible income, the investment return is somewhat assured. When other similar significant opportunities materialize, Management will, of course, inform shareholders.

For now, I will only observe that, just as the first decade of the 2000s was an auspicious time for us in Hong Kong, when we acquired much land given the aftermath of the AFC of 1997-2002, we may be entering a similar period on the Mainland. During much of that decade (specifically, between 2002 and 2011), our stock price performance was among the very best of Hong Kong property counters. Whether this will happen again remains to be seen, but it is always a possibility.

The underlying causes of the trouble then and now are, however, quite different. The AFC originated in the capital market and led to a severe economic fallout. It was the biggest Asian bear market that I have seen since WWII. Its lingering effects lasted at least four to five years. Being well prepared for it, we greatly benefited.

First and foremost, today's trouble everywhere (and not just in China) is to a good extent politically instigated. The resulting deglobalization was exacerbated by the three-year pandemic. The economic effects are more fundamental in nature, more subtle, and slower to surface than traditional market downturns. When they do emerge, they will change the global economy in a systemic way. The future rise and fall of economies will be greatly affected by the political developments around the world. Of particular consequence will be the U.S., the EU, and China. As such, a certain understanding of geopolitics is indispensable today. All along, businesses will still be subjected to traditional economic forces, such as another financial crisis, which seems inevitable.

A main theme in the world today is deglobalization. It is driven to a good extent by the U.S.-China conflict. While the Trans-Pacific contest is in the short run dangerous, I have come to the conclusion that it should not lead to serious kinetic trouble. (Of course, I can be wrong.) Instead, what is happening domestically in the U.S. and the EU, as well as long-standing disputes in the Middle East, are greater sources of concern to me. As a result, I expect that once the present challenges from the U.S. subside, China will resume some reasonable level of economic growth. After all, America has many other problems, domestic and international, to contend with. Assuming that China can keep its society relatively calm, it will not surprise me if, in the coming years, the country will become a relatively peaceful haven in this troubled world.

If correct, our business on the Mainland may actually enjoy a somewhat stable environment with a gently rising economy. My regular readers should know by now that my guarded optimism is not based on some wide-eyed wishful thinking, but on half a century of observations and analyses.

I count myself fortunate to be in this business — primarily, luxury commercial space rental on the Mainland. If, over the next decade or so, China's economy expands annually by say 3.5% to 5%, and our sector outperforms it by two to three points, the future of the Company should be quite bright. After all, I expect that we would be able to outdo our direct competitors by some margin. The shareholder value accretion should be satisfactory.

Let me end with a few thoughts on our share price. We can divide the past 33 years broadly into three periods: 1991-1997, 1998-2008, and 2009-2022. In the first period ending with the return of Hong Kong to her Motherland, both the British and the Chinese had their own different reasons to keep the economy look good. As such, the stock market had to be strong. It was a period of high growth. The second period of 1998 to 2008 began with the AFC that began on July 2, 1997, the day after Hong Kong's return, but most people were unaware of its impact until the end of that year. The 11 years in this period were quite turbulent. In the middle we had the bursting of the Dotcom bubble in 2000, SARS in 2003 and, towards the end, the GFC. One may call it a phase of consolidation. Finally, the 14 years since 2009 were the post-GFC time of slow growth until the market fell during COVID-19.

Our shares only outperformed in the middle 11 years, i.e. the second period. Being a laggard in the seven years since 1991 was a legacy issue. We underperformed our peers in much of the 1970's and 1980's. By the early 1990's, the investment community had basically forgotten us. Many major brokerage houses had stopped covering us. Rightly so, for our performance did not particularly shine.

By the mid- to late 1990's, we were one of the very few companies that had foreseen the looming crisis of Hong Kong real estate price fall. We prepared ourselves well and then adroitly entered the market right before the market recovered around 2002. Also, no one paid attention to our Mainland strategy at that time, until soon after we opened our two Shanghai malls around 2000. Market analysts began to take notice of our stocks.

By the early 2000's, investors realized that the land in Hong Kong we bought could reap rich profits, and our Mainland rental business was taking off. That was when our share price began to outperform. For that decade taken as a whole, and among the 12 property counters active in Hong Kong and the Mainland like us, we were the best performing stock in terms of average annual share price increase and dividend yield. All along, we quietly bought up top commercial land on the cheap in major cities outside Shanghai beginning in 2004.

By late 2011, the Central Government began to crack down on corruption. There was no denying that, at the time, black money was one reason for the thriving luxury retail business. Our sector fell into a six- to seven-year bear market and was shunned by investors. Top fashion houses froze all expansion plans. In the same period, we annually completed one big shopping center beginning in 2010. Initial growth pains were inevitable, and tangible results to encourage investors were still scarce. Facilities designed as luxury malls had to be downgraded to mass retail. It was the only way to fill up the huge space with tenants. Being the purest play on Mainland retail of all Hong Kong companies, investors stayed away from us.

By the end of 2017, it was evident that warmth had returned to the luxury retail sector. Our shares showed a temporary recovery, but the 2019 Hong Kong riots had dampened the enthusiasm for all local counters, ours included. This was followed by the three-year pandemic when almost all stock prices declined.

If we examine only the underlying growth of the same dozen of Hong Kong property counters over the past 33 years in terms of total return of book value increase and dividend yield, it turns out that they all fall within a somewhat narrow range. Over the three time periods defined above, corresponding to more or less three decades from 1991, no company performed well under all market conditions. Different strategies did better in one period but not in the others. Over the entire 33 years, we and our parent company Hang Lung Group (HLG) both performed somewhere in the middle of the pack.

The question then becomes: What may happen to our share price moving forward? Provided that my optimism about the Chinese market and our performance are not too farfetched, our stock price should enjoy another period of outperformance. A precondition is that the sentiment of the global investment community must once again accept China's continued economic rise.

Inasmuch as I expect our luxury retail properties on the Mainland would continue to perform nicely in the coming many years, the same cannot be said of Hong Kong's residential and commercial real estate. In Hong Kong, the decade-long artificial shortage of land for home building is on its way to being broken. With expected ample supply, apartment prices cannot repeat the leaps and bounds of yesteryears. In the long haul, it will help Hong Kong's competitiveness. On this point, I encourage my readers to also read my letter to HLG shareholders of today's date.

Hong Kong's commercial properties may undergo a downward adjustment in rents because our economy has nor been vibrant. Given increasing physical connectivity with the Greater Bay Area (GBA) north of the border, many of our citizens will not hesitate to take the short train ride there to spend money, say, on weekends. Price differential for services and products alike between Hong Kong and GBA can be significant, and their quality has improved tremendously in recent years. Since the end of the pandemic, I have several times taken the train or traveled by car to Shenzhen just across the Shenzhen River. I can testify that the food, both at the averagely priced eateries and Michelin quality restaurants, has great value for money compared to Hong

Kong. As more consumer dollars migrate north, sales transacted in Hong Kong will decline. Our rents will fall, leading to lower asset value and even an expansion of the cap rate. Hong Kong property prices and those of the GBA will, over time, converge somewhat. It is inevitable, and is not necessarily bad for Hong Kong's longer-term competitiveness.

Given an overall weaker economy together with geopolitical and geo-economic attacks from the West, such as on our financial service industry, Hong Kong's office rents can hardly rise. This is not to mention that there is an overbuilt of supply.

The only subsegment of our industry that will be relatively healthy will be luxury homes. It is the only kind of land that we have been buying in Hong Kong in recent years. It is a niche business whose volume cannot be big.

Given this overall industry landscape, Hong Kong developers who have for decades rely only on developing mass residential will have a difficult time generating former levels of profit. Those who have not built up a decent rental portfolio, locally or on the Mainland, will find it challenging to survive. The only exception is that a few of our peers have, in recent decades, diversified into other businesses that are doing well.

After having ventured into the Mainland market for 33 years, we are fortunate to be in the right sector. The assets that we have developed are not inconsequential. They bring some of the highest rents in the industry. We also have built an experienced management team that is competent and stable. Increasingly, senior management is led by bright younger talents from our Management Trainee program, which is highly sought after by recent university graduates.

We have also successfully created and nurtured a top brand for top-end commercial properties. It may be easier to develop a hotel brand that is by nature B2C (Business-to-Customers). As a result, a few Hong Kong hospitality groups have, over the decades, built globally recognizable brands of value. Fewer are those who manage to create brand equity for commercial buildings that are at once B2B (Business-to-Business) and B2C — we rent to retail operators but also directly interact with shoppers. Our "66" name is certainly among the most valuable brands in the whole of mainland China.

All these assets, tangible or intangible, will put us in good stead for a sustainable and prosperous future.

Farewell

This is the last time I am writing this *Chair's Letter to Shareholders*. Last year, I notified the Board of my intention to retire from the chairmanship at our next Annual General Meeting (AGM), which falls on April 26, 2024. It is also my desire not to be a Non-Executive Director. Your Board and that of our majority shareholder HLG have kindly bestowed upon me the title of Honorary Chair, which I am proud to accept. I am permitted to attend Board meetings but will no longer have voting rights.

The Board has chosen Mr. Adriel Chan, now 41 years of age, to succeed me on April 26. This is the culmination of a succession plan that has lasted over a decade. After growing up in Hong Kong and attending university in the U.S., Adriel decided to move to Beijing to brush up his

Putonghua at Peking University, or Beida, until he was offered the opportunity to work for a year at a New York City-based not-for-profit that was related to Asia. Upon successfully completing that assignment, he returned to mainland China, this time to Shanghai. He spent around three years with the audit and consulting firm KPMG, followed by not quite two years at HSBC. Being entrepreneurial from a young age, Adriel joined Hang Lung in Shanghai in 2010 when he was 28 years old. Two years later, in 2012, he was transferred to the headquarters in Hong Kong where he has worked since.

Adriel's increased responsibilities over the years have enabled him to oversee all aspects of our business. He is particularly keen on sustainability issues. After being promoted to be an Executive Director in 2016, thus joining the board of directors, he was tasked by the Board to identify a new CEO to succeed the then-retiring Mr. Philip Chen. The search was an evident success. Adriel has been working closely and well with our present CEO, Mr. Weber Lo, since 2018, and has essentially assumed overall responsibility for the entire operation led by Weber. In 2020, Adriel became Vice Chair. Thereupon, I have asked him to write a *Vice Chair's Notes* to supplement my semi-annual *Chair's Letter to Shareholders*.

Throughout this process of succession planning, the entire Board has been fully engaged. Nevertheless, I would like to single out four members for their leadership — Professor Pak Wai Liu, Mr. Dominic Ho, Mr. Philip Chen, and my brother Dr. Gerald Chan. If Adriel's chairmanship is a success, as we expect it to be, they should each take some credit for it.

Our founder and my late father, Mr. T.H. Chan, was 35 years of age when he established his first company Tai Lung Construction & Investment Co. Soon after turning 41, he founded Hang Lung on September 13, 1960. In 1991, when I took over the chairmanship from my uncle Mr. Thomas Chen, I too had just turned 41. Serendipitously, Adriel is now 41 years of age.

Over the years, there has been much speculation in the market surrounding what happened to Hang Lung leadership upon the passing of our founder. Here is what transpired.

Following my father's untimely passing in 1986, someone needed to tend to the non-public side of his business. The responsibility fell on me. I encouraged my brother Gerald, who is a scientist, to join me in sorting out the family assets, which we successfully did. As my uncle Mr. Thomas Chen had assisted my father since Hang Lung's founding, it was only natural that he should assume the chairmanship of the public company.

Upon taking up the leadership at Hang Lung, Uncle Thomas, who is a true gentleman in every sense of the word, informed me of his decision to pass the chairmanship to me in January 1990. Due to further reorganization of the non-public side of the business, I asked Uncle Thomas in mid-1989 if he could stay on for another year, and I was grateful that he consented. Hence, I assumed the Hang Lung chairmanship on January 1, 1991 when I was the age of 41.

In one form or another, I have been involved with this Company since it went public in 1972, almost 52 years ago. In 1980, I took up executive functions. With the exception of a short interlude, I have been in company management for over 40 years. Through thick and thin, we have created acceptable shareholder value.

Equally satisfying is that we have built a reputation for being among the most ethical real estate developers in Hong Kong, and now also in mainland China. As illustrated by this semi-annual letter to shareholders, we are likely the most transparent with shareholders in the industry. I like to think that our corporate governance, or more broadly, our ESG (Environmental, Social, and Governance), is among the best. As our motto says: **We Do It Right**, and more recently, **We Do It Well**! This, I trust, is our legacy.

There is little doubt in my mind that, in Hong Kong, we have one of the most engaged and diligent operating board of directors in the industry. Their stewardship of all aspects of risk management is something I am most appreciative. The Company has been professionally managed for almost 40 years, with four successive CEOs who are all non-family members. Only the Executive Chair among all Executive Directors is a Chan.

Our management team is competent, and our corporate culture is healthy. We are financially sound and cautious. Our reputation in the marketplace, including our company name and product branding, is highly recognizable, respectable, and valuable. The quality of our recurrent rental income on the Mainland is unmatched. Consequently, I have every confidence that Hang Lung will continue to thrive for many years to come.

That said, of all people, I know there is much room for improvement. Our team under Adriel and Weber will surely do that. To steer the Company through the present economic uncertainty, and to position ourselves for the upcoming market recovery, will require mental agility and operational skill. We must learn from experience, yet not be bound by it. I have full confidence in our top management team to navigate such treacherous waters. After all, our Executive Directors are guided and supported by a highly experienced Board, with members of diverse expertise. Once the present economic malaise passes, and it undoubtedly will, we will return to a growth mode, and will be presented with many new opportunities.

Considering all that, I am convinced that this is a good time for me to retire from the Board. The ship is in good shape and in highly capable hands. I trust that our shareholders and potential shareholders will share my confidence. As long as the Chinese economy and our market do not collapse, which I do not foresee, this Company should do very well indeed.

Before putting down my pen, I want to thank my many colleagues over the decades. You are the ones who make Hang Lung successful. In particular, I am blessed to have worked with four different CEOs over the past 30-some years: the late Mr. S.S. Yin (for only a short time), Mr. Nelson Yuen, Mr. Philip Chen, and now Mr. Weber Lo. Each of them, at different stages of the Company, has made unique contributions. Much credit accorded to me actually belonged to them. Thank you!

However, a management team is more than a few of its top people. Many others have also become my comrades-in-arms, personal friends, as well as wonderful teachers, like Mr. Norman Chan (former head of leasing), Mr. H.C. Ho (former CFO), and Mr. C.F. Kwan (former head of corporate communications and investor relations). All have retired in the past three years, and each has, in his own way, enriched my professional career. I thank you, and I am proud of you.

I also express my appreciation to the many loyal readers of this letter spread far and wide. The phenomenon surprised me, for I wrote merely out of duty — I have a strong sense of the need to be transparent with shareholders. While traveling with colleagues in a major city in western China right before COVID-19, a well-groomed man perhaps in his late 30's approached me while we were having coffee at Starbucks. He thanked me for having regularly written this letter. The same thing happened just 12 days ago, when I was having coffee with one of our Independent Non-Executive Directors at the airport hotel in Houston. This time, the person had to be well into his 40's. Even Chinese government officials have told me that they regularly read this letter. As I write my last letter, I would like to thank them all. I can assure you that for the past 33 years, much time and effort have been exerted to pen these letters. In total, I have produced 144 of them.

One may ask: do you plan to continue writing as the Honorary Chair? I do not have plans to do so. Over the past 20 years or so, I have voluntarily left the chairmanship of many not-for-profits, some of which I founded and/or built over long years, such as, the Asia Society, the Asia Business Council, and the One Country Two Systems Research Institute. My perfect track record is that I have never meddled in their businesses since. Once retired, I let my successor have a free hand to lead the organization. I intend to do exactly that at Hang Lung.

That notwithstanding, as Honorary Chair, I will retain a relatively small office at Hang Lung headquarters to facilitate the many community-related activities that the Board deems beneficial to the Company. No doubt, I will be watching out for the best interest of the Company and communicate as appropriate my views to Management. After all, the Chan family remains the biggest shareholder of HLG, and through it, this Company.

In the coming months, there will be other changes to the Board. Mr. Dominic Ho, a long-serving Independent Non-Executive Director (INED), has notified us of his desire to retire from the Board at our next AGM in April. Now living on the other side of the globe has made physically attending meetings increasingly difficult. After all, none of us is getting any younger. Dominic was once the chair of KPMG's China practice. His business mind is one of the sharpest I know, not to mention his professional expertise and knowledge of China, where he once lived and worked since 1984. His contribution to the Company has been invaluable. On behalf of the Board, I thank him most sincerely.

On the advice of the Nomination and Remuneration Committee, the Board has today invited Ms. Holly Li to join as an INED, and she has accepted. Growing up in China and having developed a highly successful career there in mass retail, Holly's expertise is complementary to the Board. I believe that our shareholders would welcome her presence. She should be able to join our March Board meeting. I look forward to introducing her to shareholders at our April AGM.

Ronnie C. Chan
Chair
Hong Kong, January 30, 2024

VICE CHAIR’S NOTES

Adriel Chan
Vice Chair

2023 was yet another unusual year.

The first four months showed extremely strong growth, which then began to taper in mid-May. The second half of the year saw continued tapering, ultimately resulting in this year's low single-digit growth in Hong Kong Dollar terms. With such strong headwinds, especially in Shanghai, our performance was carried by the Company's luxury properties outside that city. This validates the long-term strategy that our Chair, Mr. Ronnie C. Chan, and former Managing Director, Mr. Nelson Yuen, put into motion in the mid-2000's.

I am appreciative of the work of our team, led by our CEO, Mr. Weber Lo, which was able to deliver growth despite a volatile (and, ultimately, weak) environment. Since 2019, I dare say we have become somewhat used to uncertainty and volatility, so Hang Lung now considers this the "new normal," to which we are aligning our people, structure, and systems.

As our Chair has already commented on our earnings, allow me to mention our primary capital expenditures, namely over HK$5 billion that we spent on construction projects this past year.

We completed the first of three towers at Wuhan's Heartland Residences in 2023, although sales have been regrettably slow. The city's measures to stimulate the real estate market have primarily benefited projects with residential-titled land grants (whereas ours has a commercial title). It may take some time and more stimuli for the effects to trickle down to our market. The two remaining towers are fully constructed but not yet fitted out. We will observe the pace of sales to help decide when to begin those internal fit-outs.

We also made significant progress on Westlake 66 in Hangzhou. The mall's superstructure is nearly complete, and all six towers are well on their way to going up. 2024 will see the height of construction on this project, and the team is working intensively to ensure we can open the mall and several of the office towers in early 2025. With that target in mind, pre-leasing has already begun, and I am pleased to report that there is strong interest from our key luxury partners.

With our current pace of work, the Grand Hyatt Kunming hotel at Spring City 66 should be ready for opening by June 2024, with the serviced apartments due to finish several months later. Our two serviced apartment towers and Curio Hotel in Wuxi Center 66 are topped out and progressing well.

Our upgrade of Parc 66 in Jinan is actually ahead of schedule, and should be completed by the end of 2024 instead of in early 2025, as previously expected. I highly recommend that shareholders and customers visit this location — it will be our third proven delivery of an Asset Enhancement Initiative (AEI) in mainland China. Very few developers have a track record of delivering successful AEIs on the Mainland, and it is a testament to our ability to execute, our long-term commitment, and our confidence in the market.

Last but not least, our Hong Kong projects are making good progress, with the imminent completion of The Aperture apartments for sale and several recent government approvals relating to our Shouson Hill luxury residential project. In short, construction is continuing smoothly, and I am keen for our customers and stakeholders to come and experience the outstanding projects that we have built.

This pursuit of excellence in project management extends to our approach to sustainability, for which we were recognized with more than 35 awards in 2023. Our commitment to sustainability continues to underpin our efforts as we invest in environmental, employee, and community initiatives. The MSCI ESG rating for Hang Lung Properties was upgraded from 'A' to 'AA' during the year. Embracing new green technologies, such as our collaboration with CLEANCO2 to reduce embodied carbon at Westlake 66, exemplifies Hang Lung's dedication to decarbonizing our business. The scholarship partnership we introduced with the Ebenezer School & Home for the Visually Impaired reinforces our support for the holistic development of exceptional students. Furthermore, we teamed up with a green startup and an NGO to promote circularity during the rejuvenation of Hang Lung's Hong Kong offices, demonstrating our commitment to investing in wellbeing and sustainability. 2023 also saw the inaugural graduating class of the Hang Lung Future Women Leaders program. Around 180 female university students from 23 provinces and cities across the nation participated in the leadership training and mentorship program, of which 75% of them were the first generation in their families to attend university.

By now, you will have undoubtedly heard of the succession plan that is in place for me to take over the Chair role after our Annual General Meeting on April 26, 2024. As our Chair has noted, this was a carefully planned process, and for all practical purposes, there was not a single element of uncertainty. Transitions are generally a time to exercise caution, both as a business operator and as a shareholder. Against the current geopolitical and economic backdrop, there is even more reason to be cautious. However, the nature and state of our business are strong, stable, and predictable enough that neither investors nor any other stakeholders should have reason for any additional concern.

I would also like to take this opportunity to express not only my thanks but my utmost respect for our outgoing Chair, my father, Ronnie, for the incredible business he has built over the past 33 years. Of course, the results speak for themselves, and the numbers don't lie. We have increased both our balance sheet and our P&L many times over since he took the reins, and the durability and diversity (geographic and categoric) of our income are perhaps second to none in our chosen market. However, it is not just this that I have come to appreciate. Over my dozen years in the Company, working with all levels of colleagues, from hygiene staff and security guards all the way up to our CEO and the Board, I have witnessed the depth of respect that our Chair commands, the culture of integrity that he has built, and the impeccable reputation that the Company enjoys as a result. Without this, Hang Lung could not possibly be where it is today. I recognize that these qualities are built over decades, not months or years, so I must develop them rather than exploit them.

As I have said in the weeks since the announcement, I do not foresee any imminent changes to our strategy or our execution. The team has worked tirelessly to reach today's state, executing the vision laid out by our Chair and then Managing Director in the early 2000's. Having spent over 13 years in the Company, I have, along with multiple CEOs, reviewed and critiqued our strategy on a regular basis, and each time, we have reached the same conclusion — that this was the correct path for the Company at that point. We will continue this self-critique method going forward, and if one day we realize that our strategy needs to change to fit the times, we will cross that bridge when we come to it. However, I believe that would be an early realization, and we would be well-equipped to do so.

I hope you have enjoyed following Hang Lung for the 64 years we have existed and the 52 years we have been listed. It is also my hope that you will continue to join us for the ride in the decades to come. If today is anything to go by, it will be an exciting start to this next chapter, but rest assured that Management will do everything we can to make sure that it is, at the same time, as uneventful as it can be.

Adriel Chan
Vice Chair
Hong Kong, January 30, 2024

Heartland 66, Wuhan

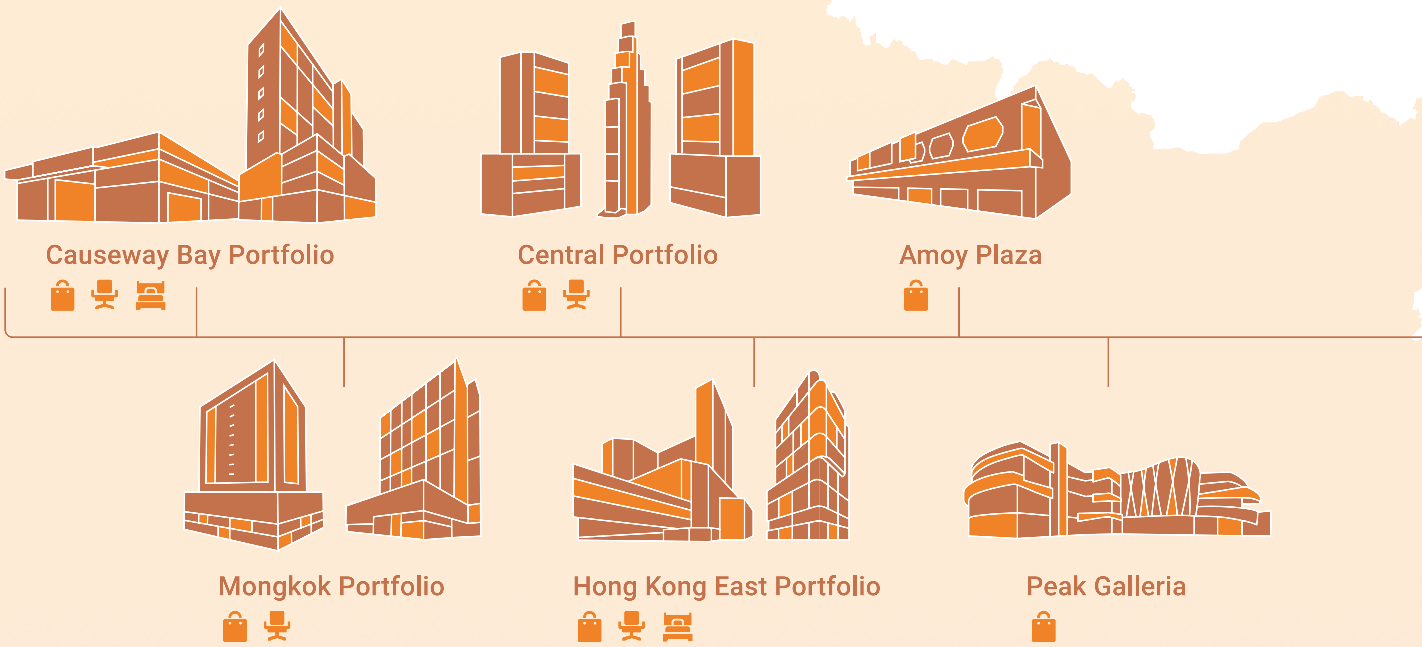
PLACES THAT INSPIRE

Hang Lung's prestigious Grade A office towers are of the highest quality nationwide. We are proud to set the standard in future-focused spaces and amenities that offer the finest levels of service to premier tenants. Our self-operated multifunctional workspace, HANGOUT, provides a range of bespoke solutions to members that support success and inspire ideas.

HANGOUT at Heartland 66, Wuhan

REVIEW OF OPERATIONS

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
* *
Wuxi
Shanghai
Heartland 66,
Wuhan
Wuhan
Hangzhou
Plaza 66, Shanghai
Spring City 66,
Kunming
# #
Westlake 66,
Hangzhou
# # #
Kunming
Hong Kong
Retail
Office
Residential & Serviced Apartments
Apartments for Sale
Hotel
* Held by HLG
# Under Development

PORTFOLIO KEY FACTS – MAINLAND CHINA

Plaza 66, Shanghai

Positioned as the "HOME TO LUXURY", the five-story Plaza 66 mall accommodates more than 100 prestigious international luxury brands and dining outlets.

The 2 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 & watches, sports and fitness, digital home appliances, and children's products. The mall also contains many first-in-China stores, successfully establishing its position as the "Gateway to Inspiration".

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

Total Gross Floor Area
273,427 sq.m.

Retail 45%

Office* 25%

Residential & Serviced Apartments* 30%

Number of Car Parking Spaces
752

*Held by HLG

Palace 66, Shenyang

Optimally positioned in Shenyang's commercial hub, Palace 66 showcases over 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 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 2 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 international lifestyle and sub-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 & 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 landlord and tenant 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 2024.

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.

Hang Lung Residences' inaugural project, Heartland Residences in Wuhan comprises 3 uniquely designed towers offering 492 units.

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 3 core areas – Paterson, Food Street, and Kingston – Fashion Walk features numerous internationally renowned fashion, beauty, jewelry & watch 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
70,487 sq.m.

Retail 57% | Office 31% | Residential & Serviced Apartments 12%

Number of Car Parking Spaces
126

Central Portfolio

Our Central portfolio consists of 4 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 4 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. 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

Hong Kong East Portfolio

The Hong Kong East Portfolio comprises Kornhill Plaza, Kornhill Apartments, and the newly launched 228 Electric Road.

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 serviced apartments in the area.

Close to the MTR Fortress Hill Station, the 22-story development at 228 Electric Road provides exquisitely designed offices in the vibrant heart of the North Point business district.

Total Gross Floor Area
108,687 sq.m.

Retail
50%

Office
18%

Residential & Serviced Apartments
32%

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 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 eighth 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 jewelry & watch 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, renowned local delicacies 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

Ongoing asset enhancements, tenant upgrades, and exhilarating collaborations bolstered our portfolio to offset a softer economy and mark a healthy recovery in both footfall and tenant sales. Occupancy and rental revenue held up in 2023.

Market Landscape

The Chinese economy's slow post-pandemic recovery has left a challenging retail and office leasing market in its wake. Retail sales across our portfolio have gathered momentum, fueled by China's young and rapidly developing luxury market.

Rising vacancy rates for premium office space continue to squeeze rental rates. The leasing market remains challenging, with companies hesitant to expand and some downsizing or looking for lower cost options.

Early indications point to a reacceleration in economic growth which, in addition to ongoing government support, bodes well for our leasing portfolio.

Business Overview

The initial post-pandemic rebound from a low base lifted overall tenant sales and revenue during the year's first half. Our full-year rental revenue soared 8% year-on-year in RMB terms, reflecting the ongoing normalization of the Mainland market.

Proactive marketing effectively leveraged the initial surge in tenant sales and rental revenue during the first quarter of 2023 through several popular events and innovative activations. In collaboration with our HOUSE 66 CRM program, we continue to engage loyal customers and acquire new members to solidify our market position.

Plaza 66, Shanghai

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

Luxury Malls

↑9%

Sub-luxury Malls

Stay flat

Offices

↑5%

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

Completed Investment Properties

2.21 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 75

Properties under Development

0.90 million square meters#

For a detailed breakdown of gross floor area of our properties under development, please refer to table "A. Major Properties under Development" on page 72

Plaza 66, Shanghai

Shopping Mall

The jewel in the crown of our portfolio is home to over 120 luxury brands from around the world. Buoyed by Shanghai's ongoing popularity as a shopping destination, the mall experienced an increase in footfall, maintained full occupancy, and increased rental revenue, fed by a base rent increase and improved sales performance.

True to its reputation as the "HOME TO LUXURY", the mall added VIC salons by Louis Vuitton and Chanel and completed the expansion of flagship stores for Dior, Valentino, and Moncler. Plaza 66 launched a new store for La Prairie, and the first global concept store for CHANEL BEAUTÉ, which opened in December 2023, and its beauty avenue for more beauty spa experience and services.

Plaza 66 effectively weathered increasingly prudent consumers and a nationwide decrease in the average transaction value, especially among mid-tier customers, due to its effective CRM programs and privileges. Highlights include the well-received "HOME TO LUXURY" Party in November and its teaser event, "Game of Wonder", in April.

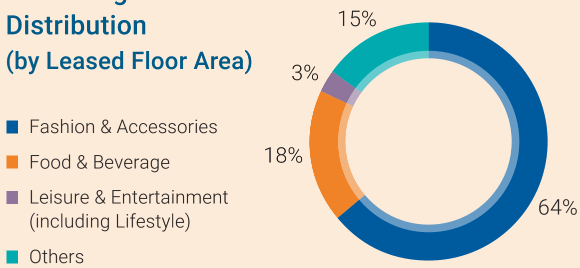
Looking towards 2024, the mall will continue refining its tenant mix, enriching its luxury designer label offerings, and flexing its strength and expertise in CRM planning and execution.

Office Towers

The twin Grade A office towers remained popular for top-tier multinationals and domestic companies in the finance, professional services, and fashion industries. LVMH was among the existing tenants that took on additional space. Overall, the occupancy rate remained high.

The ongoing supply of new offices in Shanghai, compounded by a weakening demand, has intensified vacancy rates. West Nanjing Road has proved more robust as a traditional core central business district compared to other locations.

Retail Segment Distribution (by Leased Floor Area)



	Retail	Office
Occupancy Rate	100%	96%

Number of shopping mall tenants (at year-end): 114

The 2023 "HOME TO LUXURY" Party was themed "Dazzling Galaxy" and brought together a constellation of our most esteemed tenants to celebrate the vibrant creativity of fashion, music, and artistry

Grand Gateway 66, Shanghai

Shopping Mall

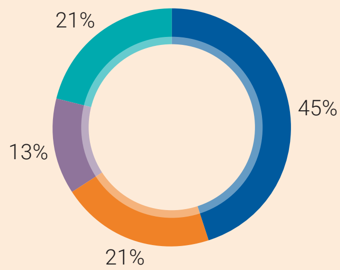
Grand Gateway 66 saw a healthy recovery in footfall. The diverse tenant mix demonstrated resilience in the face of shifting consumer behaviors, with food & beverage, athleisure, and jewelry & watch brands showing positive growth.

In 2023, Grand Gateway 66 welcomed 17 new first-in-town brands, including Dihn Van's first store in Asia Pacific, expanded Gucci into a duplex store, and enhanced its beauty tenant mix with high-end labels like Clé de Peau Beauté, La Mer, and Tom Ford. Transitional vacancies resulted in a slight drop in mall occupancy. Major vacant spaces are fully relet.

To offset luxury spending fluctuations, efforts focused on capturing business ahead of peak travel seasons and tailored offerings to domestic travelers. The HOUSE 66 CRM program showed healthy growth in members and member sales, stimulated by special point redemption gifts, exclusive members-only workshops, and experiences from Gucci, Tiffany, and Cartier. In May, Grand Gateway 66 joined hands with "The Phantom of the Opera" to bring a first-of-its-kind theater experience to the mall and bolster foot traffic and mall sales. In October, Grand Gateway 66 collaborated with *GQ* and the majority of its retail brands for a star-studded "Millard Party" anniversary celebration that transformed the inner street into a bustling neighborhood.

Looking forward, Grand Gateway 66 will enhance its beauty offering, strengthen its tenant mix, and continue investing in strategic promotions and marketing initiatives.

Retail Segment Distribution (by Leased Floor Area)



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

Occupancy Rate	Retail	Office*	Residential & Serviced Apartments*
	99%	86%	88%

Number of shopping mall tenants (at year-end): 389

*Held by HLG

Grand Gateway 66 teamed up with "The Phantom of the Opera" to bring a first-of-its-kind theater experience to the mall, bolstering foot traffic and mall sales

Palace 66, Shenyang

The thriving local tourism market and uplift in footfall have contributed to increased tenant sales at Palace 66. The mall's performance, particularly in the latter half of the year, was further carried by new stores coinciding with a gradual improvement in consumer sentiment.

Fueled by the market recovery and tenants' confidence in Palace 66 as an increasingly popular shopping destination, the mall successfully increased occupancy.

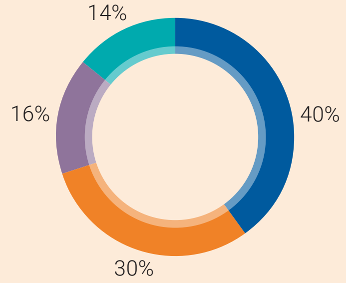
In 2023, Palace 66 welcomed athleisure brands On and The North Face joined the likes of Descente and Lululemon; upgraded almost 50% of its food & beverage tenants; and enriched its fashion and accessories offering with Emporio Armani and Meilleur Moment among others.

The well-received "Palace 66 Summer Music Festival" delighted customers with live performances on weekends and during holidays to rack up record-breaking footfall and outstanding tenant sales.

In 2024, Palace 66 will leverage the ongoing market recovery to attract a broader selection of retail brands, particularly athleisure, ladies' fashion, and jewelry & watch brands, and continue diversifying its dining options. Salomon and Bananain are among brands set to unveil new stores this year.

Retail Segment Distribution (by Leased Floor Area)

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



Occupancy Rate

Retail

90%

Number of shopping mall tenants (at year-end)

229

The well-received "Palace 66 Summer Music Festival" delighted customers with live performances on weekends and during holidays

Forum 66, Shenyang

Shopping Mall

The home of luxury brands and high-end dining in Shenyang, Forum 66 increased both tenant sales and rental revenue in 2023. Despite a bump in consumer sentiment and a surge in local tourism, the mall felt the impact of outbound tourism recovery on high-end shopping across the Mainland.

Nonetheless, the city's stable economic growth and improved spending power are boding well for food & beverage and lifestyle brands. In 2023, Forum 66 upgraded popular restaurants Guli Mountain Hot pot, Jiaoai, and Rosmarino to enhance its food & beverage offering. The mall's business was supported by jewelry & watch brands like IWC, Omega, and Piaget and Chanel's only store in Shenyang.

Due to ongoing improvements in the tenant mix, occupancy at Forum 66 is slightly down. In 2023, the team boosted footfall and tenant sales by bringing the FAS Art Exhibition to Shenyang for the first time, showcasing 9 artists across diverse fields. VIP members were treated to exclusive events and engagements with the artists on display.

Encouraged by Shenyang's positive economic outlook for 2024, Forum 66 will continue refining its tenant mix to improve sales, mainly food & beverage and jewelry & watch brands.

Office Tower

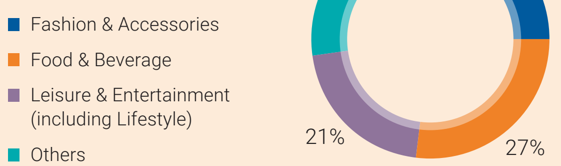
Northeast China's tallest building boasts a strong tenant mix and a solid base from the banking, manufacturing, professional services, TMT, and finance industries. Despite a decreased demand for office space and aggressive discounting by rivals, Forum 66 Office Tower welcomed the likes of Siemens Energy and Sinolink Securities, while Dacheng added floorspace to its offices.

Going forward, Forum 66 Office Tower will focus on tenant retention and developing new prospects to counter ongoing challenges owing to abundant supply in the area.

Hotel

Capitalizing on a fast-recovering domestic tourism market, particularly over the summer months, Conrad

Retail Segment Distribution (by Leased Floor Area)



Occupancy Rate

	Retail	Office
Occupancy Rate	81%	89%

Number of shopping mall tenants (at year-end): **129**

The Forum 66 team boosted footfall and tenant sales by bringing the FAS Art Exhibition to Shenyang for the first time, showcasing 9 artists from diverse fields

Shenyang enjoyed a positive 2023. While corporate demand saw a steady return, international tourism remained flat. The market remains hesitant toward restaurant and event spending.

The hotel has been voted one of the top 20 hotels in China by *Condé Nast Travel* and remained as the market leader in Shenyang based on revenue per available room by *Smith Travel Research*.

Parc 66, Jinan

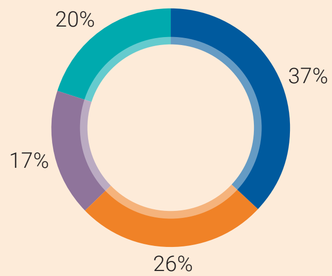
With its prime location in the Jinan central business district and surrounding tourist hotspots, Parc 66 remains the city's first choice for mid to high-end brands. The ongoing tourism recovery and consumer sentiment following the pandemic further bolstered the mall's already stable footfall.

Parc 66 debuted a new look following the completion of the first phase of its Asset Enhancement Initiative (AEI). Major interior renovation works on L1 and L2 in both East and West Wings included new shops, lifts and escalators, washrooms, arcade floor and ceiling, and mechanical and electrical services. Exterior renovations encompassed soft landscaping, paving, lighting, and façade improvement. New food & beverage tenants such as Maluji, Laowang, first-in-town Jubaoyuan and a growing number of high-end beauty and jewelry & watch brands like Guerlain, Giorgio Armani, Sisley, Breitling, Lukfook Joaillerie and the Chow Sang Sang flagship store further enhanced the mall's tenant mix.

In collaboration with tenants, Parc 66 transformed its inner street into an outdoor music festival headlined by The Face to draw customers with live music, markets, street photography, and a kiss cam. The first-ever "Chill Out My Wave" event delivered a significant bump in both footfall and tenant sales.

Looking forward, Parc 66 will further enhance its jewelry & watch, food & beverage, and lifestyle offerings and welcome new brands such as Qeelin, Brompton's flagship store debut and Old Melodies' debut in Shandong Province, and upscale Japanese restaurant Anjin BBQ's debut in China. Phase 2 of the AEI, which includes renovation to the upper levels (L3 to L7), is due for completion between late 2024 and early 2025 and will further improve the shopping experience and customer flow.

Retail Segment Distribution (by Leased Floor Area)



Occupancy Rate

Retail
93%

Number of shopping mall tenants
(at year-end)
342

In collaboration with tenants, Parc 66 transformed its inner street into a venue for the first-ever "Chill Out My Wave" music festival. The outdoor event drew customers with live music, markets, street photography, and a kiss cam

Center 66, Wuxi

Shopping Mall

Celebrating its 10th anniversary in 2023, Center 66 built on its reputation as the leading luxury mall in Wuxi and southern Jiangsu. Healthy tenant sales and positive rental reversions led to an increase in rental revenue.

Despite the impact of outbound tourism recovery on high-end shopping and increasingly conservative consumers, Center 66 achieved robust growth in quality footfall and retail sales. Highlights include upgrades on the upper floors and the expansion of key luxury tenants, particularly duplex boutiques for Louis Vuitton, Gucci, and Hermès. In 2023, the mall also successfully brought 28 new brands to Wuxi, including the first-in-town pop-up shop for Dior, Byredo, Creed, Läderach, Bonpoint and Salomon.

The much-anticipated "Take Center Stage" event returned for the third year in September to delight VICs with a three-night gala dinner in collaboration with Cartier. Exclusive merchandise and events around the campaign achieved footfall growth and record sales for several tenants.

In 2024, Center 66 will continue refining its tenant mix, particularly the upper floors and food & beverage tenants, and bolster footfall and customer loyalty with an additional signature event.

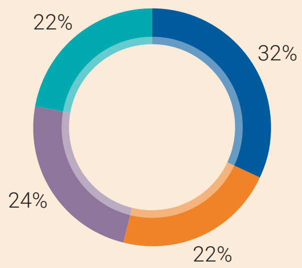
Office Towers

Reliably popular among finance, insurance, TMT, and professional services tenants, the overall occupancy of the 2 Grade A office towers remained stable. High vacancy rates at competing properties kept a lid on rents.

Center 66 Office Tower welcomed newcomers China Taiping and Siemens while our self-service workspace, HANGOUT, gained traction to improve capacity. Going forward, the multifunctional workspace aims to attract quality small and medium-sized enterprises.

Retail Segment Distribution (by Leased Floor Area)

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



	Retail	Office
Occupancy Rate	98%	85%

Number of shopping mall tenants (at year-end): 250

The much-anticipated "Take Center Stage" event returned to Center 66 for the third year. Exclusive campaign merchandise and events achieved footfall growth as well as record sales for several tenants

Riverside 66, Tianjin

Buoyed by a rapidly recovering domestic tourism market and a substantial increase in average daily footfall, Riverside 66 recorded marked improvements across all success metrics. In 2023, proactive leasing management and marketing and customer care programs countered the impact of socio-economic headwinds and increased competition from a surge of new large-scale shopping malls launched during the year.

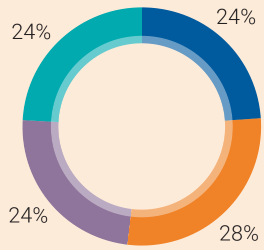
Riverside 66 further diversified its tenant mix, adding more food & beverage, jewelry & watch, and fashion and accessories brands. Highlights among the new leases secured include 16 first-in-town stores like Manner Coffee, OTF, and Chun K.

The HOUSE 66 CRM program increased membership and member sales and improved weekday sales by enticing nearby office workers with food & beverage promotions. A “520” series of thrilling events drew large crowds, including dressing city landmarks like the century-old Starbucks façade with seasonal themes and creating popular attractions such as a mini concert at North Piazza.

In 2024, Riverside 66 will continue enhancing its leasing strategy and tenant mix, particularly top-end and food & beverage brands, to boost mall-wide footfall and tenant sales. Planned highlights include the Super All Day entertainment brand and Setirom flagship store.

Retail Segment Distribution (by Leased Floor Area)

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



Occupancy Rate

Retail

90%

Number of shopping mall tenants
(at year-end)

256

At Riverside 66 in Tianjin, large crowds visited the mall in May for a “520” series of thrilling events, including dressing city landmarks, such as the century-old Starbucks façade, with seasonal themes

Olympia 66, Dalian

Marking its successful evolution into the region's luxury shopping destination, including consolidating luxury brands in Dalian, Olympia 66 achieved a hike in sales across luxury, sub-luxury, and food & beverage trades.

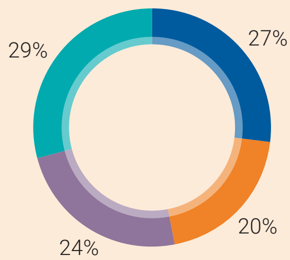
Following the opening of borders, the mall leveraged its prime location in a tourist hotspot to increase tenant sales, particularly during the summer months, despite sluggish economic growth and lackluster consumer sentiment.

Ongoing efforts to upgrade its tenant mix added to positive rental reversions led to an increase in rental revenue. A new cosmetic zone has been opened with CHANEL BEAUTÉ's first boutique in Dalian, alongside Dior Beauty, La Mer, and Guerlain. In 2023, Olympia 66 also welcomed first-in-town brands Maison Margiela, Marni and pop-up stores for Thom Browne and Roger Vivier. The mall added new luxury brands Vacheron Constantin, Canada Goose, Versace, Breitling, GIADA and Ferragamo.

A seventh-anniversary celebration in collaboration with over 150 tenants enhanced customer loyalty via the HOUSE 66 CRM program. The event achieved record-breaking tenant sales and the mall's second-highest daily footfall count.

In 2024, Olympia 66 will convert its east atrium on B1 to jewelry & watch and light food & beverage tenants. The mall will continue refining its tenant mix, particularly luxury, digital, kids retail, and fashion and accessories brands.

Retail Segment Distribution (by Leased Floor Area)



Occupancy Rate
Retail
90%

Number of shopping mall tenants (at year-end)
369

Olympia 66 in Dalian held a grand celebration for its brand-new look. The extravaganza brought fashion, culture, and art together to showcase the mall's spectacular lineup of international brands and experiences

Spring City 66, Kunming

Shopping Mall

Despite slow economic growth in Kunming, Spring City 66 achieved increases in tenant sales, rental revenue, and footfall. The mall also maintained a consistently high occupancy rate.

In 2023, Spring City 66 added 8 new beauty and cosmetics brands and oversaw multiple shop upgrades among sub-luxury trades, including food & beverage tenants. On display in southwest China for the first time, a "Disney Lotso" exhibition in the spring exceeded expectations to drive up footfall and tenant sales. Over the year, the HOUSE 66 CRM program collaborated with TAG Heuer, Lotus Cars, Tod's, Garmin, Louis Vuitton, Qeelin, and Chow Tai Fook to boost member loyalty and enhance customer stickiness. Interactive placemaking events like the rose staircase drew high footfall during the summer season.

Heading into 2024, Spring City 66 will add new brands to enhance its luxury shopping experience, upgrade its beauty and sub-luxury offerings, and launch a new VIC lounge and top VIP parking zone. Incoming tenants include Valentino, Max Mara, Thom Browne and Arena Seafood. The mall will further benefit from the opening of new Grand Hyatt Kunming hotel and Grand Hyatt Residences.

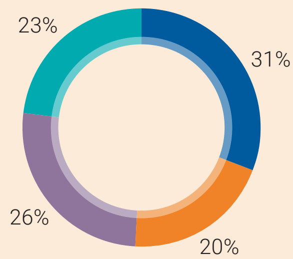
Office Tower

Situated in the heart of Kunming's central business district, the office tower at Spring City 66 remains a firm favorite among finance, insurance, and professional services firms, accounting for more than 50% of tenants.

Zhongwen Law and PowerChina joined as new tenants, while Datong Insurance Service relocated from a competitor to consolidate their offices at Spring City 66 Office Tower. Occupancy is expected to continue rising, given the tower's prime location and the Grand Hyatt Kunming's pending launch.

Retail Segment Distribution (by Leased Floor Area)

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



Occupancy Rate

Retail 98%

Office 88%

Number of shopping mall tenants (at year-end)

312

Hang Lung and Disney China teamed up to hold a "100 Smiles" event at 7 Hang Lung malls across mainland China, including Spring City 66 in Kunming, bringing the enchantment of Disney into the real world and creating a joyful celebration for customers

Heartland 66, Wuhan

Shopping Mall

As the luxury retail destination in central China, tenant sales at Heartland 66 increased despite challenging economic conditions and increasingly price-sensitive consumers. The mall raised rental revenue and footfall amid fierce competition from multiple new malls launched in Wuhan in 2023. First-in-town brands welcomed this year such as Balenciaga Pour Homme, Vivienne Westwood, Alexander Wang, Welldone, S.T. Dupont, TASAKI, GIADA, Leica and LensCrafters.

In 2023, Heartland 66 enhanced its car park lobby and mall façade and launched a valet parking service and shopping card. The mall also celebrated its second anniversary in partnership with Cirque du Soleil (the circus company's first show in the district), bringing new excitement to the city. These were well received by Wuhan customers and attracted strong footfall over the event period.

Moving forward, Heartland 66 will bolster its marketing investment and continue refining its tenant mix, particularly with luxury, fashion and accessories, lifestyle, and food & beverage brands. The mall will also add an exclusive VIC lounge, converting the sunken plaza into an alfresco dining area while launching more exciting exhibitions and happenings during the year.

Office Tower

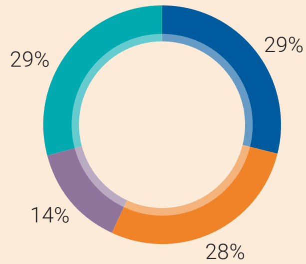
The abundant office supply in Wuhan, compounded by a softening economy and low tenant stability, has impacted leasing progress at Heartland 66 Office Tower despite a growth of new leased area in 2023. Occupancy incrementally improved owing to recent entrant Amgen and new professional services and TMT tenants.

Conditions will remain challenging in 2024, led by a sluggish economy and companies increasingly looking to save costs.

Our self-service workspace, HANGOUT, gained traction following its opening in March 2023. The multifunctional workspace offers more choices to enhance the customer experience further.

Retail Segment Distribution (by Leased Floor Area)

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



Occupancy Rate	Retail **82%**	Office **76%**
Number of shopping mall tenants (at year-end)	**262**	

Heartland 66 in Wuhan celebrated its second anniversary in partnership with Cirque du Soleil. The renowned circus company performed its first show in the district, bringing new excitement to the city

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

Under the stewardship of the prestigious Grand Hyatt organization, the luxury hotel in the center of Kunming is set to become a favorite destination for locals and international visitors.

Offering 331 rooms and suites, the hotel – designed to incorporate Yunnan's unique charm – boasts first-class amenities and restaurants serving locally inspired cuisine.

The landmark development marks the city's first fully integrated mixed-use project. Effective mid-2024, Spring City 66 will comprise a Grade A office tower, a luxury shopping mall, and the new Grand Hyatt Kunming.

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

Total gross floor area
98,054 square meters*

Expected year of completion
2024

* This includes the total gross floor area of the Grand Hyatt Residences Kunming.

Curio Collection by Hilton, Wuxi

Effective in the first half of 2025, Center 66 will add a Curio Collection by Hilton boutique hotel to its existing 2 Grade A office towers and luxury shopping mall.

Curio Collection by Hilton is a hand-picked selection of luxury hotels globally. Fusing old with new to enrich the customer experience, the design-led hotel will occupy a seven-story tower and three-story heritage building to offer 105 rooms, recreational facilities, and 2 restaurants.

Location
Jiankang Lu, Liangxi District, Wuxi

Total gross floor area
7,165 square meters

Expected year of completion
2025

Westlake 66, Hangzhou

Westlake 66 is evolving into a high-end commercial complex comprising 5 Grade A office towers, a luxury shopping mall, and a prestigious Mandarin Oriental hotel. The project will be completed in phases from 2024 onwards.

The Mandarin Oriental Hangzhou in the city's center is set to become an accommodation and entertainment hub for domestic and international travelers. Due to open its doors in late 2025, the hotel offers about 190 rooms and suites, a dedicated event and bar space, a spa, and 2 restaurants.

The large-scale project exemplifies carbon and environmental data collection in keeping with the Company's commitment to sustainability practices. In addition to running a construction waste recycling pilot program, Westlake 66 is applying low-carbon concrete bricks in the hotel basement and proceeding with a net zero-carbon design proposal for the historical building.

Location
Bai Jing Fang, Gongshu District, Hangzhou

Total gross floor area
194,100 square meters*

Main usage
Retail, office, hotel

Expected year of completion
2024 onwards

* This includes the above-ground area only.

Plaza 66, Shanghai (Pavilion Extension)

To enhance the retail and food & beverage offering for customers, and to create a greater commercial value for the project, Plaza 66 will utilize an existing landscape area to build a retail structure, with a gross floor area of approximately 3,000 square meters. The project is scheduled for completion in 2026.

Location
Nanjing Xi Lu, Jing'an District, Shanghai

Total gross floor area
3,080 square meters

Main usage
Retail

Expected year of completion
2026

Forum 66, Shenyang

Currently under construction, Forum 66 is adding a new luxury mall, and premium residences to enhance its commercial complex. The project is scheduled for completion in stages from 2028 onwards.

The new developments add to an existing luxury mall, Grade A office tower, and the market-leading Conrad Shenyang hotel at Forum 66 in Shenyang.

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
2028 onwards

HONG KONG PROPERTY LEASING

An upswing in tourists, business travelers, and consumer sentiment charged up both tenant sales and rental revenue in 2023. Flexible leasing strategies appeased increasingly prudent tenants to maintain stable occupancy rates across our Hong Kong portfolio.

Market Landscape

The opening of borders fueled improvements in the local market as Hong Kong settled into its post-pandemic reality.

In an effort to revitalize the economy, the government banked on several campaigns, including "Happy Hong Kong" and "Night Vibes Hong Kong," to boost public morale and consumption. Our ambitious marketing promotions and newly launched "hello dollar" rewards program further intensified the swelling sales momentum, bumped local consumption, and elevated our customer shopping experiences.

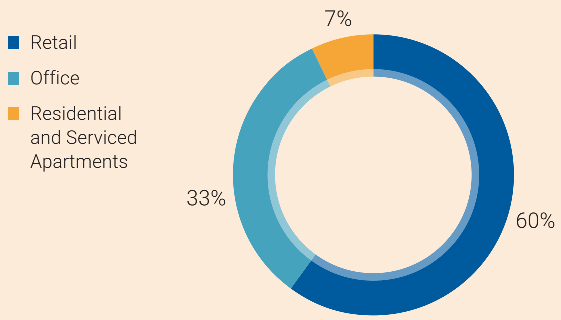
The economy achieved a healthy recovery in 2023, particularly in the retail market.

Business Overview

The local business environment continues to recover gradually following the release of travel restrictions between Hong Kong and mainland China. While Hong Kong has enduring strengths as a global financial center, the market faces increased competition as a destination for tourists, investment, and talent from its neighboring cities and regions which impacts performance metrics on all fronts.

Leveraging Hong Kong's ongoing regeneration, we effectively optimized our tenant mix and "hello Hang Lung Malls Rewards Program" to increase footfall and customer loyalty. Our overall rental revenue increased by 2% year-on-year.

Distribution of Revenue of Our Hong Kong Property Leasing Portfolio in 2023



Hong Kong Property Leasing Continued to Demonstrate Resilience

Tenant Sales

↑14%
Year-on-year

Retail

Occupancy Rate#
95%

Office

Occupancy Rate#
89%

All occupancy rates stated therein were as of December 31, 2023

Causeway Bay Portfolio

Occupancy rates across the Causeway Bay portfolio remained exemplary following the opening of borders, while retailers were still conservative in expansion plans under the current market condition.

Fashion Walk enhanced its jewelry & watch offering with ARTE Madrid and duplex locations for Oriental Watch Company. The mall expanded its food & beverage selection with first-in-town locations for Gariguette and Eggslut, plus new tenants Mercury Recalls by Lost Stars, Longtail, Casa Cucina & Bar and Hypebeans.

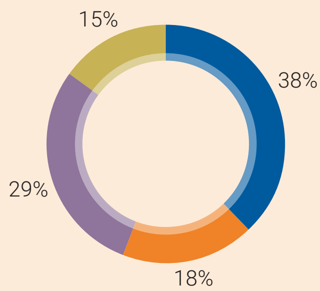
Several well-received tenant collaborations and customer engagements throughout the year further bolstered footfall, tenant sales, and media exposure. Most notably, its "Fashion Walk x Neopets 25th Anniversary Festival", which marked the virtual pet game's first offline activation in Asia Pacific, drew customers with special events and limited-edition merchandise.

The portfolio will continue diversifying its food & beverage offering and refining its tenant mix.

Popular among medical, beauty, and lifestyle tenants, Hang Lung Centre saw its revenue impacted by negative rental reversions, but leasing momentum and occupancy improved by offering flexible leasing terms. The Centre's retail section remains fully occupied.

Retail Segment Distribution (by Leased Floor Area)

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



Occupancy Rate	Retail 97%	Office 96%	Residential & Serviced Apartments 91%
Number of shopping mall tenants (at year-end)	98		

Fashion Walk and 6 Hang Lung malls in Hong Kong launched a series of promotions, including night market discounts and exclusive activities to boost the evening economy

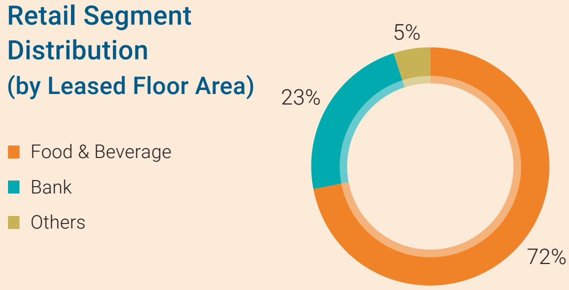
Central Portfolio

The Central portfolio comprises Standard Chartered Bank Building, 1 Duddell Street, Printing House, and Baskerville House. Popular among banking, finance, and professional services tenants, the portfolio improved its occupancy rate despite a softening demand by offering fitted offices and flexible leasing terms.

The retail side saw improvements in tenant sales from a low base in 2022, encouraged by released COVID-19 restrictions and an influx of business travelers. A hike in occupancy and revenue followed changes in the rental structure and the addition of Plaisance by three Michelin-starred chef Mauro Colagreco at 1 Duddell Street – further cementing the portfolio's reputation as a fine dining hub. The building also completed lobby renovations in 2023.

In 2024, further renovation work, including lift modernization, and a focus on recruiting tenants in the expanding wellness industry will bolster the portfolio's performance.

Retail Segment Distribution (by Leased Floor Area)



Occupancy Rate

Retail 88%

Office 90%

Number of shopping mall tenants (at year-end) 11

Rental structure changes at 1 Duddell Street further cemented the Central portfolio's reputation as a fine dining hub

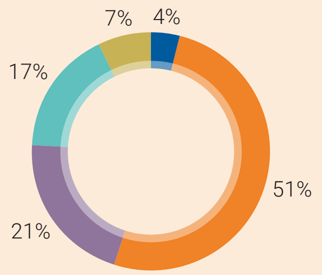
Peak Galleria

One of Hong Kong's most iconic tourist destinations, the Peak Galleria's footfall surged in 2023 following the opening of borders and an influx of international visitors to the city. Sales revenue improved but fell short of keeping pace with the rise in footfall. Rental revenue also increased, fueled by positive rental revisions and an escalating rental structure. A spectacular "Fumeancats Winter Wonderland" collaboration further boosted footfall, tenant sales, and media exposure over the festive season.

Occupancy has remained stable throughout most of the year. Smart toilets, auto swing doors for hands-free accessibility, and energy-saving improvements further enhanced the building and customer experience in 2023.

While the market is expected to remain challenging in 2024, Peak Galleria will improve its food & beverage offering, particularly better utilization of its outdoor area, and further refine its retail and experiential tenant mix to attract tourists, local families, and pet owners.

Retail Segment Distribution (by Leased Floor Area)



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

Occupancy Rate

Retail

81%

Number of shopping mall tenants (at year-end)

42

Peak Galleria is renowned for being one of the most popular pet-friendly shopping malls in town

Hong Kong East Portfolio

The Hong Kong East portfolio comprises Kornhill Plaza, Kornhill Apartments, and the newly launched 228 Electric Road. Kornhill Plaza serves the daily needs of the surrounding communities, including students and office workers, and maintains a stable occupancy rate.

Following the release of social distancing measures, the mall saw a gradual increase in both footfall and tenant sales despite escalating competition and increasingly price-sensitive households. Rental revenue also climbed.

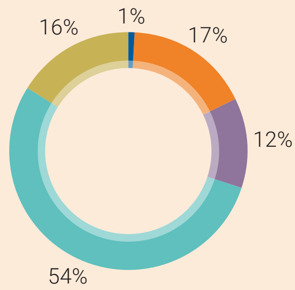
In 2023, Kornhill Plaza introduced new food & beverage outlets, expanded its wellness zone, and oversaw upgrades to several shops. Going forward, the mall will continue refining its tenant mix, particularly food & beverage, and brand mix revamp of AEON STYLE.

The office space predominantly accommodates education centers that returned to full operation in 2023. The occupancy rate improved following the sizable addition of beauty group New Beauty.
An oversupply of office space and increasingly prudent tenants continue to squeeze leasing terms and rental income.

Occupancy at 228 Electric Road is expected to climb at a moderate pace, given the growing leasing demand from wellness and rehabilitation tenants in the area.

The opening of borders and subsequent jump in demand from corporate clients and mainland Chinese have bumped Kornhill Apartments' revenue, also fanned by discounts and complimentary gifts exclusive to hello members. The healthy performance is set to continue as the demand for serviced apartments is intensified by returning expats and the government's talent admission scheme. Amenity upgrades and minor renovations are planned to further enhance the customer experience.

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
98%	99%	67%

Number of shopping mall tenants* (at year-end): **117**

*Include Kornhill Plaza only

Newly added to our office portfolio in 2023, 228 Electric Road provides exquisitely designed offices in the vibrant heart of the North Point business district

Mongkok Portfolio

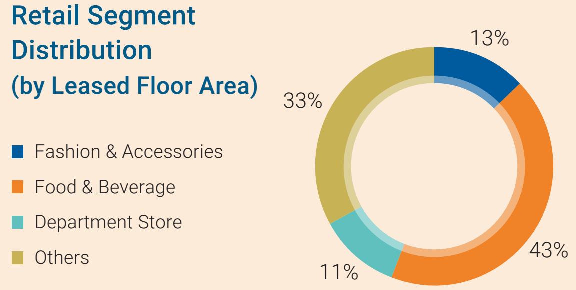
A trendy destination for young adults and tourists, the Mongkok Portfolio includes Gala Place and Grand Plaza. The malls have benefited from the release of social distancing measures and the subsequent influx of tourists with a spike in tenant sales, mainly food & beverage and personal care brands. However, the surge in outbound tourism and changing consumer spending habits have since tempered sales to 2022 levels.

Occupancy and footfall remain stable given the portfolio's prime location, and rental revenue is on par with the market average despite instances of negative rental reversions. Both malls upgraded their tenant mix with the addition of Matsumoto Kiyoshi at Grand Plaza and the Lung Fung flagship at Gala Place. The portfolio's "hello Hang Lung Malls Rewards Program" continues to strengthen ties with tenants and bolster customer loyalty.

While demand for pure office space remains lackluster, semi-retail tenants picked up after borders opened. Occupancy remained stable, with medical and wellness groups adding or leasing new space to offset departing tenants, most notably Hong Kong Medical Pain Management Association Limited and Quality Healthcare Specialty Centre, which now spans at Gala Place and Grand Plaza office towers respectively.

With ongoing renovations and competitive leasing terms, the portfolio is set to establish its position as a prime wellness hub.

Retail Segment Distribution (by Leased Floor Area)



Occupancy Rate

	Retail	Office
Occupancy Rate	100%	96%

Number of shopping mall tenants (at year-end): **32**

The office tower lobby at Gala Place is enjoying a fresh look after the completion of renovations

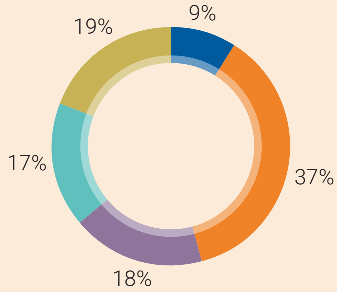
Amoy Plaza

Tenant sales at the popular lifestyle mall benefited from the release of social distancing measures and the market correction that followed. However, the concurrent recovery in outbound tourism means local customers are spending their leisure time abroad, adversely affecting tenant sales. The economic squeeze is further intensified by fierce competition and increasingly price-sensitive consumers.

Given the mall's important role in serving the surrounding community, both footfall and rental revenue increased. Targeting families and younger consumers, the mall secured Lam Heung Ling Lemon Tea, Dough Bros Pizza & Doughnuts, and 4 brands from Taste of Asia marking the group's first collaboration with Hang Lung. In addition to strengthening its food & beverage offering, the mall is on track to launch a new local delicacies hub in 2024.

Ongoing alterations and additions are set to evolve Amoy Plaza into a one-stop mall for shopping, dining, and entertainment, particularly following the launch of the East Kowloon Cultural Centre and the arrival of The Aperture residents in 2024.

Retail Segment Distribution (by Leased Floor Area)



Occupancy Rate

Retail
89%

Number of shopping mall tenants (at year-end)

237

The popular lifestyle mall Amoy Plaza plays an important role in serving the surrounding community

MAINLAND CHINA PROPERTY SALES AND DEVELOPMENT

Leveraging prime locations, excellent transport links, and luxurious living, Hang Lung Residences offers an unrivaled urban living experience. Our luxury serviced residences epitomize our appetite for excellence – the hallmark of all Hang Lung developments.

Market Landscape

Overall, residential sales in the Mainland have remained sluggish. While the release of pandemic restrictions has improved consumer sentiment in China, prospective buyers remain prudent, taking a wait-and-see approach while the property market grapples with restoring confidence.

The government's range of policies to stabilize the residential market signals its commitment to the sector's recovery. On average, residential prices in upcoming and established tier-one cities have remained relatively stable, while properties in mixed-use developments downtown are underpinned by substantial intrinsic appeal.

Business Overview

Hang Lung Residences are currently under development in Wuhan, Wuxi and Kunming. Set to enhance our existing commercial complexes in these areas, the premium serviced residences will offer new premium units with world-class amenities for discerning buyers.

Drawing on our extensive experience as a leading commercial property developer renowned for enriching urban environments with world-class developments, Hang Lung Residences leads our vision for sustainable growth. Reinvigorating the real estate market with fully integrated new lifestyle experiences, the serviced residences attest to our commitment to laying the foundations for investment properties that maximize shareholder value.

Introduction to our Hang Lung Residences

Heartland Residences, Wuhan

Hang Lung Residences' inaugural project, Heartland Residences in Wuhan offers 492 premium units and a luxurious three-story clubhouse shared among 3 towers. The serviced residences seamlessly connect with the Heartland 66 commercial complex, which comprises a luxury retail mall and Grade A office tower.

With its prime location in the central business district, Heartland Residences benefits from a range of educational and medical facilities, open-air parks, and five-star hotels within a three-kilometer radius. The project is scheduled for handover to buyers in phases starting in 2024. Ongoing sales and marketing activities will continue.

Location
Jinghan Avenue, Qiaokou District, Wuhan

Total gross floor area
131,493 square meters

Center Residences, Wuxi

Center Residences marks the second development phase of Center 66 in Wuxi, a world-class commercial complex comprising a luxury retail mall and 2 Grade A office towers.

Offering approximately 600 premium units and luxurious clubhouses across 2 towers, Center Residences is set to transform the historic city's central business district into a work-life hub that pays homage to its rich cultural heritage.

Adjacent to the property is the 105-room Curio Collection by Hilton hotel. Center Residences is scheduled for completion in phases starting in 2025. Pre-sales are expected to begin in 2024.

Location
Jiankang Lu, Liangxi District, Wuxi

Total gross floor area
99,953 square meters

Expected year of completion
2025 onwards

Grand Hyatt Residences, Kunming

Grand Hyatt Residences in Kunming is the first hotel-branded project under Hang Lung's Residences Portfolio. It is an integral component of the Spring City 66 development, which comprises a luxury retail mall, Grade A offices, and the five-star Grand Hyatt Kunming hotel.

Towering above the 331-room Grand Hyatt Kunming hotel, the serviced residences occupy the top zone of the 250-meter-tall building. In addition to 254 units with sweeping views across the city, Grand Hyatt Residences Kunming offers 3 immaculate penthouses, each with a private terrace and swimming pool.

The project is scheduled for completion in phases starting in 2024. Ongoing sales and marketing activities will continue.

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

Total gross floor area
98,054 square meters*

Expected year of completion
2024 onwards

* This includes the total gross floor area of the Grand Hyatt Kunming.

HONG KONG PROPERTY SALES AND DEVELOPMENT

Innovative sales strategies with customized payment plans will revitalize our sales and marketing efforts in a challenging market for 23-39 Blue Pool Road and The Aperture in 2024.

Market Landscape

Hong Kong re-opened its borders in the first quarter of 2023. While the influx of foreign visitors and aggressive developer pricing briefly stimulated overall transaction volume, the city's property market remained weighed on by high interest rates and an abundant supply of private residential flats. Expected reductions in stamp duties will undoubtedly rejuvenate the market and support prospective property buyers in 2024.

Business Overview

Comprising 23-39 Blue Pool Road (close to Jardine's Lookout), The Aperture, the upscale residential development in Kowloon East, and the upcoming Shouson Hill Road project in the Southern District of Hong Kong Island, our developments combine prime locations, modern architectural design, and comprehensive amenities to exemplify urban living.

2 new French-style mansions were launched at 23-39 Blue Pool Road. New sales strategies and payment plans deployed in 2023 will continue leading efforts to respond to the market and downward pressure on property prices. Sold units of The Aperture are due for handover in 2024. A new round of sales and marketing efforts will resume when construction finishes. Pending final approval, we are scheduled to break ground on the new Shouson Hill Road redevelopment in 2024.

New Projects Under Development

The Aperture

The Aperture is Hang Lung's residential project in sought-after Kowloon East. A stone's throw from the MTR with 3 large shopping malls on its doorstep, the brand-new units offer residents premium living in the heart of Kowloon Bay.

The project is nearing completion, and handover to buyers is expected in 2024.

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
2024

Shouson Hill Road Redevelopment

The redevelopment site is located at 37 Shouson Hill Road in the Southern District of Hong Kong Island. General building plans for luxury houses have been approved. Demolition work is expected to commence in 2024.

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
2027 onwards

OUTLOOK

Moving into 2024, we remain vigilant as uncertainties and challenges continue in the markets in which we operate. Geopolitical concerns persist in the Mainland, resulting in sluggish economic growth and weak currency outlooks, while Hong Kong works to reengineer its international competitiveness and appeal. A relatively high interest rate environment is also expected to maintain in the background. To counter these headwinds, we will leverage our unique positioning and CRM platforms to further enhance our tenant engagement and sustain our revenue growth streak.

In mainland China, we continue cultivating our leasing portfolio to achieve growth alongside strategic marketing campaigns and our portfolio-wide HOUSE 66 CRM program. Following the success of our 2 sister malls in Shanghai, namely Plaza 66 and Grand Gateway 66, the maturation of our luxury malls outside Shanghai will contribute to further growth in years to come. Our sub-luxury malls will also provide solid growth with improved occupancy and footfall. Meanwhile, our office portfolio will welcome its newest sibling, Westlake 66 in Hangzhou, in late 2024 and offer a stable income stream. Conrad Shenyang will be joined by Grand Hyatt Kunming in mid-2024, in time to capture the post-pandemic rise in business and leisure travel.

Hong Kong's overall leasing market outlook for 2024 remains challenging as years of embattlement since 2018 will take time to fully recover. We will continue to focus on enhancing shopping experience and engagement through our "hello Hang Lung Malls Rewards Program" and seek opportunities to optimize our Hong Kong portfolio through AEI and capital recycling exercises.

On the property sale side, subject to market conditions, we will continue with the launch of our premium serviced residences brand on the Mainland, Hang Lung Residences (comprising Heartland Residences in Wuhan, Grand Hyatt Residences in Kunming, and Center Residences in Wuxi). The first batch of units at Heartland Residences in Wuhan and The Aperture in Hong Kong is targeted for handover to buyers in the first half of 2024, at which time the pre-sale revenue will be recognized.

MAJOR PROPERTIES OF THE GROUP

A. Major Properties under Development

At December 31, 2023

	Location	Site Area (sq.m.)	Main Usage	Total Gross Floor Area (sq.m.)	Stage of Completion	Expected Completion Year
MAINLAND CHINA						
WUXI						
Center 66 (Phase 2)	Jiankang Lu, Liangxi District	16,767	Apartments for Sale, Hotel	107,118	Superstructure (Center Residences) Foundation (Hotel)	2025 onwards
KUNMING						
Spring City 66	Dongfeng Dong Lu/ Beijing Lu, Panlong District	56,043	Apartments for Sale, Hotel	98,054	Superstructure	2024 (Grand Hyatt Kunming) 2024 onwards (Grand Hyatt Residences Kunming)
HANGZHOU						
Westlake 66	Bai Jing Fang, Gongshu District	44,827	Retail, Office, Hotel	194,100	Foundation and basement construction	2024 onwards
SHENYANG						
Forum 66	Qingnian Da Jie, Shenhe District	92,065	Retail, Office, Apartments for Sale	502,660	Foundation	2028 onwards
HONG KONG						
KOWLOON BAY						
The Aperture	11 Ngau Tau Kok Road, NKIL 1744	1,923	Retail, Apartments for Sale	16,226	Superstructure	2024
SOUTHERN DISTRICT						
Shouson Hill Road Redevelopment	37 Shouson Hill Road, RBL 357	8,806	Apartments for Sale	4,403	Planning	2027 onwards

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

Retail Office Apartments for Sale Hotel

B. Residential Properties Completed for Sale

At December 31, 2023

	Location	Site Area (sq.m.)	Total Saleable Area (sq.m.)	No. of Residential Unit for Sale
MAINLAND CHINA				
Heartland Residences	600 Jinghan Avenue, Qiaokou District	16,687	125,979	492
HONG KONG				
23-39 Blue Pool Road	23-39 Blue Pool Road, IL 5747	7,850	3,409	8

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

C. Major Investment Properties

At December 31, 2023

			Total Gross Floor Area (sq.m.)			
	Location	Lease Expiry	Retail	Office	Residential & Serviced Apartments	No. of Car Parking Spaces
HONG KONG						
CENTRAL						
Printing House	6 Duddell Street, IL 339	2848	1,709	5,980	–	–
1 Duddell Street	1 Duddell Street, IL 7310	2848	2,340	6,616	–	–
Baskerville House	22 Ice House Street, IL 644	2880	1,473	3,379	–	–
Standard Chartered Bank Building	4-4A Des Voeux Road Central, Sections A&B of ML 103	2854	4,814	23,730	–	16
CAUSEWAY BAY AND WAN CHAI						
Hang Lung Centre	2-20 Paterson Street, IL 524 & IL 749	2864	8,777	22,131	–	126
Fashion Walk	Paterson Street, Houston Street, Great George Street, Cleveland Street, Kingston Street, Gloucester Road, ML 231 & ML 52, IL 469 & IL 470	2842, 2864 & 2868	31,072	–	8,507	–
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, 2023

	Location	Lease Expiry	Total Gross Floor Area (sq.m.) Retail	Office	Residential & Serviced Apartments	No. of Car Parking Spaces
HONG KONG						
KORNHILL (QUARRY BAY)						
Kornhill Plaza	1-2 Kornhill Road, IL 8566	2059*	53,080	10,577	–	1,069
Kornhill Apartments	2 Kornhill Road, IL 8566	2059*	–	–	35,275	–
NORTH POINT						
228 Electric Road (HLP held: 66.7%)	228 Electric Road, IL 1618	2050	1,196	8,559	–	–
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	–	–	346
The Long Beach	8 Hoi Fai Road, KIL 11152	2050	20,174	–	–	82
KOWLOON BAY						
Amoy Plaza	77 Ngau Tau Kok Road, NKIL 53, NKIL 1482, NKIL 2660 & NKIL 3947	2047	49,006	–	–	620
KWAI CHUNG						
Laichikok Bay Garden	Shops 1A1, 1A2, 5A, 5B and 5C on Ground Floor, Shops 6A, 6A1 & 6B1 and 6B on Upper Ground Floor, Lai King Hill Road, Lot 3336 of SD 4	2047	2,361	–	–	–

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

C. Major Investment Properties

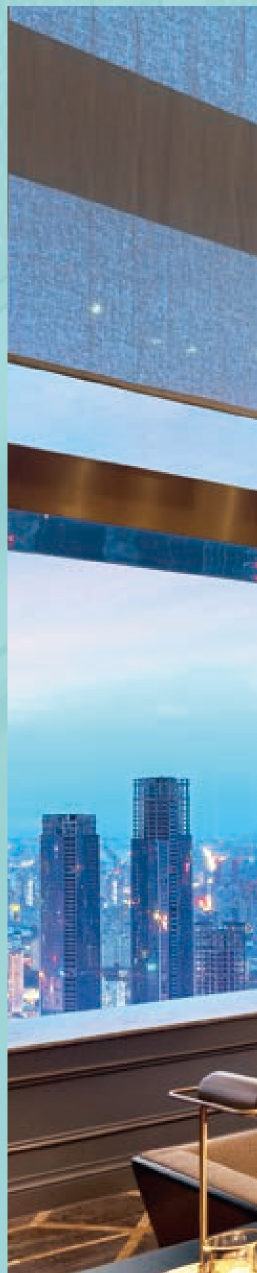
At December 31, 2023

	Location	Lease Expiry	Total Gross Floor Area (sq.m.)# Retail	Office	Hotel	Residential & Serviced Apartments	No. of Car Parking Spaces
MAINLAND CHINA							
SHANGHAI							
Grand Gateway 66	1 Hong Qiao Lu, Xuhui District	2043	122,262	–	–	–	752
Plaza 66	1266 Nanjing Xi Lu, Jing'an District	2044	53,700	159,555	–	–	804
SHENYANG							
Palace 66	128 Zhongjie Lu, Shenhe District	2057	109,307	–	–	–	844
Forum 66	1 Qingnian Da Jie, Shenhe District	2058	101,960	131,723	60,222	–	2,001
JINAN							
Parc 66	188 Quancheng Lu, Lixia District	2059	171,074	–	–	–	785
WUXI							
Center 66	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

Grand Hyatt Residences at Spring City 66, Kunming

PLACES THAT ENRICH



Our luxury hotel portfolio is set to expand with several hotels in the pipeline, adding to the Conrad at Forum 66 in Shenyang. Meanwhile, Hang Lung Residences, our premium serviced residences brand in mainland China, has established a new benchmark for luxury urban living.

The Conrad at Forum 66, Shenyang

FINANCIAL REVIEW

Consolidated Results

The total revenue of Hang Lung Properties Limited (the Company) and its subsidiaries (collectively known as "Hang Lung Properties") for the year ended December 31, 2023 was HK$10,316 million, remaining flat against last year despite the depreciation of the Renminbi ("RMB") and the absence of property sales revenue recognition during the year (2022: HK$316 million). Revenue from property leasing increased by 3% to HK$10,316 million as a result of our unique positioning, unwavering customer focus and disciplined execution. The overall operating profit rose by 2% to HK$7,389 million.

The underlying net profit attributable to shareholders declined by 1% to HK$4,137 million with higher net interest expense. The underlying earnings per share dropped correspondingly to HK$0.92.

Including a net revaluation loss on properties attributable to shareholders of HK$167 million (2022: net revaluation loss of HK$363 million), Hang Lung Properties reported a net profit attributable to shareholders of HK$3,970 million (2022: HK$3,836 million). The corresponding earnings per share was HK$0.88 (2022: HK$0.85).

Revenue and Operating Profit

	Revenue			Operating Profit/(Loss)		
	2023 HK$ Million	2022 HK$ Million	Change	**2023 HK$ Million**	2022 HK$ Million	Change
Property Leasing	**10,316**	10,031	3%	**7,441**	7,166	4%
Mainland China	**6,967**	6,752	3%	**4,749**	4,554	4%
Hong Kong	**3,349**	3,279	2%	**2,692**	2,612	3%
Property Sales	**–**	316	-100%	**(52)**	87	N/A
Total	**10,316**	10,347	–	**7,389**	7,253	2%

Dividend

The Board of Directors has recommended a final dividend of HK60 cents per share for 2023 (2022: HK60 cents) to shareholders whose names are listed on the register of members on May 10, 2024. Together with an interim dividend of HK18 cents per share (2022: HK18 cents), the full-year dividends for 2023 amounted to HK78 cents per share (2022: HK78 cents).

The Board of Directors proposes that eligible shareholders be given the option to elect to receive the final dividend in cash, or in the form of new shares in lieu of cash in respect of part or all of such dividend (the "Scrip Dividend Arrangement"). The Scrip Dividend Arrangement is conditional upon: (1) the granting of a general mandate by the shareholders of the Company to the Board of Directors to allot, issue and deal with such additional shares of the Company representing 20% of the number of shares in issue on the date of passing such resolution at the Annual General Meeting to be held on April 26, 2024 (the "AGM"); (2) the approval of the proposed final dividend at the AGM; and (3) The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued pursuant to the Scrip Dividend Arrangement.

A circular containing details of the Scrip Dividend Arrangement and the form of election for scrip dividend is expected to be despatched to the shareholders on or about May 17, 2024. It is expected that the final dividend warrants and the share certificates to be issued under the Scrip Dividend Arrangement will be despatched to the shareholders on or about June 14, 2024.

Property Leasing

The overall rental revenue increased by 3% to HK$10,316 million for the year ended December 31, 2023. Rental revenue of our Mainland portfolio rose by 8% in RMB terms and 3% in HKD terms after accounting for the RMB depreciation against last year. Our Hong Kong portfolio recorded 2% growth in rental revenue.

On the Mainland, following an initial rebound from a low base – during which our overall tenant sales and rental revenue grew by 42% and 13% in the first half of the year, respectively – the market continues to normalize with full-year tenant sales and rental revenue rising by 23% and 8%, respectively, in RMB terms, against last year. After capturing the initial upsurge in the first quarter of 2023 with an effective marketing push, we launched numerous promotional events and innovative marketing initiatives throughout the year while leveraging HOUSE 66 – our customer relationship management (CRM) program – to solidify our market position and engage loyal customers and new members.

Hong Kong's business environment is gradually recovering after the border reopening with the Mainland, but the city is facing increasing competition from neighboring cities and regions. As Hong Kong evolves in this new environment, we continue to proactively optimize our tenant mix and promote our "hello Hang Lung Malls Rewards Program" to increase footfall and customer loyalty. On account of these efforts, our overall rental revenue increased by 2%, and tenant sales experienced a 14% year-on-year growth.

Mainland China[1]

Property Leasing – Mainland China Portfolio

	Revenue		
	2023 RMB Million	2022 RMB Million	Change
Malls	**4,963**	4,607	8%
Offices	**1,161**	1,110	5%
Hotel	**139**	73	90%
Total	**6,263**	5,790	8%
Total in HK$ Million equivalent	**6,967**	6,752	3%

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

Overall rental revenue and operating profit rose by 8% and 9%, respectively. Due to the depreciation of the RMB, these increases were diluted to 3% and 4%, respectively, in HKD terms. Our malls benefited from improved consumer sentiment and tenant sales, recording a growth in revenue of 8% after a relatively stagnant performance in 2022, characterized by numerous COVID-19-related disruptions, including mall closures. Our premium office portfolio maintained a solid foundation of growth and rose by 5%, driven mainly by higher rentals from our office tower at Plaza 66 in Shanghai, as well as increases in occupancy rates at our younger office towers in Kunming and Wuhan. Our hotel operations experienced a meaningful and solid recovery following the relaxation of travel restrictions, and delivered a remarkable rise in revenue of 90% year-on-year.

Malls

Revenue of our mall portfolio grew by 8%, with our luxury-positioned malls achieving a 9% increase in revenue, while revenue from our sub-luxury malls stayed flat against 2022. With the exception of Forum 66 in Shenyang which was in the face of keen competition in the market, our luxury malls recorded solid growth ranging from 6% at Grand Gateway 66 in Shanghai to 19% at Olympia 66 in Dalian, as the latter becomes the city's leading luxury mall. Revenue from our sub-luxury malls continues to improve with higher occupancy.

Property Leasing – Mainland China Mall Portfolio

	Revenue			Year-End Occupancy Rate	
Name of Mall and City	**2023 RMB Million**	2022 RMB Million	Change	**2023**	2022
Luxury malls					
Plaza 66, Shanghai	**1,755**	1,595	10%	**100%**	100%
Grand Gateway 66, Shanghai	**1,213**	1,146	6%	**99%**	99%
Forum 66, Shenyang	**96**	97	-1%	**81%**	87%
Center 66, Wuxi	**446**	398	12%	**98%**	99%
Olympia 66, Dalian	**272**	229	19%	**90%**	89%
Spring City 66, Kunming	**305**	285	7%	**98%**	95%
Heartland 66, Wuhan	**251**	232	8%	**82%**	86%
	4,338	3,982	9%		
Sub-luxury malls					
Palace 66, Shenyang	**158**	161	-2%	**90%**	81%
Parc 66, Jinan	**315**	304	4%	**93%**	90%
Riverside 66, Tianjin	**152**	160	-5%	**90%**	80%
	625	625	–		
Total	**4,963**	4,607	8%		

For the year under review, the revenue of our luxury malls increased by 9%. While revenue at Forum 66 in Shenyang declined by 1% due to the keen competition in the market, revenue from the remaining luxury malls increased by a range of 6% to 19% year-on-year. Revenue from our sub-luxury malls was the same as last year with a gradual recovery of occupancy. Parc 66 in Jinan reported 4% growth in revenue after multiple beauty and first-in-town brands opened in the second half of 2022 following the completion of the first stage of its Asset Enhancement Initiative (AEI).

Luxury malls

Our flagship **Plaza 66** mall in Shanghai achieved another year of outstanding performance with solid growth in revenue and tenant sales of 10% and 24%, respectively, year-on-year. Our proactive CRM programs and impeccable service deepened engagement with customers and offered extraordinary experiences to shoppers. Our annual signature event, the "HOME TO LUXURY" Party held in November, successfully boosted tenant sales and strengthened customer loyalty. Together with innovative marketing campaigns, including “Game of Wonder”, in which took place in April, we captured improved consumer sentiment and further solidify our luxury positioning. The mall continued to be fully occupied at the end of the year. To enhance our offering at this prime location, we have recently obtained approval from local government to utilize an existing landscape area to build a retail structure, with a gross floor area of approximately 3,000 square meters. The development will provide a more comprehensive shopping experience to our customers and further strengthen our leading position in the city.

Our other mall in Shanghai, **Grand Gateway 66**, which carries more lifestyle content than its flagship sister, generated revenue growth of 6% year-on-year, with tenant sales rising by 30%. The “Gateway to Inspiration” anniversary party held in October cemented the mall’s position as a regional landmark of lifestyle and retail experiences. We also organized an exclusive in-mall event tied with the May premiere of the Chinese version of “The Phantom of the Opera”, which became the talk of the town attracted widespread attention on social media and generated excellent footfall. At year-end, the occupancy rate remained high at 99%.

The revenue of **Forum 66** mall in Shenyang declined by 1% due to the keen competition in the market. Joint marketing initiatives with Conrad Shenyang and Palace 66 in Shenyang continued to create productive synergy and enhance customer experiences. As part of our anniversary celebrations, an eye-opening circus performance by the world-renowned Cirque du Soleil attracted footfall and media attention. The occupancy rate as of December 2023 dropped 6 points to 81%.

Center 66, the leading luxury retail mall in Wuxi, recorded another record year, with revenue and tenant sales rising by 12% and 19%, respectively. The opening of several top-tier luxury brands at the mall strengthened its positioning as a leading luxury location. Our annual three-day “Take Center Stage” event, held in September alongside targeted promotions, significantly boosted consumption and footfall for the third year in a row. As of December 2023, the occupancy rate remained high at 98%.

Revenue and tenant sales of **Olympia 66** in Dalian grew by 19% and 29% year-on-year, respectively, as it transformed into a regional luxury landmark. Effective marketing initiatives such as the mall’s signature event held in April, “Shining Olympia”, continued to boost consumer sentiment and footfall. The occupancy rate rose by 1 point to 90% as of December 2023.

Revenue and tenant sales of **Spring City 66** mall in Kunming increased by 7% and 8%, respectively, as successful marketing campaigns were rolled out to capitalize on the return of tourists to the city and strengthen relations with customers, including our anniversary event held in November, “Spring into Life”. Entering its fourth year of operations, the mall continues to provide strong base rents with positive rental reversions and a high occupancy rate, which stood at 98% at year-end.

Our first large-scale commercial development in central China, **Heartland 66** mall in Wuhan, has been refining its trade mix since the beginning of 2023 to bolster its competitiveness. Occupancy dropped by 4 points to 82% at the year-end but was on a recovery trend. Despite the occupancy rate fall, revenue rose by 8% while tenant sales increased by 20%. Targeted marketing events, such as our second-anniversary campaign, “Cirque du Soleil First-in-Wuhan”, held in March, and “Be My Heartland”, held in September, boosted tenant sales and strengthened customer loyalty.

Sub-luxury malls

The revenue of **Palace 66** in Shenyang dropped by 2% due to a low occupancy rate inherited at the start of the year from COVID-19 disruptions. During the year under review, we enriched our brand mix to expand our target customer base and offered a broader range of food and beverage outlets to appeal to a variety of tastes. Capturing the local government's commitment to leveraging the historical heritage of the Zhongjie District and transforming it into a placemaking hot spot, a series of weekend happenings and music performances was organized for customers in and out of town. Tenant sales surged by 44% and the occupancy rate recovered 9 points to 90% against the close of December 2022.

Revenue and tenant sales of **Parc 66** in Jinan increased by 4% and 25%, respectively. Multiple beauty and brand stores opened in the second half of 2022 – some of which are exclusive to Parc 66 in the city – following the completion of the first phase of the mall's AEI. The remaining phases of the AEI are expected to conclude between late 2024 and early 2025. The rejuvenated mall will continue to strengthen its desirability to customers and long-term profitability. The occupancy rate as of December 2023 rose by 3 points to 93% at the end of the year.

With a low occupancy rate at the start of the year due to COVID-19 pressures in 2022, revenue of **Riverside 66** in Tianjin dropped by 5%. Through relentless promotion and marketing efforts, and the introduction of indoor play areas and other entertainment facilities, revenue in the second half of the year successfully surpassed that of the first 6 months. Tenant sales for the year under review surged by 41% and the occupancy rate leapt by 10 points to 90% as of the end of December 2023.

Offices

The office portfolio, accounting for 19% of our total Mainland rental revenue, continued to provide a reliable source of growth and income. The total revenue rose by 5% to RMB1,161 million year-on-year, driven primarily by the solid performance of Plaza 66 as well as growth from our newer office towers in Kunming and Wuhan.

Property Leasing – Mainland China Office Portfolio

	Revenue			Year-End Occupancy Rate	
Name of Office and City	**2023 RMB Million**	2022 RMB Million	Change	**2023**	2022
Plaza 66, Shanghai	**668**	639	5%	**96%**	96%
Forum 66, Shenyang	**126**	130	-3%	**89%**	91%
Center 66, Wuxi	**117**	119	-2%	**85%**	85%
Spring City 66, Kunming	**140**	126	11%	**88%**	88%
Heartland 66, Wuhan	**110**	96	15%	**76%**	73%
Total	**1,161**	1,110	5%		

Our 2 Grade A office towers at **Plaza 66** in Shanghai continued to record satisfactory rental performance during the year, with rental growth of 5%, attributed to our strong tenant profile, professional management services and prominent location in the city's traditional central business district. An innovative digital tool is also being introduced to further enhance tenant experiences and service quality. The occupancy rate remained high at 96% at the end of the year.

Revenue of the office tower at **Forum 66** in Shenyang fell 3% as the occupancy rate dropped by 2 points to 89% as of December 2023. Local market conditions remain challenging with a rising supply of office space and continuing soft demand in the market.

The total revenue of the 2 office towers at **Center 66** in Wuxi tumbled by 2%, primarily because of the low occupancy rate at the start of the year that carried over from the end of 2022. Our high-quality offerings enabled us to maintain a steady level of unit rent during the year. The occupancy rate stayed at 85% as of December 2023.

Our office tower at **Spring City 66** in Kunming recorded revenue growth of 11% on the strength of the mall's unrivaled quality of facilities and services. The occupancy rate remained at a healthy 88%.

Revenue of the **Heartland 66** Office Tower in Wuhan increased by 15% and the occupancy rate climbed by 3 points to 76%. The improved occupancy can be attributed to the premium building quality, high specifications, and convenient transport network. Our self-operated multifunctional workspace, HANGOUT, opened in March 2023, offering versatile spaces and amenities for tenants and further strengthening the Grade A office tower's market positioning and competitiveness. HANGOUT has attracted numerous influential corporations, including Fortune 500 pharmaceutical companies and several of China's top 500 insurance companies.

Hotel

Buoyed by the rebound of the tourism industry after the lifting of travel restrictions and the resumption of international travel in early 2023, revenue grew by 90% year-on-year. Both our room and food and beverage businesses performed well following an increase in business and leisure travel, with room revenue contributing 1.1 times growth while food and beverage achieved 68% growth in revenue.

Hong Kong

Hong Kong's market has improved since borders reopened and the city has gradually settled into a new normal. The Hong Kong economy achieved a healthy recovery in 2023, especially in the retail market.

Alongside different campaigns organized by the government, such as "Happy Hong Kong" and "Night Vibes Hong Kong", a series of robust marketing promotions and the launch of the "hello dollar" rewards program during 2023 has proven effective in accelerating sales momentum and local consumption and further elevating our customer shopping experiences.

Revenue and operating profit increased by 2% to HK$3,349 million and by 3% to HK$2,692 million, respectively, with a rental margin of 80%.

Property Leasing – Hong Kong Portfolio

	Revenue			Year-End Occupancy Rate	
	2023 HK$ Million	2022 HK$ Million	Change	**2023**	2022
Retail	**2,007**	1,931	4%	**95%**	98%
Offices	**1,108**	1,096	1%	**89%**	90%
Residential & Serviced Apartments	**234**	252	-7%	**77%**	73%
Total	**3,349**	3,279	2%		

Retail

Revenue from our Hong Kong retail portfolio grew by 4% to HK$2,007 million. Owing to the continual refinement and diversification of our brand mix, the overall occupancy slightly dropped to 95%.

Retail leasing sentiment stayed healthy, and demand from tourist-oriented trades kept improving. Supported by a series of promotional campaigns under the "hello Hang Lung Malls Rewards Program" and another round of government consumption vouchers, total tenant sales and sales rent grew by 14% and 17%, respectively, primarily in the food and beverage, jewelry and watches, and personal care and beauty segments.

Retail properties located in our **Central Business and Tourist District Portfolio** generated a noticeable increase in overall rental growth of 6%. The performance of our retail properties at Mongkok, Causeway Bay and The Peak benefited from improved inbound tourism. Overall occupancy remained high at 95%.

Our **Community Mall Portfolio** continued to record a strong performance, with overall revenue rising by 2% against last year. Occupancy at Kornhill Plaza in Hong Kong East stayed high at 98% while the refinement at Amoy Plaza in Kowloon East has led the occupancy rate to 89% as of the reporting date.

Offices

Our office revenue grew by 1% despite a soft leasing market reflecting high economic uncertainty with subdued demand and increased availability (caused by oversupply and higher vacancies on Hong Kong Island, especially in Central). Proactive measures were implemented to maintain a relatively high occupancy level of 89%.

For our **Hong Kong Island Portfolio**, revenue rose by 1% with the average occupancy climbing to 84% within a challenging market environment. Our newest office tower, 228 Electric Road, generated revenue beginning in May 2023, and leased areas have been handed over to tenants in phases. If excluding the revenue contribution from 228 Electric Road, overall revenue grew by 1% year-on-year.

Revenue at our **Kowloon Portfolio** increased by 1% with the occupancy increased to 95% due to the more resilient semi-retail positioning of Grand Plaza and Gala Place, and medical-focus business offering in Grand Centre.

Residential & Serviced Apartments

Revenue of our residential and serviced apartments segment declined by 7% year-on-year, primarily due to a rental income reduction from The Summit in the Mid-Levels district as it began its renovations from September 2023. If excluding the impacts of The Summit, revenue grew by 8% year-on-year mostly because of improvements in occupancy and room rates at Kornhill Apartments in Hong Kong East.

Property Sales

No property sales revenue was recorded during the reporting year. In 2022, revenue of HK$316 million was recognized for the sale of 1 house on Blue Pool Road upon its sale completion. The operating loss from property sales for the year was HK$52 million, mostly made up of selling expenses for The Aperture in Kowloon Bay, and marketing expenses for the Grand Hyatt Residences Kunming, Center Residences in Wuxi and Heartland Residences in Wuhan.

As of December 31, 2023, 126 residential units at The Aperture had been sold at a total of HK$1,108 million since 2021. The revenue is expected to be recognized in the first half of 2024 upon sale completion.

We continued to seize opportunities to dispose of non-core investment properties for capital recycling. During the reporting year, 11 car parking spaces held as investment properties were disposed of, and a total net gain on disposal of HK$11 million was recognized as other net income.

Property Revaluation

As of December 31, 2023, the total value of our investment properties and those under development amounted to HK$192,656 million, including the mainland China portfolio of HK$130,477 million and the Hong Kong portfolio of HK$62,179 million. These properties were appraised by Savills, an independent valuer, as of December 31, 2023.

A revaluation loss of HK$9 million was recorded (2022: loss of HK$345 million).

The mainland China portfolio recorded a revaluation gain of HK$295 million (2022: loss of HK$117 million), representing less than 1% of the portfolio value.

The Hong Kong portfolio had a revaluation loss of HK$304 million (2022: loss of HK$228 million), representing a less than 1% decrease against the value as of December 31, 2022.

Net revaluation loss after tax and non-controlling interests of HK$167 million was reported (2022: net revaluation loss of HK$363 million).

Property Development and Capital Commitment

The aggregated values of our projects under development for leasing and sale were HK$23,610 million and HK$9,866 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$15 billion.

Mainland China

Heartland Residences (武漢恒隆府) 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 3 towers offering a total of 492 units. Completion certificates of all 3 towers were obtained by the end of October 2023. The sales campaign for Tower 3 is in progress.

Grand Hyatt Residences Kunming (昆明君悅居) 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 3 premium penthouses. Grand Hyatt Kunming features 331 guestrooms and suites. Sales launch for the Residences commenced in October 2023. Completion is scheduled in phases from 2024, and the opening of the Grand Hyatt Kunming is planned for mid-2024.

Center Residences (無錫恒隆府) in Wuxi and **Curio Collection by Hilton**, a lifestyle boutique hotel, form the Phase 2 development of Center 66. The Residences comprise 2 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 combined total of 105 hotel rooms. Construction is progressing on track with the topping-out in December, and the project is scheduled for completion in phases from 2025 onwards. The Center Residences pre-sale is subject to market conditions, while the opening of Curio Collection by Hilton is planned for the first half of 2025.

Westlake 66 in Hangzhou is an integrated high-end commercial development comprising a retail podium, 5 Grade A office towers, and a luxury hotel: **Mandarin Oriental Hangzhou**. Mandarin Oriental Hangzhou, featuring more than 190 premium guestrooms and suites, is slated to open in late 2025. Scheduled for completion by phases from 2024 onwards, Westlake 66 recently won the Gold Award in "Best New Mega Development" Category at MIPIM Asia Awards 2023 in recognition of its ingenious blend of Hangzhou's urban cultural heritage with the intricate details and sophisticated aesthetic of modern architecture.

The remaining mixed-use development of Forum 66 in Shenyang yields a gross floor area of more than 500,000 square meters. Design and planning works are ongoing.

Hong Kong

The pre-sale of The Aperture was launched in December 2021 and construction is targeted for completion in the first half of 2024.

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

Financing Management

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

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

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

As part of our environmental, social and governance (ESG) initiatives, Hang Lung Properties continues to make more use of sustainable finance. During the year, we issued green bonds worth HK$0.4 billion, obtained RMB0.5 billion in green loan facilities, and secured HK$5.2 billion in sustainability-linked loan facilities. These are collectively referred to as sustainable finance, which now accounts for 55% of our total debts and available facilities.

Cash Management

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

	At December 31, 2023		At December 31, 2022	
	HK$ Million	% of Total	HK$ Million	% of Total
Denominated in:				
HKD	3,311	62%	2,102	40%
RMB	1,877	35%	2,974	57%
USD	164	3%	153	3%
Total cash and bank balances	5,352	100%	5,229	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$50,704 million (December 31, 2022: HK$45,524 million), of which 29% 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 decreased to 37% of total borrowings as of December 31, 2023. After excluding the onshore floating-rate debts, the percentage of fixed-rate borrowings would be 50% of the total offshore borrowings as of December 31, 2023 (December 31, 2022: 53%).

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

(i) by currency (after currency swap):

	At December 31, 2023		At December 31, 2022	
	HK$ Million	% of Total	HK$ Million	% of Total
Denominated in:				
HKD	35,920	71%	32,723	72%
RMB	14,784	29%	12,801	28%
Total borrowings	50,704	100%	45,524	100%

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

	At December 31, 2023		At December 31, 2022	
	HK$ Million	% of Total	HK$ Million	% of Total
Fixed	18,576	37%	17,376	38%
Floating	32,128	63%	28,148	62%
Total borrowings	50,704	100%	45,524	100%

Gearing Ratios

At the reporting date, the net debt balance amounted to HK$45,352 million (December 31, 2022: HK$40,295 million). The net debt to equity ratio was 31.9% (December 31, 2022: 28.1%), and the debt to equity ratio was 35.7% (December 31, 2022: 31.8%). The net debt to equity ratio increase was largely due to capital expenditures in both mainland China and Hong Kong.

Maturity Profile and Refinancing

At the balance sheet date, the average tenure of our debt portfolio was 3.0 years (December 31, 2022: 3.2 years). The maturity profile was staggered over more than 10 years. Around 63% of our outstanding debts would be repayable after 2 years.

	At December 31, 2023		At December 31, 2022	
	HK$ Million	% of Total	HK$ Million	% of Total
Repayable:				
Within 1 year	**4,434**	9%	4,533	10%
After 1 but within 2 years	**14,091**	28%	8,112	18%
After 2 but within 5 years	**27,779**	55%	27,621	61%
Over 5 years	**4,400**	8%	5,258	11%
Total borrowings	**50,704**	100%	45,524	100%

As of December 31, 2023, total undrawn committed banking facilities amounted to HK$15,717 million (December 31, 2022: HK$21,374 million). The available balances of the US$4 billion (December 31, 2022: US$4 billion) MTN program amounted to US$2,251 million, equivalent to HK$17,584 million (December 31, 2022: HK$18,343 million).

Net Finance Costs and Interest Cover

For the year ended December 31, 2023, gross finance costs rose by 30% to HK$1,959 million following the higher average effective cost of borrowing of 4.3% (2022: 3.5%) (attributed to the hike in average interest rates) and the increase in borrowings for capital expenditure.

The net amount charged to the statement of profit or loss (after excluding capitalized amounts) increased to HK$692 million accordingly.

Interest cover for 2023 was 3.6 times (2022: 4.6 times).

Foreign Exchange Management

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

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

As of December 31, 2023, net assets denominated in RMB accounted for approximately 73% of our total net assets. The RMB depreciated against the HKD by 1.4% compared with December 31, 2022. The translation of these net assets from RMB into HKD at the exchange rate as of the reporting date resulted in a translation loss of HK$1,605 million (2022: loss of HK$9,770 million), recognized in other comprehensive income/exchange reserve.

Charge of Assets

Assets of Hang Lung Properties were not charged to third parties as of December 31, 2023.

Contingent Liabilities

Hang Lung Properties had no material contingent liabilities as of December 31, 2023.

Parc 66, Jinan

PLACES THAT IMPACT

Our mission is to create compelling spaces that enrich lives in the most sustainable way possible. We do this by ensuring that every action we take is shaped by our steadfast commitment to responsible business as well as supporting a broad spectrum of social and environmental objectives and adhering to a comprehensive agenda of short- and long-term goals that contribute to sustainable development.

Hang Lung As One Volunteer Team at Palace 66, Shenyang

SUSTAINABILITY

In 2023, we continued to make concerted efforts in support of our ambition to become one of the world's most sustainable real estate companies. Our sustainability agenda has 4 priorities: Climate Resilience, Resource Management, Wellbeing, and Sustainable Transactions. These priorities are made concrete through our 2025 Sustainability Targets ("25 x 25"), our 2030 Sustainability Goals and Targets, and our 2050 targets to reach net-zero value chain greenhouse gas (GHG) emissions.

This section highlights our sustainability performance in 2023, including key achievements and areas of progress. Please refer to our *Sustainability Report 2023* for more in-depth discussions of our sustainability framework, management approach, policies, operating principles, metrics and performance.

Scan the QR code for *Sustainability Report 2023*

Key Highlights in 2023

The following are some of our key highlights in 2023, including awards received, notable sustainability milestones and areas of progress, and performance in key ESG benchmarks:

Performance in Key Benchmarks and Indices

MSCI ESG Rating "AA" rating	Member of Dow Jones Sustainability Indices	S&P Global ESG score: 66	ESG score: 3.5 Constituent of FTSE4Good
Sustainalytics "Low" ESG risk rating	Hang Seng Corporate Sustainability Index "AA" rating	GRESB 4-star performance rating	Institute of Public & Environmental Affairs (IPE) Green Supply Chain Corporate Information Transparency Index (CITI) Score: 20.3 Corporate Climate Action Transparency Index (CATI) Score: 30.0

Awards and Recognitions

In 2023, we received 36 ESG awards, strengthening our reputation for ESG leadership among real estate companies in both Hong Kong and mainland China. These accolades underscore the company's dedication to sustainable business growth and its emphasis on the wellbeing of its employees and the communities it serves.

Excellence Award in Environmental, Social and Governance Reporting

2023 HKMA Best Annual Reports Awards, The Hong Kong Management Association

Grand Award for Excellence in Environmental Positive Impact, **Commendation for Best ESG Report – Large Cap**, and **Commendation for Carbon Neutral Award**

Hong Kong ESG Reporting Awards (HERA) 2023

2023 Top CSR Company

Social Responsibility Conference

Best Companies to Work for in Asia 2023

HR Asia

OSH Report Award – Bronze Award

The 22nd Hong Kong Occupational Safety and Health Award, Occupational Safety & Health Council

China Green Point – Sustainable Practice Case of the Year 2023, and **China Green Point – Gravity Point – 10 Green Life Models in the Eyes of Consumers**

Yicai

Distinction Award (Large Organization Category)

Hong Kong Sustainability Award 2023, The Hong Kong Management Association

Best Corporate Governance and ESG Awards 2023 – **Special Mention in the Most Sustainable Companies and Organizations (MSCO) Award (Non-Hang Seng Index (Medium Market Capitalization) Category)**

Hong Kong Institute of Certified Public Accountants (HKICPA)

BREEAM & GRESB Joint Awards in the Category of ESG Leadership Awards, and **BREEAM Commercial Award – Leadership**

BRE China Awards 2023

Major Milestones

41% reduction in Scope 1 and 2 greenhouse gases emissions intensity compared to 2018 baseline

Westlake 66 in Hangzhou is the first commercial development project to use low carbon concrete bricks in mainland China and Hong Kong

180 female university students across the nation benefited from the inaugural Hang Lung Future Women Leaders Program

Launched the Sustainable Finance Framework to further support our long-term sustainability objectives.

55% of total debts and available facilities comprise ESG-related elements

Launched a Tenant Partnerships Program on Sustainability to engage tenants in both Hong Kong and mainland China

Implemented a holistic resource utilization scheme for Hong Kong Office Rejuvenation Project which diverted nearly 140,000 kg of municipal waste from landfill

Deepened cooperation on industry-university work in the field of sustainability with the Hang Lung Center for Real Estate at Tsinghua University

Increased percentile rank for employee engagement in the Gallup Overall Database by 6^{th} percentile to 74^{th} percentile

Launched a Common Charter with LVMH Group to collaborate on 20 Actions to accelerate sustainability progress

Climate Resilience

Hang Lung Properties has achieved a significant milestone by becoming the first real estate company in Hong Kong and mainland China, and one of the early adopters globally, to have its near- and long-term net-zero targets validated under the Net-Zero Standard framework by Science Based Targets initiative (SBTi).

While we remain committed to reducing our Scope 1 and 2 carbon footprint through ongoing investments in our projects and resources, we recognize the need for transformative and collaborative actions to meet our ambitious carbon emission reduction targets, especially for Scope 3 carbon emissions. We would like to highlight some of our key climate resilience initiatives for 2023, underscoring our dedication to addressing the challenges of climate change.

Collaboration in Reducing Embodied Carbon

Since embodied carbon accounts for about 75% of a building's total carbon emissions over a typical 60-year lifespan, we recognize the importance of reducing embodied carbon and collaborating with strategic partners on this issue. In 2023, we announced a two-year strategic collaboration with a carbon capture, utilization, and storage (CCUS) company, CLEANCO2. Under the partnership, we are incorporating CLEANCO2 low-carbon concrete bricks in our Westlake 66 development in Hangzhou – the first commercial development project in mainland China and Hong Kong to use low-carbon concrete bricks. We are also exploring with CLEANCO2 the feasibility of reusing waste concrete as low-carbon recycled concrete aggregate (RCA) to improve the project's circularity. The technology developed by CLEANCO2 originated from the State Key Laboratory of Clean Energy Utilization (CEU) of Zhejiang University.

Collaboration to Decarbonize Real Estate

Hang Lung Properties and Tsinghua University established The Hang Lung Center for Real Estate at Tsinghua University in 2010. To-date, Hang Lung has donated more than RMB 33 million to the Tsinghua University Education Foundation to promote the development of the University's real estate discipline and provide targeted support for the center to carry out academic research and exchanges. In 2023, the 2 parties announced the deepening of cooperation on industry-university work in the field of sustainability, proptech innovations, and exceptional talent cultivation. We have also initiated a "Sustainable Real Estate Scheme" for Tsinghua University teachers and postgraduates, funding their creative academic research on topics including green buildings, healthy buildings, low-carbon development, and digitalization.

Renewable Electricity Procurement in mainland China

Starting in 2021, we have gradually increased the proportion of renewable energy among our properties in mainland China. In 2023, both our Spring City 66 and Parc 66 properties were fully powered by renewable electricity, meaning that renewable energy sources supplied almost 19% of our mainland China electricity. We are also actively pursuing opportunities to expand procurement of renewable energy in mainland China.

Climate Adaptation

Starting in 2022, we rolled out a three-year plan to implement a technical analysis for climate adaptation measures of all our properties in mainland China and Hong Kong. Climate adaptation means anticipating, preparing for and reacting to the effects of climate change by acting to reduce risks and pursue opportunities. The analysis includes an in-depth climate hazard and vulnerability assessment for flooding, typhoon and extreme rain, heat waves, cold spell, and/or rain-induced landslides. We also examine earthquake risks, a seismic hazard. We recognize the need for adaptation planning to manage risks to health, safety, assets, and operations and to enhance customer experience. The extreme weather events in Hong Kong in late 2023, such as Typhoon Signal Number 10 and the black rainstorm signal have served to reinforce the importance of our ongoing adaptation efforts.

Resources Management

Recycling and Waste Management

Our Hong Kong offices – at Gala Place in Mongkok, Hang Lung Centre in Causeway Bay and the Standard Chartered Bank Building in Central – have been undergoing a major rejuvenation project since May 2023. In the project, we have been working to minimize environmental impacts while enhancing wellness, engagement, and a collaborative culture, both among employees and across the broader community. We partnered with a green startup, Sustainable Office Solutions (SOS), and a local non-profit, Crossroads Foundation, to implement a holistic resource utilization scheme for our project. The first phase of the collaboration has seen over 3,200 pieces of office resources being reused, redistributed, or recycled, successfully diverting nearly 140,000 kg of municipal waste from landfill and avoiding more than 510 tons of carbon emissions. In the initial phase of the collaboration, 182 items were donated to 14 NGOs in Hong Kong, and nearly 90 staff members from Hong Kong also participated in the first round of the Staff Take Home Program to take home and reuse well-maintained office furniture and electronic appliances.

Staff Take Home Program – our Hong Kong employees were encouraged to take home well-maintained office furniture and electronic appliances

Our management team visited colleagues at their places of work across Hong Kong and mainland China on Staff Appreciation Day

In June 2023, we launched Safe Production Month to foster safety awareness and culture

Wellbeing

Employee Wellbeing and Engagement

The wellbeing of our staff is at the core of our corporate culture. We listened to our employees through various channels, including our annual Employee Engagement Survey which covers all our employees. We ensure the follow-up actions are effectively implemented every year. Following the previous years' efforts, we continued to improve our employee engagement score and ranked in the top 25% companies with the fastest growth in grand mean score in the third year of the survey.

In 2023, we launched Safe Production Month in June to strengthen workplace safety awareness and skills for our employees and contractors. We organized a series of safety trainings and activities at our Mainland and Hong Kong properties covering over 4,200 employees and 1,100 personnel from our contractors. As a leading property developer, we adhere to a national Safe Production Law as well as the Company's own stringent safety policies, regularly conducting emergency drills, training, safety inspections, and other measures as it commits itself to providing a safe and healthy environment for customers, tenants, employees, and contractors.

Participants with outstanding performance from Hong Kong and mainland China were invited to join a "Shanghai-Hong Kong Inspirational Talk" in Shanghai to exchange views

The Hang Lung As One Volunteer Team in Hong Kong made hand creams for nearly 500 disadvantaged women

Promote Youth Development

We held a graduation ceremony to mark the successful completion of the inaugural Hang Lung Future Women Leaders Program, our nationwide community investment project aiming to empower young women, develop their personal and professional potential, and build their confidence for growth. Since the program launched in 2022, about 180 female university students from across the nation participated, and 75% of them were the first in three generations of their families to attend university. The participants received over 6,300 hours of leadership training and mentorship, and 90% of them successfully completed the program. The program also boasted 43 elite women mentors from various industries who provided 6 months of mentorship. Under the guidance of mentors, and with support from the Hang Lung As One Volunteer Team, the students successfully completed 31 sustainable community projects related to the United Nations Sustainable Development Goals (SDGs), benefiting over 4,500 community members, and further promoting social wellbeing.

Diversity and Inclusion

With the theme of "Caring for Women's Physical and Mental Health", more than 1,200 Hang Lung As One volunteers participated in our annual nationwide volunteer day in September 2023. Over 7,300 grassroots women and their children from Hong Kong and 9 cities across mainland China participated in engaging activities such as art workshops, health lectures, and fitness classes to relieve their daily work and family pressures.

During the year, we also partnered with the Ebenezer School & Home for the Visually Impaired ("Ebenezer") to set up "The Hang Lung Scholarship and Development Donation for the Visually Impaired", with a donation of HK$30 million. The scholarships and learning subsidies will support the holistic development of outstanding students and graduates of Ebenezer in pursuing their studies and career development.

"Step Up for Good" City Walk jointly organized with LVMH in Shanghai, which promoted the benefits of exercise and caring for children's physical and mental health

All our properties in mainland China and Standard Chartered Bank Building in Hong Kong achieved WELL HSR, including Heartland 66 in Wuhan

Sustainable Transactions

Tenant Engagement

We entered into a first-of-its-kind sustainability partnership with LVMH Group in October 2022, followed by a Real Estate & Climate Forum the 2 groups held together in November 2022, which convened hundreds of people and generated more than 200 ideas. Based on this wealth of ideas, in March 2023 we announced an ambitious joint agenda for collaborative sustainability action entitled *Common Charter: Joining Forces to Accelerate Change* ("Charter"), which outlines a set of 20 innovative actions to be implemented to accelerate sustainability progress. The actions are organized under 4 pillars, namely Climate Resilience (e.g., sharing energy data), Resource Management (e.g., auditing waste streams), People and Wellbeing (e.g., initiatives to enhance community wellbeing), and Sustainability Governance (e.g., the use of digital platforms to improve environmental governance). The 2 groups will provide an updated Charter in May 2024.

In 2023, we also launched a broader tenant partnership program – *Changemakers: Tenant Partnerships on Sustainability*. The program is open to all our tenants in Hong Kong and mainland China covering segments including office, retail, food and beverage, and hospitality. It aims to foster mutually beneficial collaboration to reduce carbon emissions, minimize waste, advance circularity, and enhance community wellbeing. Through these collaborative efforts, we aim to create meaningful sustainability impacts while recognizing tenants' commitments and achievements in environmental and social sustainability.

Sustainable Building Certifications

In 2023, we announced that we had achieved the WELL Health-Safety Rating (WELL HSR) from the International WELL Building Institute (IWBI) for 19 properties located in Hong Kong and 8 cities in mainland China. The WELL HSR covers 80% of the total gross floor area of our completed investment properties. The WELL HSR was initially created in response to the COVID-19 pandemic, and consists of operational interventions that have broader benefits. In a post-pandemic environment, the WELL HSR seal at our properties remains a visible indication of confidence and trust that the Company has achieved third-party verification for evidence-based measures and best practices for health and safety.

Sustainable Finance

55% of the Company's total debt and available facilities are from green bonds, green loan facilities, and sustainability-linked loan facilities. Hang Lung Group's Sustainable Finance Framework, effective from January 2023, facilitates access to ESG-based financial instruments and supports our long-term sustainability agenda.

CORPORATE GOVERNANCE REPORT

Our vision, mission, and values are the 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

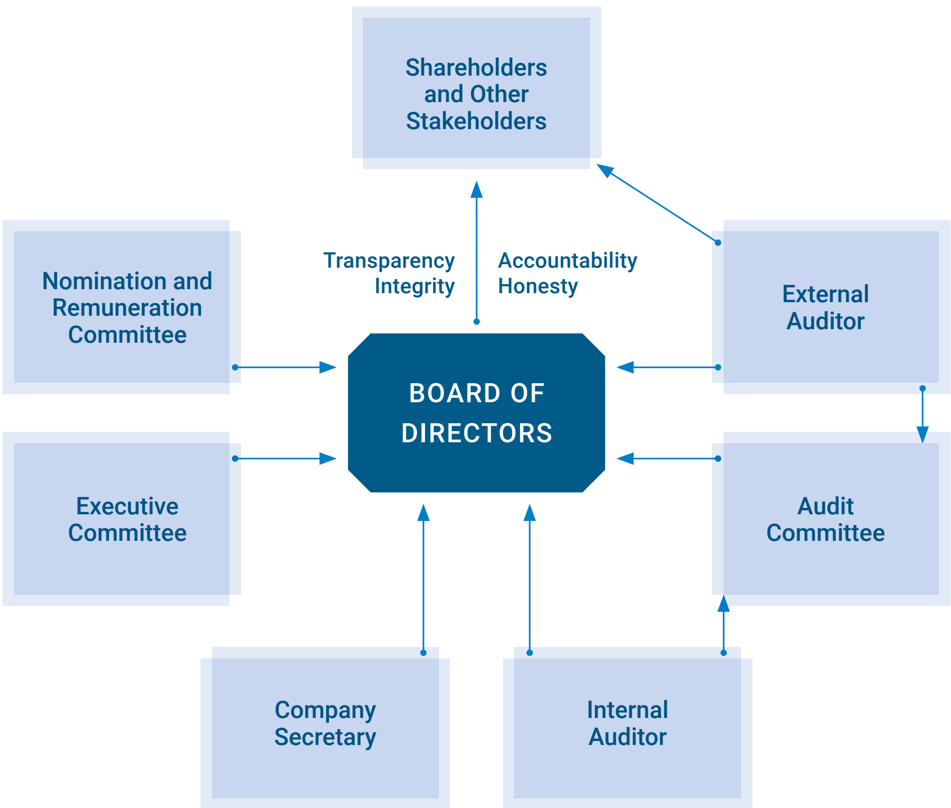
Values
Integrity, Sustainability, Excellence, Openness

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



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, 3 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

During the year ended December 31, 2023, the Company has complied with the code provisions as set out in the CG Code. In the following corporate governance areas, the Company's practices have exceeded the relevant CG Code and Listing Rules requirements:

Board and Board Committees

- 6 Board meetings were held, exceeding the requirement of 4 times a year
- 2 Board trips to visit the Company's operations in mainland China
- 56% of the Board are INEDs, exceeding the requirement that at least one-third of the Board shall be INEDs
- Audit Committee comprises 100% INEDs
- 4 Audit Committee meetings were held with the External Auditor, exceeding the requirement of 2 times a year
- Nomination and Remuneration Committee comprises 100% of INEDs
- Board and Board committee papers were sent to Directors and Board committees' members 7 days before the date of meetings, exceeding the 3 days' requirement

Sustainability
• Published a sustainability report separate from the annual report
• The Sustainability Steering Committee established in 2013 continued to be in place
• The Green Finance Subcommittee established in 2019 (renamed as Sustainable Finance Subcommittee in 2020) continued to be in place
• The Health and Safety Subcommittee established in 2022 continued to be in place
• Continued to implement the 10 Sustainability Goals and Targets for 2030 announced in 2020
• Continued to implement the 25 Sustainability Targets to be achieved by the end of 2025 (25 x 25) announced in 2021
Risk Management
• ERM Working Group continued to serve as a robust forum for risk management
• A well established framework for responsive crisis management continued to be in place
Accountability
• Annual and interim results were published within 1 month after the end of the respective accounting periods
• All executive staff confirmed their compliance with the "Code of Conduct regarding Transactions in the Company's Shares" and declared potential conflict of interests on a half-yearly basis
Communications
• Chair's detailed explanation of business strategies and outlook of the Group in the "Letter to Shareholders"
• Vice Chair shared his thoughts on issues relating to business, including corporate values, sustainability and technology, in the "Vice Chair's Notes"
• Open and direct dialogue between the Chair, all the Directors, and the shareholders at the AGM

(I) Effective and Qualified Board

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

Composition

The Board comprises 9 Directors:

- 4 Executive Directors
  Mr. Ronnie C. Chan (Chair)
  Mr. Adriel Chan (Vice Chair)
  Mr. Weber W.P. Lo (CEO)
  Mr. Kenneth K.K. Chiu (CFO)
- 5 Independent Non-Executive Directors
  Mr. Nelson W.L. Yuen
  Mr. Dominic C.F. Ho
  Mr. Philip N.L. Chen (re-designated from a NED to an INED on January 31, 2023)
  Dr. Andrew K.C. Chan
  Ms. Anita Y.M. Fung

Prof. H.K. Chang retired as an INED on April 28, 2023.

Our 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. Ronnie C. Chan will retire as the Chair and an Executive Director of the Company and HLG with effect from the conclusion of the forthcoming AGM to be held on April 26, 2024 (the "2024 AGM"). Mr. Chan will not take up a Non-Executive Director role on the boards of the Company and HLG after his retirement. In recognition of Mr. Chan's many contributions, the boards of the Company and HLG will bestow upon Mr. Chan the title of "Honorary Chair" of the Company and HLG upon his retirement.

Mr. Adriel Chan was appointed as the Chair with effect from the conclusion of the 2024 AGM.

Mr. Dominic C.F. Ho will retire as an INED with effect from the conclusion of the 2024 AGM.

Board Diversity

The Board Diversity Policy sets out the approach to achieve diversity on the Board with an aim to further enhance its effectiveness. Board diversity has been considered from different perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, expertise, skills, knowledge, and length of service. In forming its perspective on diversity, the Company will also take into account factors based on its own business models and specific needs from time to time.

Recognizing that the above are proxies for a diversity of thought, the ultimate selection of Directors is based on merit, and the contribution that selected candidates are expected to bring.

The Nomination and Remuneration Committee endeavors to identify female candidates through internal promotion, referrals, engaging employment agencies and other reasonable means, and recommends for the Board's consideration any potential appointments as Director. The Board appointed, Ms. Holly T. Li, as an INED with effect from March 20, 2024. For details of Ms. Li's appointment and biography, please refer to the Company's announcement dated January 30, 2024. The Board will continue to 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.

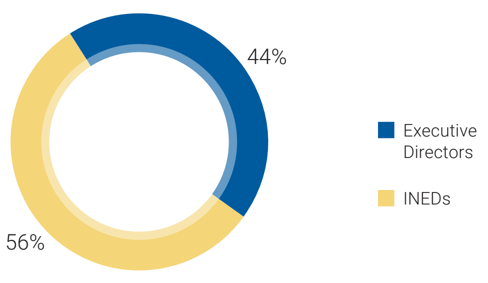
The Nomination and Remuneration Committee will conduct annual review of the effectiveness of the Board Diversity Policy. During the year, the Board Diversity Policy was duly implemented and considered as effective, taken into account of full compliance with the relevant and up-to-date requirements under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

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

Close to 42% of the overall workforce are female among which, close to 60% of administrative staff are female. An appropriate balance of gender diversity of workforce is maintained taking into account the business models and operational needs.

Board composition and diversity as of December 31, 2023 was as follows:

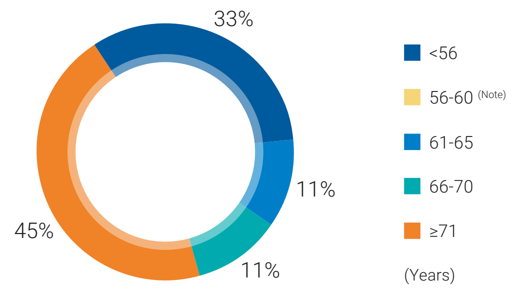
Designation



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

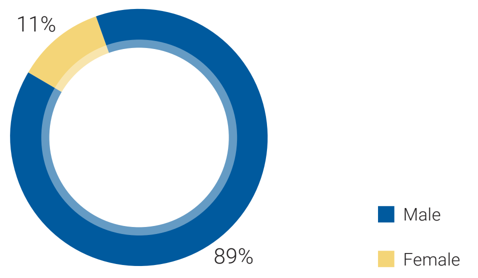
Prof. H.K. Chang retired as an INED on April 28, 2023

Age

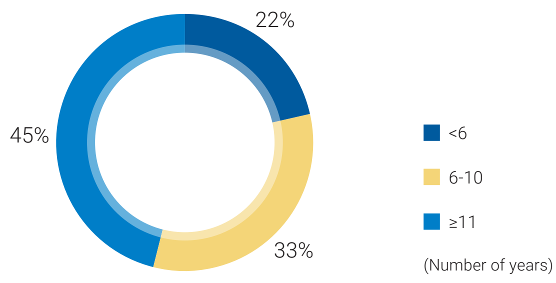


Note: None of the Directors is in this age range

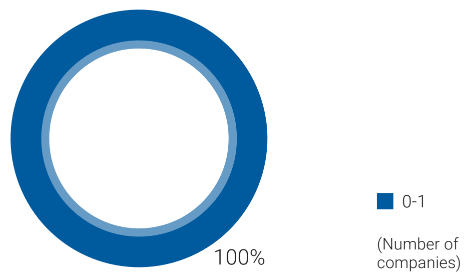
Gender



Directorship with the Company



Other Public Company's Directorship



The Board consists of a diverse mix of Directors 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 directorship in the future.

Functions

An updated list of Directors 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 130 to 134 of this annual report, are also maintained on our website under "Our Management" of the "Corporate Governance" section.

The Board is responsible for, among other things:

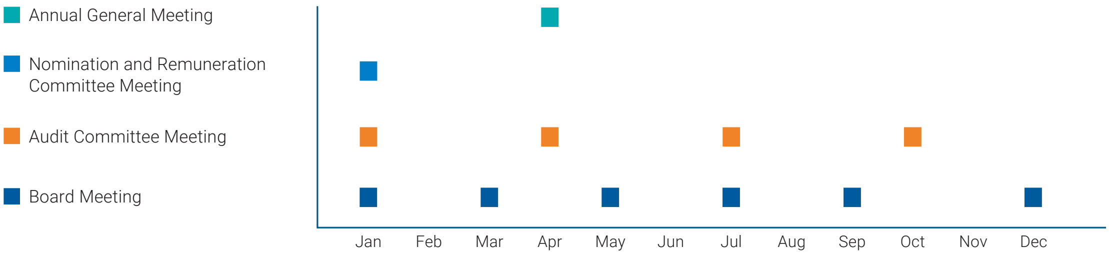
- ensuring continuity of leadership;
- the development of sound business strategies;
- the deployment of adequate capital and managerial resources to implement the business strategies adopted; and
- the adequacy of systems of financial and internal control, risk management, and the conduct of business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

The NED and INEDs have made an invaluable contribution to the development of the Company's strategies and policies, providing the Board with 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 Directors and NEDs (including INEDs) provided the checks and balances necessary for safeguarding the interests of shareholders.

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

In 2023, the Board held 6 regular Board meetings, 4 of which were held in Hong Kong and 2 were held during Board's trips to Shanghai and Wuxi respectively. During the trips, the Board visited the Company's operations in Shanghai and Wuxi.

The timeline of the Board meetings, Board committees meetings, and AGM held in 2023 is set out below:



In 2023, the attendance rate of the Directors at Board meetings was 100%. To ensure attendance and active participation, the dates of Board meetings and meetings of the Board committees for the full year 2023 as well as the date of 2023 AGM were set in the preceding year and management arranged video conference participation for those Directors who were unable to attend Board meetings in person.

Details of the Directors' attendance in 2023 are set out below:

	Meetings Attended/Held			
Directors	**Board**	**Audit Committee**	**Nomination and Remuneration Committee**	**2023 AGM**
Executive Directors				
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
Independent Non-Executive Directors				
Nelson W.L. Yuen	6/6	N/A	1/1	1/1
Dominic C.F. Ho	6/6	4/4	1/1	1/1
Philip N.L. Chen (Note 1)	6/6	N/A	N/A	1/1
Andrew K.C. Chan	6/6	4/4	N/A	1/1
H.K. Chang (Note 2)	2/2	2/2	1/1	1/1
Anita Y.M. Fung	6/6	3/4	1/1	1/1

Notes

1. Mr. Philip N.L. Chen was re-designated from a NED to an INED on January 31, 2023.
2. Prof. H.K. Chang retired as an INED on April 28, 2023.

Board Processes and Access to Information

All Directors are welcomed to give notice to the Chair or the Company Secretary if they wish to include matters on the agenda of a Board meeting.

Board and Board committees papers are sent to the Directors and Board Committees' members 7 days before the date of meetings, exceeding the 3 days' requirement under the CG Code. A digital meeting solution is used for the meetings, which contributes to the Company's sustainability efforts and enables the Directors to access meeting materials in a timely, secure, efficient, convenient and paperless manner.

All Directors 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.

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 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 the Directors.

Furthermore, management provides all Directors 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 Directors to discharge his/her duties under the Listing Rules.

In addition, all Directors 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 advises the Chair and the Board on corporate governance issues and the implementation of the CG Code. The Company Secretary has taken more than 15 hours of relevant professional training in 2023 to keep her skills and knowledge updated.

Procedures have also been agreed by the Board to enable the Directors 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 Director shall not vote or be counted in the quorum in respect of any transaction, contract or arrangement in which he/she or any of his/her associates is/are materially interested, unless otherwise stated.

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

2. Clear Division of Responsibilities between Chair and CEO

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

Chair

The Chair, Mr. Ronnie C. Chan, provides leadership for the Board. He is responsible for ensuring that all Directors receive adequate, accurate, clear, complete and reliable information in a timely manner, and that the Directors 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.

The Chair holds meetings with the INEDs without the presence of other Directors at least annually.

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

He encourages all Directors 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 Directors with different views to share their opinion and ensures sufficient time for discussion of issues which the Board is charged to deliberate and reach decisions on.

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

He also arranges suitable trainings for Directors 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;
- ensuring the adequacy of risk management, financial, and internal control systems, and the conduct of business in conformity with applicable laws and regulations; and
- reporting to the Board from time to time on matters of material importance.

To cope with 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 the following 5 overarching strategies for sustainable growth:

- Be Customer-Centric;
- Build Hang Lung Branded Experience;
- Embrace Technology;
- Disciplined Execution; and
- Uphold Hang Lung Values.

3. Independence of INEDs

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

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

In respect of the re-election of an INED who has served on the Board for more than 9 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 Directors 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 Director is subject to retirement by rotation at least once every 3 years.

The names of such Directors 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 appointments of the NED and the INEDs do not have a specific term. They are subject to retirement by rotation and are eligible for re-election at least once every 3 years.

5. Continuous Professional Development

Each newly appointed Director first meets with fellow Directors 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 Directors.

All Directors 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 Directors from time to time.

The training received by each Director in 2023 is summarized below:

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

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

B Reading materials relating to the business or directors' duties

C Corporate event

(II) Delegation by the Board

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

1. Executive Committee

An Executive Committee was formed in 1989.
The chair of the Committee is Mr. Ronnie C. Chan and its members are all the Executive Directors 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. All Committee members have full understanding for determining which issues require a decision of the full Board and which may be delegated by the Board to the Committee or management.

2. Audit Committee

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

The CG Code requires the Audit Committee to hold meetings at least 2 times per year with the External Auditor. The Audit Committee has exceeded the CG Code requirements and held 4 meetings in 2023 for the purpose of, inter alia, discussing the nature and scope of internal audit work and assessing the Company's internal controls. Separate meetings are also held with the External Auditor, in the absence of management, as and when required. The Committee met the External Auditor 4 times in 2023 in the absence 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 2023, the Audit Committee executed, inter alia, the following:

Relationship with External Auditor, Review of Financial Information and Oversight of Financial Reporting System

- reviewed and obtained explanation from management and the External Auditor on the interim and annual results, including any change 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;
- held meetings with the External Auditor in the absence of management to discuss any material audit issues;
- 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; and
- considered and proposed to the Board the re-appointment of KPMG as the Company's External Auditor and approved its terms of engagement.

Risk Management and Internal Control Systems

- 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;

- 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 compliance with mainland China's data security and personal data protection legislations;
- met quarterly to review and monitor the progress and construction costs of development projects and major renovation projects. The Cost and Controls Department reported regularly in these Audit Committee meetings to facilitate effective checks and balances in the control of our sizeable capital expenditures, spending and investment;
- received and reviewed the internal audit reports from the Internal Auditor;
- held meetings with the Internal Auditor in private to discuss material internal audit issues; and
- approved the internal audit plan for 2024.

Corporate Governance Functions

The Audit Committee also performed, inter alia, the following duties:

- reviewed the Company's compliance with the CG Code and disclosure in annual report on corporate governance and sustainable development;
- reviewed and monitored the training and continuous professional development of the Directors;
- 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; and
- reviewed ESG related risks and confirmed that the ESG risk management and internal control systems were in place and remained effective throughout 2023.

3. Nomination and Remuneration Committee

The Nomination and Remuneration Committee, set up in 2003, comprises entirely INEDs, namely, Mr. Nelson W.L. Yuen (Chair of the Committee), Mr. Dominic C.F. Ho and Ms. Anita Y.M. Fung. Regular reviews of significant changes to the salary structure within the Group and the terms and conditions affecting Executive Directors and senior management are conducted. The Committee met once in 2023 to review, inter alia, the composition of Directors and Directors' remuneration.

The terms of reference of the Committee contain the criteria and principles for nomination of Directors. These criteria and principles are formally regarded as the nomination policy for Directors. 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 2023 include the following:

- reviewed the Board Diversity Policy and its implementation;
- reviewed the structure, size and diversity of the Board;
- assessed the independence of the INEDs;
- recommended to the Board the selection of individuals nominated for directorships with reference to qualifications and related expertise;
- recommended to the Board the re-election of retiring Directors at the AGM;
- recommended to the Board the Company's remuneration policy and structure for all Directors and senior management;
- determined remuneration packages for individual Executive Directors and senior management, including benefits in kind, pension rights, and compensation payments;
- recommended to the Board the grant of share options to eligible participants (including Executive Directors) of the share option scheme of the Company; and
- recommended to the Board the remuneration of the NED and INEDs.

Pursuant to 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 Directors and select or make recommendations to the Board. In identifying suitable candidates, the Committee shall consider candidates on merits 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 Directors and succession planning for Directors, 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 Directors 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 Directors and senior management. The Committee may consult the Chair and the CEO about the remuneration proposals for Executive Directors and has access to independent professional advice if necessary. Sufficient resources are provided to the Committee to discharge its duties.

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

4. Management Functions

"Senior Management" refers to our Executive Directors. 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 Directors. 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 the Directors 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 Directors and confirmed that they have complied with the required standard set out in the Model Code and the "Code of Conduct" regarding Directors' securities transactions.

The Company has also set out guidelines regarding securities transactions by relevant employees who, because of their offices 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 6 months.

2. Share Interests

Details of the Directors' interests in shares of the Company and HLG as of December 31, 2023 were as follows:

	The Company		HLG
Directors	Number of Shares	Number of Share Options	Number of Shares
Ronnie C. Chan (Note 3)	17,155,000	17,600,000	40,369,500 (Note 1)
Adriel Chan (Note 3)	2,783,898,340 (Note 2)	13,200,000	551,002,580 (Notes 1 & 2)
Weber W.P. Lo	965,000	21,750,000	460,000
Nelson W.L. Yuen	8,000,000	–	–
Dominic C.F. Ho	–	–	–
Philip N.L. Chen	–	5,000,000	–
Andrew K.C. Chan	–	–	–
Anita Y.M. Fung	–	–	–
Kenneth K.K. Chiu	–	6,200,000	–

Notes

1. These interests included 28,579,500 shares of HLG held by a trust of which Mr. Ronnie C. Chan was a discretionary beneficiary, and Mr. Adriel Chan was a settlor and discretionary beneficiary. Accordingly, Mr. Ronnie C. Chan and Mr. Adriel Chan were deemed to be interested in such shares under the SFO.
2. These interests included 2,783,898,340 shares of the Company and another 522,423,080 shares of HLG held or deemed to be held by another trust of which Mr. Adriel Chan was a discretionary beneficiary. Accordingly, Mr. Adriel Chan was deemed to be interested in such shares under the SFO.
3. Mr. Ronnie C. Chan is the father of Mr. Adriel Chan.

(IV) Accountability and Audit

1. Financial Reporting

The Directors 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 Directors 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

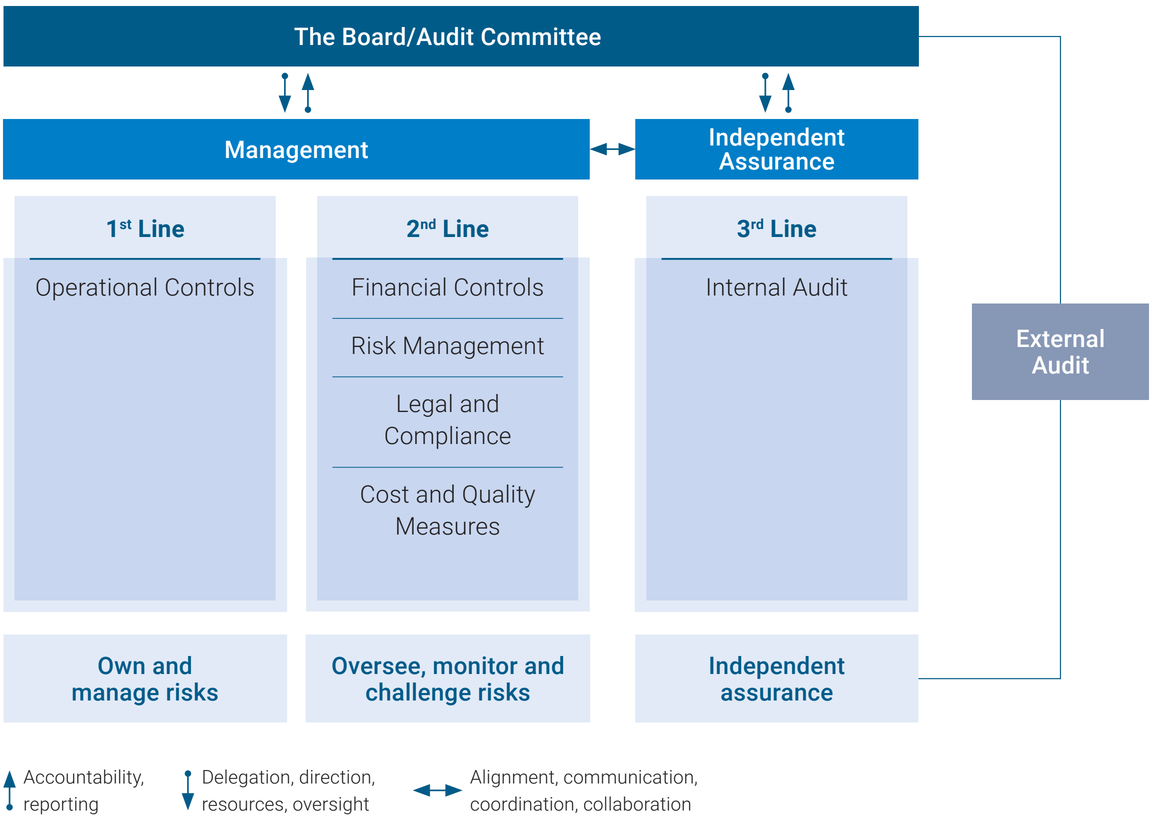
A robust risk management and internal control framework is an integral part of the Company to achieve strategic objectives and maintain sustainable business growth.

The Board has overall responsibility for the risk management and internal control systems of the Company, in addition to evaluate and determine the nature and extent of the 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 systems on an ongoing basis. Management is tasked with the design, implementation, and maintenance of a sound and effective risk management and internal control 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. Like any others, our systems are 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.

Risk Management Framework

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 measures. 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 2023, the ERM Working Group met 4 times and achieved the following:

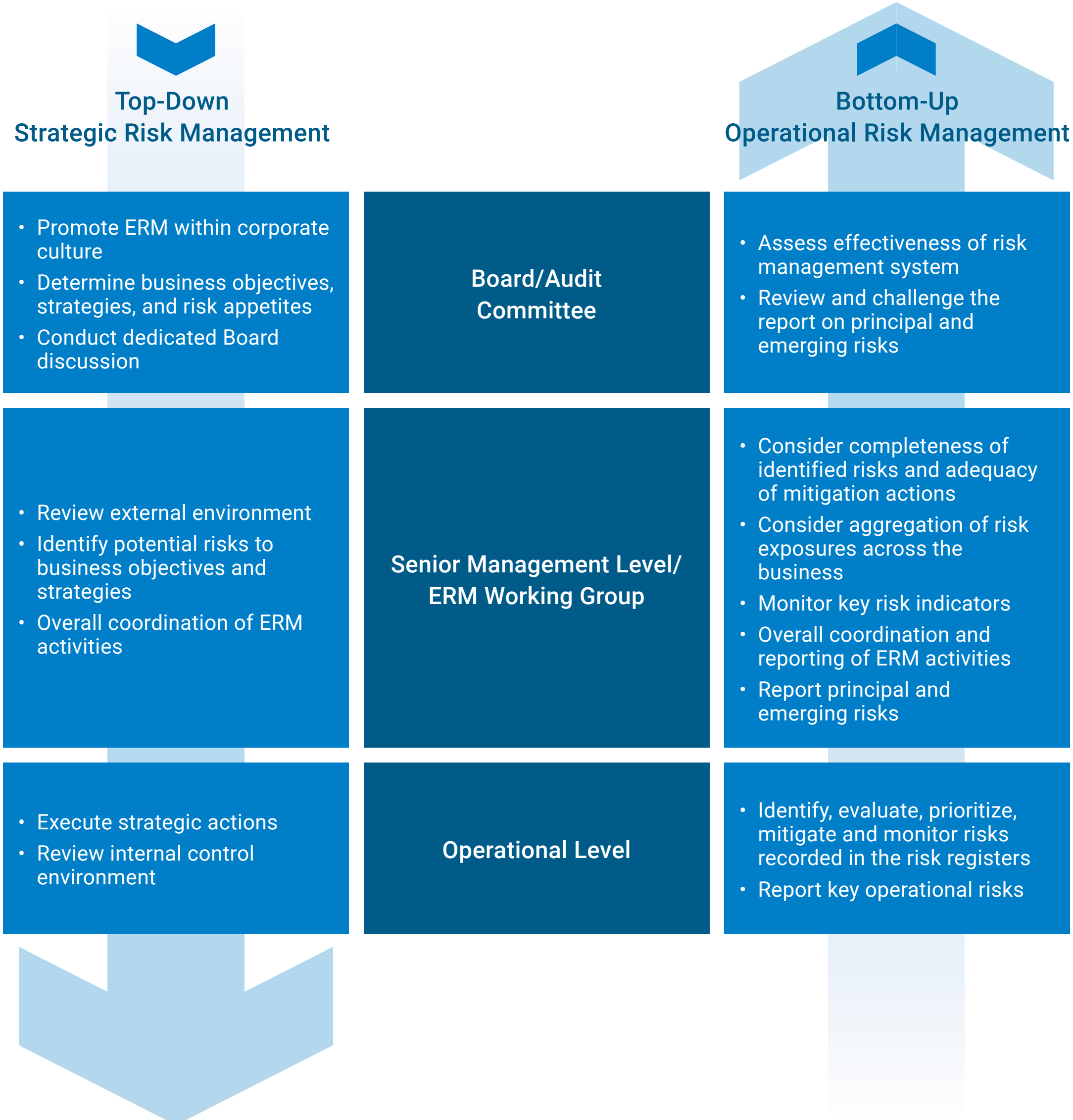
- reviewed the effectiveness of the Company's ERM framework;
- reviewed risk assessment criteria to ensure they were appropriately defined and continued to be relevant in light of the Company's business and risk profile;
- organized various workshops for management and operational staff to promote understanding 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 provides 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.

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 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, Directors, 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 2023, 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 4 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 2023. 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, 2023, and the foregoing review by the Audit Committee, the Board concluded that effective and adequate risk management and internal control systems were in operation during the year.

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 2023 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. Sophisticated designs, tight deadlines, and several waves of the pandemic between 2020 and 2022 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. The stagnant economic environment and the behavioral changes of tourists after travel resumption compelled us to redefine our leasing strategy and reposition our Hong Kong properties with a better balance between local consumers and 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	Risk trend remains similar	• 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 early involvement of business operation • 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
Project 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 • Compress overlapping activities to expedite construction progress in post COVID era 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 and assess the impact to our business 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 big data to enhance data analytics and security capabilities, such as our data journey project and WeChat mini programs • Grow customer engagement and loyalty via well-established CRM programs to better engage customers and drive sales
Challenges to reposition or redefine our leasing strategy for Hong Kong projects under fast changing market		• Refine our leasing strategy to cope with new consumer behaviors and preferences • Act fast on market changes to recruit blooming trades under our leasing portfolios, enhance F&B offerings, introduce exclusive concepts and experience flagships • Conduct ongoing branding and marketing programs as well as joint-tenant promotions to attract and excite both local customers and tourists • Encourage customer loyalty by unveiling "hello dollar" under the "hello Hang Lung Mall Rewards Program" • Carry out asset enhancement initiatives to maintain our properties' competitiveness and create a decent shopping environment to our customers

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 and economic conditions as well as changes in government policy and the regulatory environment in mainland China present implementation challenges to our project development and leasing strategies.

The property crisis in mainland China may pose threat to social stability while the growing frequency and intensity of extreme weather challenges our ability in maintaining our business operations.

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 continuity	The property crisis as well as the growing frequency and intensity of extreme weather adversely affect our business operations	• Review, update, and validate business continuity plans of critical functions on an annual basis • Continue our sustainability efforts across all portfolios and promote tenant partnership in climate resilience and resource management initiatives • Reinforce internal policies on IT/cyber security, digital media and corporate communications guidelines, such as conducting IT disaster recovery drills and penetration tests, and publishing cyber security newsletters • Strengthen crisis handling skills with refined online Crisis Management Orientation and Refresher programs, ongoing crisis audits / surprise drills and media trainings • Ensure appropriate insurance coverage for properties and business

People and Governance Risk

Fierce competition for talented and experienced employees across functions especially in mid-level positions presented challenges to our business operation in both Hong Kong and mainland China. The talent supply gap is even bigger in Hong Kong due to talent loss to overseas in recent years. Rising regulatory emphasis over data security and privacy issues impacted our daily operations in collecting, processing, handling or transferring personal information.

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 operation and to pursue the ambition 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 • Continue to launch 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

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Physical risks of climate change and the risks of the transition to a low-carbon economy	Align our sustainable growth with the nationwide development concept for carbon peak and carbon neutrality	• Strengthen corporate governance of our ESG and enhance transparency on our ESG performance • Closely monitor and proactively response to ESG regulatory developments and stakeholder risks, including the newly published International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards and HKEX's consultation on enhancement of climate disclosure • 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 as well as develop and implement adaptation measures and mitigation action plans for climate risks across our properties • Partner with external stakeholders and strengthen internal sustainability engagement on climate change initiatives • Procure 100% renewable energy at 2 Mainland properties in support of our 2025 renewable energy target • Start internal carbon pricing pilot for selected expenditures
Non-compliance with mainland China's data security and personal data protection legislation	Increasing public awareness and government enforcement over the personal information protection and data security in mainland China	• Develop a comprehensive set of data security management policies and conduct both company-wide and targeted training to increase the staff awareness • Set up Data Security Management Committee for continuous monitoring of compliance with the relevant laws and regulations • Evaluate the data security and privacy risks by functions, including both self-evaluation and external assessment • Formulate data security and privacy impact assessment for new initiatives involving personal information • Develop standard contract clauses with vendors in handling personal data and privacy statements for data subjects • Assess cross-border data transfer scenarios periodically

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		• 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 the property crisis in mainland China and its potential impact to our serviced apartments for sale. 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 accessible on our intranet and website to enable easy accessibility by our employees and the public.

The "Code of Conduct" sets 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, 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 principles in running its business and acts as a benchmark for all staff 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 Directors 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 declare their 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 third parties who have business dealings with the Group, 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. The Head of Corporate Audit has the responsibility for monitoring and overseeing the mechanism, and all reported cases are investigated by the Internal Audit Department in complete confidence. Our Internal Audit Department 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 of 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 2023, about 126,704 training hours were delivered to our employees, of which about 3,690 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 6 months. All executive staff are also required to declare every 6 months 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 1 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
- sending reminders to the Directors and staff of the importance of policy compliance every 6 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, 2023 HK$ (in million)	Year ended December 31, 2022 HK$ (in million)
Statutory audit services	**9**	9
Non-audit services	**3**	3

(V) Communication with Stakeholders

1. Shareholders

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

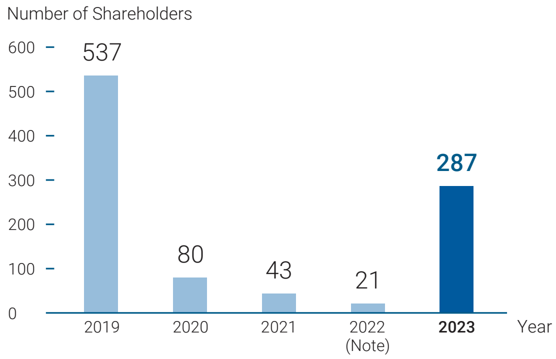
Letters to Shareholders and AGMs

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's Notes from the Vice Chair. These communications, 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 socio-economic developments impacting our markets.

In addition to the Letter to Shareholders, the Chair uses the AGM as an opportunity to have an open dialogue with shareholders. Our AGM also provides an excellent platform for open communication between shareholders and the Board. The chairs of the Board and the Board committees are routinely present to answer queries raised by shareholders. The External Auditor also attends and reports to shareholders at the AGM every year.

Notice of the AGM and related papers are sent to shareholders at least 21 days before the meeting. Each separate issue is proposed by a separate resolution from the Chair. The meeting enjoys strong participation from shareholders.

Shareholder participation in AGMs is illustrated as follows:



Note

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

2023 AGM

Our last AGM was held on April 28, 2023 at Grand Ballroom, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong. The meeting was attended by 287 shareholders present in person or by proxy. For shareholders unable to attend in person, they could join the AGM webcast online. 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 2023 AGM included:

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

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

There were no changes in the Articles of Association, which is available on our website and the website of HKEX, in 2023.

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, 2024, and the AGM, are expected to be held in late July 2024, late January 2025, and in April 2025 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 Director

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 Director) for election as a Director (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 7 days) shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such an election, and end no later than 7 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, 2023 were as follows:

	Shareholders		Shareholdings	
Domicile	**Number**	**%**	**Number of Shares**	**%**
Hong Kong	2,566	94.03	4,491,541,607	99.83
Mainland China	51	1.87	3,705,554	0.08
Macau	8	0.29	387,433	0.01
Taiwan	2	0.07	593	0.00
Australia and New Zealand	8	0.29	13,885	0.00
Canada and United States of America	38	1.39	1,574,059	0.03
South East Asia	46	1.70	2,012,964	0.05
United Kingdom	8	0.29	23,400	0.00
Others	2	0.07	1,175	0.00
TOTAL	**2,729**	**100.00**	**4,499,260,670**	**100.00**

Details of shareholders by holding range as of December 31, 2023 were as follows:

	Shareholders*		Shareholdings*	
Holding Range	**Number**	**%**	**Number of Shares**	**%**
1 – 1,000 shares	1,337	48.99	577,490	0.01
1,001 – 5,000 shares	679	24.88	1,916,373	0.04
5,001 – 10,000 shares	245	8.98	2,016,251	0.04
10,001 – 100,000 shares	387	14.18	13,264,876	0.30
Over 100,000 shares	81	2.97	4,481,485,680	99.61
TOTAL	**2,729**	**100.00**	**4,499,260,670**	**100.00**

* incorporating, in their respective shareholdings range, 323 participants of Central Clearing and Settlement System holding a total of 2,846,978,525 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 Directors as of the date of this annual report, the Company has maintained a public float of 37.74%, 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 roadshows in Hong Kong, Mainland and overseas.

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 Directors, 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 webcast and presentation.

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.

By Order of the Board
Winnie Ma
Company Secretary
Hong Kong, January 30, 2024

PROFILE OF THE DIRECTORS

Mr. Ronnie Chichung Chan GBM

Chair

Aged 74, Mr. Chan joined the Hang Lung group in 1972, was appointed to the Board of the Company in 1986, and became the Chair in 1991. He also serves as the Chair of HLG. Mr. Chan is a Director of The Real Estate Developers Association of Hong Kong, Chair Emeritus of Asia Society and the Chairman of its Hong Kong Center, 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 a former Vice President and a former Advisor of China Development Research Foundation in Beijing. Mr. Chan sits on the governing or advisory bodies of several universities, including The Hong Kong University of Science and Technology. He is a Life Trustee of The University of Southern California, where he received his MBA. Mr. Chan is a Fellow of American Academy of Arts and Sciences. He is the father of Mr. Adriel Chan, the Vice Chair of the Company.

Mr. Chan will retire as the Chair and an Executive Director of the Company and HLG with effect from the conclusion of the annual general meeting of each of the Company and HLG to be held on April 26, 2024 (the "2024 AGM"). Mr. Chan will not take up a Non-Executive Director role in the boards of the Company and HLG after his retirement. In recognition of Mr. Chan's many contributions, the boards of the Company and HLG will bestow upon Mr. Chan the title of "Honorary Chair" of the Company and HLG upon his retirement.

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

Mr. Adriel Wenbwo Chan

Vice Chair

Aged 41, Mr. Chan joined the Group in 2010, was appointed to the boards of the Company and of its listed holding company, HLG, as an Executive Director in 2016, and was appointed the Vice Chair of the Company and HLG in September 2020. He has led all aspects of the Group. Mr. Chan chairs the Sustainability Steering Committee of the Group.

Mr. Chan is a Vice-President and an Executive Committee member of The Real Estate Developers Association of Hong Kong and the Chairman of the Committee of Overseers of Morningside College at The Chinese University of Hong Kong. He sits on The Hong Kong University of Science and Technology (the "HKUST") Business School Advisory Council and is a Court Member of The University of Hong Kong. Additionally, Mr. Chan is a Council Member of the Academy of Chinese Studies.

Prior to joining the Group, Mr. Chan worked in finance, audit, and risk management. He holds an Executive Master of Business Administration degree jointly awarded by the Kellogg School of Management at Northwestern University and the HKUST, and a Bachelor of Arts degree in international relations from the University of Southern California. Mr. Chan is a son of Mr. Ronnie Chan, the Chair of the Group.

Mr. Chan was appointed as the Chair of the Company and HLG with effect from the conclusion of the 2024 AGM.

Mr. Weber Wai Pak Lo

Chief Executive Officer

Aged 53, Mr. Lo joined the Company and its listed holding company, HLG, as the Chief Executive Officer Designate in May 2018, and became the Chief Executive Officer in July 2018. He has more than 30 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. Mr. Lo graduated from The University of Hong Kong in 1993 with a Bachelor of Social Sciences degree.

Mr. Nelson Wai Leung Yuen

Independent Non-Executive Director

Aged 73, Mr. Yuen joined Hang Lung in 1978, became an Executive Director of the Company in 1986, and was appointed as the Managing Director of the Company and its holding company, HLG, in 1992 until he retired in July 2010. He became a Non-Executive Director of the Company in March 2011 and was re-designated as an Independent Non-Executive Director in November 2014. Mr. Yuen is a graduate of The University of Manchester, the U.K. and a Fellow of The Institute of Chartered Accountants in England and Wales.

Mr. Dominic Chiu Fai Ho

Independent Non-Executive Director

Aged 73, Mr. Ho joined the Board as an Independent Non-Executive Director in April 2008. He retired as the Co-Chairman of KPMG, China and HKSAR in March 2007. Mr. Ho obtained his degrees at the University of Houston in the U.S. and is a Member of the American Institute of Accountants and a Member of the Hong Kong Institute of Certified Public Accountants. He was a past Member of the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption and of the Insurance Advisory Committee, both in Hong Kong. Mr. Ho is an Independent Non-Executive Director of Singapore Airlines Limited and DBS Bank (Hong Kong) Limited, and the former Non-Executive Chairman of DBS Bank (China) Limited.

Mr. Philip Nan Lok Chen

Independent Non-Executive Director

Aged 68, Mr. Chen joined the Company and its listed holding company, HLG, as the Chief Executive Officer in 2010 until he retired in July 2018. Upon his retirement, he was re-designated as a Non-Executive Director of the Company, and was appointed as an Adviser to Chair until July 2019. Mr. Chen was subsequently re-designated as an Independent Non-Executive Director of the Company in January 2023. He has more than 40 years' management experience, mostly in the aviation industry, acquiring a wealth of experience in Hong Kong, mainland China and beyond. Mr. Chen is a Member of the Board of Airport Authority Hong Kong and the former Chairman of The Hong Kong Jockey Club. He graduated from the University of Hong Kong in 1977 with a Bachelor of Arts degree and holds a Master's degree in Business Administration from the same university.

Dr. Andrew Ka Ching Chan BBS, JP

Independent Non-Executive Director

Aged 74, Dr. Chan joined the Board as a Non-Executive Director in October 2014 and was re-designated as an Independent Non-Executive Director in December 2015. He is a Senior Consultant of the global Arup Group, one of the world's foremost multi-disciplinary engineering consultants. Dr. Chan was the Chairman and a Member of the Trustee Board of Arup Group until April 2022 and was the Deputy Chairman of Arup Group prior to his retirement in October 2014. He is an expert in civil and geotechnical engineering with over 40 years of experience in the engineering profession, and is distinguished for his leadership in the creation, design and delivery of many innovative and award-winning building projects as well as major infrastructure schemes in many cities in Asia. Dr. Chan is the past President and Gold Medallist of The Hong Kong Institution of Engineers, the Founding Chairman of the Hong Kong Green Building Council, Honorary Fellow of the Hong Kong University of Science and Technology, Fellow and the past President of the Hong Kong Academy of Engineering Sciences, and Fellow of the Royal Academy of Engineering, the U.K.'s national academy. He obtained his PhD degree from the University of Cambridge in Soil Mechanics. Dr. Chan was appointed Justice of the Peace in 2006 and awarded the Bronze Bauhinia Star in 2012.

Ms. Anita Yuen Mei Fung BBS, JP

Independent Non-Executive Director

Aged 63, Ms. Fung joined the Board as an Independent Non-Executive Director in May 2015. She is the former Group General Manager of HSBC Holdings plc and the former Chief Executive Officer Hong Kong of The Hongkong and Shanghai Banking Corporation Limited. Ms. Fung held a number of positions with key financial bodies in Hong Kong and has been actively promoting the development of the financial markets of Hong Kong as well as other regions. She is a former Member of the Financial Infrastructure Sub-Committee of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority.

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

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

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

Mr. Kenneth Ka Kui Chiu

Chief Financial Officer

Aged 48, Mr. Chiu joined the boards of the Company and its listed holding company, HLG, 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 EXECUTIVES

Mr. Mikael Jaeraas

Senior Director – Retail

Mr. Jaeraas joined the Group in 2016. He possesses 19 years of experience in international retail business and supply chain development. He holds a Master of Social Science degree in Business Administration from Lund University, Sweden.

Mr. Derek Siu Fai Pang

Senior Director – Mainland Business Operation

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

Mr. Symon Bridle

Consultant – Hotel

Mr. Bridle joined the Group in 2019. Upon his retirement in 2023, he was appointed as Consultant – Hotel and continues to manage the Hotel business of the Company. He possesses over 40 years of experience in the luxury hotel segment. He holds a Higher National Diploma in Hotel Management from Westminster Hotel College, United Kingdom.

Mr. Gabriel Kai Wah Cheung

Director – Cost & Controls

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

Ms. Janice Lam Na Cheung

Director – Mainland Business Operation

Ms. Cheung joined the Group in 2013 and was appointed as Director – Mainland Business Operation in 2024. She possesses over 18 years of experience in property leasing, marketing and management. She holds a Bachelor of Business Administration degree in Hotel and Tourism Management from The Chinese University of Hong Kong.

Mr. Herman Chung Wai Chui

Director – Office & Residence

Mr. Chui joined the Group in 2022. He possesses 25 years of experience in portfolio management, land acquisition and property development. He holds a Bachelor of Science degree in Valuation and Estate Management from University of the West of England, United Kingdom. He is also a Professional member of the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors.

Mr. Peter Ting San Leung

Director – Project Management

Mr. Leung joined the Group in 2014. He possesses over 38 years of experience in developing and managing construction projects on the Mainland, Hong Kong and overseas. He holds a Postgraduate Diploma in Construction Project Management from The University of Hong Kong, a Bachelor of Architecture degree and a Bachelor of Science (Architecture) degree from McGill University, Canada. He is also a Registered Architect in Hong Kong, a Member of The Hong Kong Institute of Architects and holds a PRC Class 1 Registered Architect Qualification.

Mr. Moses Woon Tim Leung

Director – Development & Design

Mr. Leung joined the Group in 2007. He possesses over 30 years of experience in project design in Hong Kong and on the Mainland. Mr. Leung holds a Bachelor of Arts degree in Architectural Studies and a Bachelor of Architecture degree from The University of Hong Kong. He is also a Registered Architect in Hong Kong, a Member of The Hong Kong Institute of Architects and an Authorized Person under the Buildings Ordinance.

Mr. Adrian Kin Leung Lo

Director – Project Management

Mr. Lo joined the Group in 2013. He possesses over 35 years of experience in architectural design and project management for both Hong Kong and Mainland projects. Mr. Lo holds a Bachelor of Arts degree in Architectural Studies and a Bachelor of Architecture degree from The University of Hong Kong. He is also a Registered Architect in Hong Kong, a Member of The Hong Kong Institute of Architects, and an Authorized Person under Buildings Ordinance.

Ms. Winnie Yuen Wah Ma

Director – General Counsel & Company Secretary

Ms. Ma joined the Group in 2021. She possesses over 24 years of legal, compliance and company secretarial experience. Winnie holds a Postgraduate Certificate in Laws and a Bachelor of Laws degree from The University of Hong Kong. She is qualified to practise laws in Hong Kong and the United Kingdom. Winnie is also a member of The Law Society of Hong Kong.

Mr. Anthony Wai Keung Pau

Director – Property Management Services

Mr. Pau joined the Group in 2014 and was appointed as Director – Property Management Services in 2024. He possesses over 35 years of experience in engineering & mechanical management and project management. He holds a Master of Environmental Engineering Management degree and a Master of Engineering Management degree from the University of Technology, Sydney. He is a Chartered Engineer in UK, a Registered Professional Engineer (Building Services) in HK as well as a Master of Science degree in Inter-disciplinary Design and Management from The University of Hong Kong. He is also a Fellow Member of the HK Institution of Engineers, a Senior Member of The Chinese Mechanical Engineering Society, a Professional Member of The Royal Institution of Chartered Surveyors, a Full Individual Member of China Green Building (Hong Kong) Council, a Registered Energy Assessor of EMSD, a Registered RCx Professional of Hong Kong Green Building Council Limited and Property Management Practitioner Licence (Tier 1) holder issued by The Property Management Services Authority.

Ms. Janet Shun Ngar Poon

Director – Human Resources & Administration

Ms. Poon joined the Group in 2012. She possesses over 25 years of experience in human resources management in real estate industry. She holds a Master of Science degree in Training and Human Resources Management from the University of Leicester and a Bachelor of Business Administration degree from The Chinese University of Hong Kong.

Mr. Joseph Kar Fai To

Director – Customer Franchise

Mr. To joined the Group in 2015. He possesses over 30 years of experience in business development, marketing, property leasing and management. He holds a Master of Arts degree in Marketing from The University of Lancaster, UK and a Bachelor of Commerce degree from The University of Birmingham, UK.

Mr. Sammy Kam Hung Chow

Deputy Director (Head of Corporate Audit)

Mr. Chow joined the audit function of the Group in 2012. He possesses over 25 years of experience in auditing and risk management. He holds a Bachelor of Commerce degree in Accounting and Information Systems from The University of New South Wales, Australia. He is also a Fellow of Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia.

Mr. John Haffner

Deputy Director – Sustainability

Mr. Haffner joined the Group in 2019. He possesses over 20 years of international experience in sustainability. He holds 2 law degrees from McGill University, Canada.

Mr. Raymond Yuk Ming Ip

Deputy Director – Mainland Business Operation

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

Ms. Helen Lau

Deputy Director (Head of Hong Kong Business Operation)

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

Mr. Louis Lung Tim Tong

Deputy Director – Project Management

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

Ms. Canny Wun Yee Tse

Deputy Director – Group Treasury and Financial Planning & Analysis

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

Mr. Tony Yiu Ming Wong

Deputy Director – Technology & Digital

Mr. Wong joined the Group in 2021 and was appointed as Deputy Director – Technology & Digital in 2024. He possesses over 25 years of experience in IT management. He holds a Master of Science degree in Strategic Business Information Technology from The University of Portsmouth, UK and a Bachelor of Economics degree from The University of Hong Kong. He is also a Certified Information Systems Security Professional (CISSP).

REPORT OF THE DIRECTORS

The Directors are pleased to present their report, together with the audited consolidated Financial Statements for the year ended December 31, 2023.

Principal Activities

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

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

Principal Subsidiaries and Joint Ventures

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

Financial Results

The results of the Group for the year ended December 31, 2023 are set out in the consolidated Financial Statements on pages 153 to 213.

Dividends

The Board recommends a final dividend of HK60 cents per share which, together with the interim dividend of HK18 cents per share paid on September 29, 2023, makes a total of HK78 cents per share in respect of the year ended December 31, 2023. The proposed final dividend, if approved by the shareholders at the AGM on April 26, 2024, is expected be paid on or about June 14, 2024 to shareholders whose names appear on the register of members on May 10, 2024. In recommending a dividend, the Company takes into account the return to shareholders and its funding requirements for future business growth.

The Board proposes that eligible shareholders be given the option to elect to receive the final dividend in cash, or in the form of new shares in lieu of cash in respect of part or all of such dividend (the "Scrip Dividend Arrangement"). The Scrip Dividend Arrangement is conditional upon: (1) the granting of a general mandate by the shareholders of the Company to the Board to allot, issue and deal with such additional shares of the Company representing 20% of the number of shares in issue on the date of passing such resolution at the forthcoming AGM; (2) the approval of the proposed final dividend at the forthcoming AGM; and (3) the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant to the Scrip Dividend Arrangement.

A circular containing details of the Scrip Dividend Arrangement and the form of election for scrip dividend is expected to be despatched to the shareholders on or about May 17, 2024. It is expected that the final dividend warrants and (to the extent that the eligible shareholders elect to receive part or all of their final dividend in the form of new shares) the share certificates to be issued under the Scrip Dividend Arrangement will be despatched to the shareholders on or about June 14, 2024.

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 34 to 75 and pages 78 to 89 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 99 to 129. The particulars of important events affecting the Company which have occurred since the end of the financial year 2023, 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 34 to 75.

An analysis of the Group's performance using financial key performance indicators is provided in the Financial Highlights and Financial Review sections on pages 4 to 5 and pages 78 to 89 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 92 to 98. 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 2023, 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 Data Security Law, the Personal Information Protection Law, the Labour Law, the Labour Contract Law and the Trade Union Law in mainland 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 10 financial years is set out on pages 214 and 215.

Major Suppliers and Customers

During the year, both the percentage of purchases attributable to the Group's 5 largest suppliers combined and the percentage of revenue from sales of goods or rendering of services attributable to the Group's 5 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, 2023 amounted to HK$24,070 million (2022: HK$23,559 million).

Donations

Donations made by the Group during the year amounted to HK$12 million (2022: HK$62 million).

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at December 31, 2023 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$1,267 million (2022: HK$1,000 million).

Major Group Properties

Details of major properties of the Group as at December 31, 2023 are set out on pages 72 to 75.

Share Capital

During the year, the Company did not issue any share (2022: 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.

Equity-Linked Agreements

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

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

Directors

The Directors during the year and up to the date of this report are:

Mr. Ronnie C. Chan
Mr. Adriel Chan
Mr. Weber W.P. Lo
Mr. Nelson W.L. Yuen
Mr. Dominic C.F. Ho
Mr. Philip N.L. Chen
Dr. Andrew K.C. Chan
Prof. H.K. Chang (retired on April 28, 2023)
Ms. Anita Y.M. Fung
Mr. Kenneth K.K. Chiu

The biographical details of the Directors are set out on pages 130 to 134. Details of their remuneration are set out in Note 6 to the Financial Statements.

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

In accordance with article 103 of the Articles of Association, Mr. Ronnie C. Chan, Mr. Weber W.P. Lo and Mr. Dominic C.F. Ho will retire from the Board by rotation at the forthcoming AGM. Mr. Weber W.P. Lo, being eligible, will offer himself for re-election. Mr. Ronnie C. Chan and Mr. Dominic C.F. Ho will not offer themselves for re-election and will retire from the Board with effect from the conclusion of the forthcoming AGM. Ms. Holly T. Li, appointed as an INED with effect from March 20, 2024, will retire from the Board at the forthcoming AGM in accordance with article 94 of the Articles of Association and, being eligible, offer herself for re-election.

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

Directors' Service Contracts

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company, its holding company or any of their respective subsidiaries which is not determinable within 1 year without payment of compensation (other than statutory compensation).

Directors' Interests in Transaction, Arrangement or Contract

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

Permitted Indemnity

Pursuant to the Articles of Association, every Director 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 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, 2023, the interests or short positions of each Director 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)			HLG (Long Positions)	
Name	**Capacity**	**Number of Shares**	**% of Total Number of Issued Shares**	**Number of Share Options** (Note 3)	**Number of Shares**	**% of Total Number of Issued Shares**
Ronnie C. Chan	Personal & Other	17,155,000	0.38	17,600,000	40,369,500 (Note 1)	2.96
Adriel Chan	Personal & Other	2,783,898,340 (Note 2)	61.87	13,200,000	551,002,580 (Notes 1 & 2)	40.47
Weber W.P. Lo	Personal	965,000	0.02	21,750,000	460,000	0.03
Nelson W.L. Yuen	Personal	8,000,000	0.18	–	–	–
Dominic C.F. Ho	–	–	–	–	–	–
Philip N.L. Chen	Personal	–	–	5,000,000	–	–
Andrew K.C. Chan	–	–	–	–	–	–
Anita Y.M. Fung	–	–	–	–	–	–
Kenneth K.K. Chiu	Personal	–	–	6,200,000	–	–

Notes:

1. Other interests included 28,579,500 shares of HLG held by a trust of which Mr. Ronnie C. Chan was a discretionary beneficiary, and Mr. Adriel Chan was a settlor and a discretionary beneficiary. Accordingly, Mr. Ronnie C. Chan and Mr. Adriel Chan were deemed to be interested in such shares under the SFO.
2. Other interests included 2,783,898,340 shares of the Company and another 522,423,080 shares of HLG held or deemed to be held by another trust of which Mr. Adriel Chan was a discretionary beneficiary. Accordingly, Mr. Adriel Chan was deemed to be interested in such shares under the SFO.
3. Movements of Directors' share options under the share option scheme of the Company adopted on April 18, 2012 (the "2012 Share Option Scheme") and another share option scheme of the Company adopted on April 27, 2022 (the "2022 Share Option Scheme") are set out under the section below headed under "Share Option Schemes".

Save as disclosed above, none of the Directors had, as at December 31, 2023, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO).

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

Share Option Schemes

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

Under the Share Option Schemes, the Board is authorized to grant options to selected participants, including employees and directors of any company in the Group, subject to the terms and conditions as the Board may specify on a case-by-case basis or generally.

Pursuant to the resolutions passed by the shareholders of HLG and the Company at their respective annual general meetings held on April 27, 2022, the 2022 Share Option Scheme was adopted on the same date. Upon the adoption of the 2022 Share Option Scheme, the 2012 Share Option Scheme was terminated. The 2022 Share Option Scheme became effective for a period of 10 years commencing from the date of adoption. As at January 1, 2023, no further share option shall be granted under the 2012 Share Option Scheme and the total number of share options available for grant under the 2022 Share Option Scheme was 337,444,550.

During the year, 54,569,000 options were granted under the 2022 Share Option Scheme. As at December 31, 2023, the total number of share options available for grant under the 2022 Share Option Scheme was 282,875,550. As at the date of this annual report, the total number of shares available for issue in respect of the share options granted under the 2012 Share Option Scheme and the 2022 Share Option Scheme were 210,922,500 and 52,978,000, respectively, representing approximately 4.7% and 1.2% of the total number of issued shares of the Company. As at the date of this annual report, the total number of shares available for issue in respect of which options may be granted under the 2022 Share Option Scheme is 282,875,550, representing approximately 6.29% of the total number of issued shares of the Company.

The total number of shares issued and to be issued upon exercise of options (including both exercised and outstanding) granted to each participant under the 2012 Share Option Scheme and the 2022 Share Option Scheme in any 12-month period shall not exceed 1% of the shares of the Company in issue.

The number of shares that may be issued in respect of options granted under all share option schemes during the year divided by the weighted average number of ordinary shares in issue for the year is 0.02. The Share Option Schemes do not provide for any minimum vesting period. The vesting period, the period open for acceptance of the option and amount payable thereon, the exercisable period and the number of shares subject to each option under the Share Option Schemes are determined by the Board at the time of grant. The exercise price of the options is determined by the Board at the time of grant, and shall not be less than the higher of the nominal value of shares, the closing price of shares at the date of grant and the average closing price of shares for the 5 business days immediately preceding the date of grant.

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

Date of Grant	Category of Participants (Note 1)	Number of Share Options: Outstanding as at Jan 1, 2023	Granted during the Year	Exercised during the Year	Lapsed/ Forfeited during the Year	Outstanding as at Dec 31, 2023	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%	
	Philip N.L. Chen	4,500,000	–	–	(4,500,000)	–		Jun 4, 2018 : 40%	
	Employees	13,060,000	–	–	(13,060,000)	–			
		22,260,000	**–**	**–**	**(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%	
	Philip N.L. Chen	2,500,000	–	–	–	2,500,000		Dec 5, 2019 : 40%	
	Employees	13,890,000	–	–	(540,000)	13,350,000			
		19,290,000	**–**	**–**	**(540,000)**	**18,750,000**			
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%	
	Philip N.L. Chen	2,500,000	–	–	–	2,500,000		Aug 10, 2022 : 40%	
	Employees	22,380,000	–	–	(1,000,000)	21,380,000			
		28,655,000	**–**	**–**	**(1,000,000)**	**27,655,000**			
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%	
	Employees	33,891,700	–	–	(2,175,600)	31,716,100			
		41,866,700	**–**	**–**	**(2,175,600)**	**39,691,100**			
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%	
	Employees	49,095,000	–	–	(3,874,000)	45,221,000			
		58,395,000	**–**	**–**	**(3,874,000)**	**54,521,000**			
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			
	Employees	52,830,000	–	–	(5,090,000)	47,740,000			
		64,230,000	**–**	**–**	**(5,090,000)**	**59,140,000**			
	Current Directors	**61,550,000**	**–**	**–**	**(9,200,000)**	**52,350,000**			
	Employees	**185,146,700**	**–**	**–**	**(25,739,600)**	**159,407,100**			
Total		**246,696,700**	**–**	**–**	**(34,939,600)**	**211,757,100**			

Movements of the share options under the 2022 Share Option Scheme during the year were set out below:

Date of Grant	Category of Participants (Note 1)	Number of Share Options: Outstanding as at Jan 1, 2023	Granted during the Year	Exercised during the Year	Lapsed/ Forfeited during the Year	Outstanding as at Dec 31, 2023	Exercise Price per Share HK$	Vesting Dates (Note 2)	Expiry Date (Note 2)
Jun 28, 2023	*Current Directors:*						12.49	Jun 28, 2025: 20% Jun 28, 2026: 30% Jun 28, 2027: 50%	Jun 27, 2033
	Ronnie C. Chan	–	3,300,000	–	–	3,300,000			
	Adriel Chan	–	3,000,000	–	–	3,000,000			
	Weber W.P. Lo	–	3,000,000	–	–	3,000,000			
	Kenneth K.K. Chiu		2,100,000		–	2,100,000			
	Employees	–	43,169,000	–	(1,591,000)	41,578,000			
		–	**54,569,000**	**–**	**(1,591,000)**	**52,978,000**			
	Current Directors	**–**	**11,400,000**	**–**	**–**	**11,400,000**			
	Employees	**–**	**43,169,000**	**–**	**(1,591,000)**	**41,578,000**			
Total		**–**	**54,569,000**	**–**	**(1,591,000)**	**52,978,000**			

Notes:

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

Please also refer to Note 25 to the Financial Statements for further details of the Share Option Schemes of the Company.

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

As at December 31, 2023, to the best of the knowledge of the Directors, details of substantial shareholders' and other persons' (who are required to disclose their interests pursuant to Part XV of the SFO) interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Note	Number of Shares or Underlying Shares Held (Long Positions)	% of Total Number of Issued Shares (Long Positions) (Note 4)
Chan Tan Ching Fen	1	2,783,898,340	61.87
Cole Enterprises Holdings (PTC) Limited	1	2,783,898,340	61.87
Merssion Limited	1	2,783,898,340	61.87
Adriel Chan	1	2,783,898,340	61.87
HLG	2	2,755,565,240	61.24
Prosperland Housing Limited	3	1,267,523,511	28.17
Purotat Limited	3	354,227,500	7.87
Curicao Company Limited	3	265,757,229	5.91

Notes:

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

   The controlled corporations included HLG in which Merssion Limited had 38.37% interests. Accordingly, the 2,755,565,240 shares held by HLG through its subsidiaries were included in the 2,783,898,340 shares.

2. These shares were held by the wholly-owned subsidiaries of HLG.
3. These companies were wholly-owned subsidiaries of HLG, their interests were included in the 2,755,565,240 shares held by HLG.
4. Shareholding percentages were calculated based on the total number of issued shares of the Company as at December 31, 2023, being 4,499,260,670 shares.

Save as disclosed above, as at December 31, 2023, 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 of the Group are set out in Note 26 to the Financial Statements. None of these related party transactions constitutes a discloseable connected transaction under the Listing Rules.

Continuing Connected Transaction

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

Agreement	Date of agreement	Parties to agreement	Description of continuing connected transaction	Term	Annual cap	Transaction amount for the year ended December 31, 2023
Management Agreement	September 21, 2022	HLP China; and Country Link	HLP China agreed to provide management services for Grand Gateway 66	From January 1, 2022 to December 31, 2024	HK$67.0 million for each of the 3 years ending December 31, 2024	HK$48.3 million

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

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the relevant agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

Corporate Governance

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 99 to 129.

Auditor

The consolidated Financial Statements for the year ended December 31, 2023 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 30, 2024

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Hang Lung Properties Limited ("the Company") and its subsidiaries ("the Group") set out on pages 153 to 213, which comprise the consolidated statement of financial position as at December 31, 2023, 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, comprising material accounting policy information and other explanatory information.

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, 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Valuation of investment properties and investment properties under development

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

The Key Audit Matter	How the matter was addressed in our audit
The aggregate fair values of the Group's investment properties and investment properties under development as at December 31, 2023 amounted to HK$192,656 million, representing 89% 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, 2023 amounted to HK$9 million. The Group's investment properties, which are located in Hong Kong and Mainland China, mainly comprise shopping malls, office premises, industrial premises, residential premises and car parking bays. The fair values of the Group's investment properties and investment properties under development were assessed by management based on independent valuations prepared by an external property valuer. We identified valuation of the Group's investment properties and investment properties under development as a key audit matter because of the significance of investment properties and investment properties under development to the Group's consolidated financial statements and because the determination of the fair values involves significant judgement and estimation, including selecting the appropriate valuation methodology, capitalization rates and market rents and, for investment properties under development, an estimation of costs to complete each property development project.	Our audit procedures to assess the valuation of investment properties and investment properties under development included the following: • assessing the competence, capability, experience of the locations and types of properties subject to valuation and objectivity of the external property valuer; • evaluating the valuation methodology used by the external property valuer based on our knowledge of other property valuers for similar types of properties; • on a sample basis, comparing the tenancy information included in the valuation models, which included committed rents and occupancy rates, with underlying contracts and related documentation; • discussing the valuations with the external property valuer in a separate private session and challenging key estimates adopted in the valuations, including those relating to market selling prices, market rents and capitalization rates, by comparing them with historical rates and available market data, taking into consideration comparability and other local market factors, with the assistance of our internal property valuation specialists; and • for investment properties under development, comparing the estimated construction costs to complete each property development project with the Group's updated budgets (see further details set out in the key audit matter below).

Assessing the development costs of investment properties under development

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

The Key Audit Matter	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 30, 2024

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2023

	Note	2023 HK$ Million	2022 HK$ Million	2023 RMB Million	2022 RMB Million
				For information purpose only	
Revenue	2(a)	**10,316**	10,347	**9,295**	8,871
Direct costs and operating expenses		**(2,927)**	(3,094)	**(2,638)**	(2,651)
		7,389	7,253	**6,657**	6,220
Other net income	3	**24**	17	**21**	15
Administrative expenses		**(651)**	(650)	**(589)**	(560)
Profit from operations before changes in fair value of properties		**6,762**	6,620	**6,089**	5,675
Decrease in fair value of properties		**(9)**	(345)	**(9)**	(299)
Profit from operations after changes in fair value of properties		**6,753**	6,275	**6,080**	5,376
Interest income		**71**	63	**65**	53
Finance costs		**(692)**	(512)	**(628)**	(440)
Net interest expense	4	**(621)**	(449)	**(563)**	(387)
Share of profits of joint ventures	12	**36**	24	**32**	20
Profit before taxation	5	**6,168**	5,850	**5,549**	5,009
Taxation	7(a)	**(1,572)**	(1,453)	**(1,416)**	(1,249)
Profit for the year	2(b)	**4,596**	4,397	**4,133**	3,760
Attributable to:					
Shareholders	21(a)	**3,970**	3,836	**3,570**	3,281
Non-controlling interests		**626**	561	**563**	479
Profit for the year		**4,596**	4,397	**4,133**	3,760
Earnings per share	9(a)				
Basic		**HK$0.88**	HK$0.85	**RMB0.79**	RMB0.73
Diluted		**HK$0.88**	HK$0.85	**RMB0.79**	RMB0.73

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, 2023

	Note	2023 HK$ Million	2022 HK$ Million	For information purpose only 2023 RMB Million	For information purpose only 2022 RMB Million
Profit for the year		**4,596**	4,397	**4,133**	3,760
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		**(1,596)**	(9,779)	**546**	2,929
(Loss)/gain on net investment hedge	27(d)	**(9)**	9	**(8)**	7
Movement in hedging reserve:					
Effective portion of changes in fair value		**2**	121	**2**	102
Net amount transferred to profit or loss		**(86)**	(42)	**(78)**	(37)
Deferred tax		**11**	(12)	**10**	(10)
Item that will not be reclassified to profit or loss:					
Net change in fair value of equity investments		**(1)**	(1)	**(1)**	(1)
Other comprehensive income for the year, net of tax		**(1,679)**	(9,704)	**471**	2,990
Total comprehensive income for the year		**2,917**	(5,307)	**4,604**	6,750
Attributable to:					
Shareholders		**2,453**	(4,917)	**4,051**	6,296
Non-controlling interests		**464**	(390)	**553**	454
Total comprehensive income for the year		**2,917**	(5,307)	**4,604**	6,750

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2023

	Note	2023 HK$ Million	2022 HK$ Million	2023 RMB Million	2022 RMB Million
				For information purpose only	
Non-current assets					
Property, plant and equipment					
Investment properties		**169,046**	167,861	**153,511**	150,043
Investment properties under development		**23,610**	22,703	**21,398**	20,283
Other property, plant and equipment		**331**	320	**300**	286
	10	**192,987**	190,884	**175,209**	170,612
Interests in joint ventures	12	**1,116**	1,130	**1,017**	1,011
Other assets	13	**76**	77	**68**	69
Deferred tax assets	19(b)	**142**	140	**129**	125
		194,321	192,231	**176,423**	171,817
Current assets					
Cash and deposits with banks	14	**5,352**	5,229	**4,868**	4,677
Trade and other receivables	15	**3,406**	3,560	**3,093**	3,182
Properties for sale	16	**14,223**	11,668	**12,929**	10,433
		22,981	20,457	**20,890**	18,292
Current liabilities					
Bank loans and other borrowings	17	**4,434**	4,533	**4,030**	4,053
Trade and other payables	18	**10,216**	9,829	**9,275**	8,785
Lease liabilities	11(a)	**30**	27	**27**	24
Current tax payable	19(a)	**457**	434	**415**	388
		15,137	14,823	**13,747**	13,250
Net current assets		**7,844**	5,634	**7,143**	5,042
Total assets less current liabilities		**202,165**	197,865	**183,566**	176,859
Non-current liabilities					
Bank loans and other borrowings	17	**46,270**	40,991	**42,110**	36,666
Lease liabilities	11(a)	**248**	266	**225**	238
Deferred tax liabilities	19(b)	**13,524**	13,462	**12,259**	12,026
		60,042	54,719	**54,594**	48,930
NET ASSETS		**142,123**	143,146	**128,972**	127,929
Capital and reserves					
Share capital	20	**39,950**	39,950	**37,462**	37,462
Reserves	21	**92,458**	93,431	**82,707**	81,745
Shareholders' equity		**132,408**	133,381	**120,169**	119,207
Non-controlling interests		**9,715**	9,765	**8,803**	8,722
TOTAL EQUITY		**142,123**	143,146	**128,972**	127,929

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, 2023

HK$ Million	Shareholders' equity					
	Share capital (Note 20)	Other reserves (Note 21)	Retained profits (Note 21)	Total	Non-controlling interests	Total equity
At January 1, 2022	39,950	5,368	96,401	141,719	10,665	152,384
Profit for the year	–	–	3,836	3,836	561	4,397
Exchange difference arising from translation to presentation currency	–	(8,828)	–	(8,828)	(951)	(9,779)
Gain on net investment hedge	–	9	–	9	–	9
Cash flow hedges: net movement in hedging reserve	–	67	–	67	–	67
Net change in fair value of equity investments	–	(1)	–	(1)	–	(1)
Total comprehensive income for the year	–	(8,753)	3,836	(4,917)	(390)	(5,307)
Final dividend in respect of previous year	–	–	(2,699)	(2,699)	–	(2,699)
Interim dividend in respect of current year	–	–	(810)	(810)	–	(810)
Employee share-based payments	–	77	11	88	–	88
Dividends paid to non-controlling interests	–	–	–	–	(510)	(510)
At December 31, 2022 and January 1, 2023	39,950	(3,308)	96,739	133,381	9,765	143,146
Profit for the year	**–**	**–**	**3,970**	**3,970**	**626**	**4,596**
Exchange difference arising from translation to presentation currency	**–**	**(1,434)**	**–**	**(1,434)**	**(162)**	**(1,596)**
Loss on net investment hedge	**–**	**(9)**	**–**	**(9)**	**–**	**(9)**
Cash flow hedges: net movement in hedging reserve	**–**	**(73)**	**–**	**(73)**	**–**	**(73)**
Net change in fair value of equity investments	**–**	**(1)**	**–**	**(1)**	**–**	**(1)**
Total comprehensive income for the year	**–**	**(1,517)**	**3,970**	**2,453**	**464**	**2,917**
Final dividend in respect of previous year	**–**	**–**	**(2,699)**	**(2,699)**	**–**	**(2,699)**
Interim dividend in respect of current year	**–**	**–**	**(810)**	**(810)**	**–**	**(810)**
Employee share-based payments	**–**	**(104)**	**187**	**83**	**–**	**83**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**(514)**	**(514)**
At December 31, 2023	**39,950**	**(4,929)**	**97,387**	**132,408**	**9,715**	**142,123**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2023

For information purpose only

RMB Million	Shareholders' equity					
	Share capital	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
At January 1, 2022	37,462	(2,086)	80,495	115,871	8,720	124,591
Profit for the year	–	–	3,281	3,281	479	3,760
Exchange difference arising from translation to presentation currency	–	2,954	–	2,954	(25)	2,929
Gain on net investment hedge	–	7	–	7	–	7
Cash flow hedges: net movement in hedging reserve	–	55	–	55	–	55
Net change in fair value of equity investments	–	(1)	–	(1)	–	(1)
Total comprehensive income for the year	–	3,015	3,281	6,296	454	6,750
Final dividend in respect of previous year	–	–	(2,311)	(2,311)	–	(2,311)
Interim dividend in respect of current year	–	–	(725)	(725)	–	(725)
Employee share-based payments	–	66	10	76	–	76
Dividends paid to non-controlling interests	–	–	–	–	(452)	(452)
At December 31, 2022 and January 1, 2023	37,462	995	80,750	119,207	8,722	127,929
Profit for the year	**–**	**–**	**3,570**	**3,570**	**563**	**4,133**
Exchange difference arising from translation to presentation currency	**–**	**556**	**–**	**556**	**(10)**	**546**
Loss on net investment hedge	**–**	**(8)**	**–**	**(8)**	**–**	**(8)**
Cash flow hedges: net movement in hedging reserve	**–**	**(66)**	**–**	**(66)**	**–**	**(66)**
Net change in fair value of equity investments	**–**	**(1)**	**–**	**(1)**	**–**	**(1)**
Total comprehensive income for the year	**–**	**481**	**3,570**	**4,051**	**553**	**4,604**
Final dividend in respect of previous year	**–**	**–**	**(2,408)**	**(2,408)**	**–**	**(2,408)**
Interim dividend in respect of current year	**–**	**–**	**(756)**	**(756)**	**–**	**(756)**
Employee share-based payments	**–**	**(96)**	**171**	**75**	**–**	**75**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**(472)**	**(472)**
At December 31, 2023	**37,462**	**1,380**	**81,327**	**120,169**	**8,803**	**128,972**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2023

	Note	**2023 HK$ Million**	2022 HK$ Million	*For information purpose only* **2023 RMB Million**	2022 RMB Million
Operating activities					
Cash generated from operations	22	**5,007**	5,498	**4,499**	4,729
Tax paid					
Hong Kong Profits Tax paid		**(256)**	(265)	**(231)**	(228)
Mainland China Income Tax paid		**(1,039)**	(1,094)	**(934)**	(948)
Net cash generated from operating activities		**3,712**	4,139	**3,334**	3,553
Investing activities					
Payment for property, plant and equipment		**(3,080)**	(2,699)	**(2,773)**	(2,305)
Net sale proceeds from disposal of property, plant and equipment		**19**	15	**17**	13
Interest received		**71**	62	**65**	52
Dividend received from a joint venture		**50**	25	**45**	21
Decrease in bank deposits with maturity greater than 3 months		**–**	41	**–**	35
Net cash used in investing activities		**(2,940)**	(2,556)	**(2,646)**	(2,184)
Financing activities					
Proceeds from new bank loans and other borrowings	23	**44,273**	34,860	**40,031**	29,941
Repayment of bank loans and other borrowings	23	**(38,969)**	(33,979)	**(35,239)**	(29,186)
Capital element of lease rentals paid	23	**(14)**	(15)	**(13)**	(12)
Interest and other borrowing costs paid		**(1,860)**	(1,400)	**(1,679)**	(1,201)
Interest element of lease rentals paid	23	**(14)**	(15)	**(12)**	(13)
Dividends paid		**(3,509)**	(3,509)	**(3,164)**	(3,036)
Dividends paid to non-controlling interests		**(514)**	(510)	**(472)**	(452)
Net cash used in financing activities		**(607)**	(4,568)	**(548)**	(3,959)
Increase/(decrease) in cash and cash equivalents		**165**	(2,985)	**140**	(2,590)
Effect of foreign exchange rate changes		**(42)**	(258)	**50**	334
Cash and cash equivalents at January 1		**5,148**	8,391	**4,604**	6,860
Cash and cash equivalents at December 31	14	**5,271**	5,148	**4,794**	4,604

The accompanying notes form part of these financial statements.

1 Material 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"). Material accounting policies adopted by the Group are set out below.

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

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

(b) Basis of preparation of the financial statements

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

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

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

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

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

The presentation currency of these consolidated financial statements is Hong Kong dollar. In view of the Group's significant business operations in mainland China, management has included additional financial information prepared in Renminbi in the consolidated financial statements. Such supplementary information is prepared according to note 1(w) as if the presentation currency is Renminbi.

1 Material Accounting Policies (Continued)

(c) Subsidiaries and non-controlling interests

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

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

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

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

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

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

1 Material Accounting Policies (Continued)

(d) Joint ventures

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

The Group's interests in joint ventures are accounted for in the consolidated financial statements under the equity method and are initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the joint ventures' net assets. The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. The consolidated statement of profit or loss includes the Group's share of the post-acquisition, post-tax results of the joint ventures for the year, whereas the Group's share of the post-acquisition, post-tax items of the joint ventures' other comprehensive income is recognized in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. For this purpose, the Group's interest in the joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interest that in substance form part of the Group's net investment in the joint venture.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

Unrealized profits and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

1 Material Accounting Policies (Continued)

(e) Investment properties and investment properties under development

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in profit or loss.

(f) Properties for sale

1. Properties under development for sale

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

2. Completed properties for sale

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

(g) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (Note 1(m)). Gains or losses arising from the retirement or disposal of an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

(h) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

1 Material Accounting Policies (Continued)

(h) Leases (Continued)

1. As a lessee

At lease commencement date, the Group recognizes a right-of-use asset and a corresponding lease liability with respect to all leases, except for short-term leases (with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as expenses on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and the interest expense is calculated using the effective interest method.

The right-of-use asset recognized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred.

The right-of-use assets that meet the definition of investment property are subsequently stated at fair value in accordance with note 1(e). Otherwise, they are subsequently stated at cost less accumulated depreciation (Note 1(g)) and impairment losses (Note 1(m)).

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

2. As a lessor

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

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

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

1 Material Accounting Policies (Continued)

(i) Depreciation

1. Investment properties

No depreciation is provided for investment properties and investment properties under development.

2. Other property, plant and equipment

Depreciation on other property, plant and equipment is calculated to write off the cost, less their estimated residual value, if any, on a straight-line basis over their estimated useful lives as follows:

Buildings	50 years or unexpired lease term, whichever is shorter
Furniture and equipment	4 – 20 years
Motor vehicles	5 years

(j) Investments in equity instruments

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

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

(k) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting (Note 1(l)(1)).

(l) Hedging

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates, and non-derivative financial liabilities as hedging instruments to hedge the foreign exchange risk on net investments in foreign operations.

1. Cash flow hedges

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge of a recognized asset or liability or a highly probable forecast transaction, the effective portion of changes in fair value of the hedging instruments is recognized in other comprehensive income and accumulated in a hedging reserve as a separate component of equity. Any ineffective portion of changes in fair value is recognized immediately in profit or loss. The amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

1 Material Accounting Policies (Continued)

(l) Hedging (Continued)

2. Hedge of net investments in foreign operations

When a non-derivative financial liability is designated as the hedging instrument in a hedge of net investment in a foreign operation, the effective portion of any foreign exchange gain or loss on the non-derivative financial liabilities is recognized in other comprehensive income and accumulated in the exchange reserve within equity until the disposal of the foreign operation, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Any ineffective portion is recognized immediately in profit or loss.

(m) Impairment of assets

– For other property, plant and equipment, investments in joint ventures and investments in subsidiaries in the Company's statement of financial position, an assessment is carried out at the end of each reporting period to determine whether there is objective evidence that these assets are impaired. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized in profit or loss if the carrying amount exceeds the recoverable amount. An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

– For trade and other receivables and other financial assets measured at amortized cost (including cash and deposits with banks and advances to unlisted investee companies), the Group recognizes a loss allowance which is equal to 12-month expected credit losses unless the balance is a trade receivable or there has been a significant increase in credit risk of the financial asset since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime expected credit losses.

  Expected credit losses are a probability-weighted estimate of credit losses measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), unless the balances are credit-impaired at the end of the reporting period where expected credit losses are measured as the difference between the gross carrying amount and the present value of estimated future cash flows.

  At the end of each reporting period, the Group assesses whether the balances are credit-impaired (i.e. when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred, such as significant financial difficulty of the debtor).

  The allowance for expected credit losses is presented in the statement of financial position as a deduction from the gross carrying amount of the assets. The adjustment to the allowance for credit losses is recognized in profit or loss, as an impairment or reversal of impairment.

1 Material Accounting Policies (Continued)

(m) Impairment of assets (Continued)

The gross carrying amount is written off to the extent that there is no realistic prospect of recovery. Subsequent recoveries that were previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(n) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for credit losses (Note 1(m)), except where the receivables are interest-free loans without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for credit losses (Note 1(m)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses in accordance with the policy set out in note 1(m).

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

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

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

(q) Interest-bearing borrowings

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

1 Material Accounting Policies (Continued)

(r) Borrowing costs

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

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

(s) Financial guarantees issued

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

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

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

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

To determine expected credit losses, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month expected credit loss is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime expected credit loss is measured.

1 Material Accounting Policies (Continued)

(s) Financial guarantees issued (Continued)

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an expected credit loss is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(t) Provisions and contingent liabilities

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

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

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

(u) Revenue and other income

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

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

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

1. Rental income

Rental income under operating leases is recognized on a straight-line basis over the terms of the respective leases, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payment receivable. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are earned.

1 Material Accounting Policies (Continued)

(u) Revenue and other income (Continued)

2. Sale of properties

Revenue arising from the sale of properties is recognized when legal assignment is completed, which is the point in time when the buyer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

3. Building management fees and other income from property leasing

Building management fees and other income from property leasing are recognized when the related services are rendered.

4. Interest income

Interest income is recognized as it accrues using the effective interest method.

5. Dividends

Dividends are recognized when the right to receive payment is established.

(v) Taxation

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

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

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

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

1 Material Accounting Policies (Continued)

(v) Taxation (Continued)

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

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

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

Deferred tax is not recognized for those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development.

(w) Translation of foreign currencies

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

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

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

1 Material Accounting Policies (Continued)

(w) Translation of foreign currencies (Continued)

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

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

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

(x) Related parties

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

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

1 Material Accounting Policies (Continued)

(y) Segment reporting

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

(z) Employee benefits

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

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

2. Share-based payments

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

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

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

2 Revenue and Segment Information

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

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

(a) Disaggregation of revenue

Revenue for the year is analyzed as follows:

HK$ Million	**2023**	2022
Under the scope of HKFRS 16, *Leases*:		
Rental income (Note 11(b))	**8,997**	8,783
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	**1,319**	1,248
	1,319	1,564
	10,316	10,347

As of December 31, 2023, the aggregate amount of revenue expected to be recognized in the future arising from signed property pre-sale agreements amounted to HK$1,157 million (2022: HK$1,118 million), which is expected to be recognized in 2024 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	2023			2022		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Revenue						
– Mainland China	**6,967**	**–**	**6,967**	6,752	–	6,752
– Hong Kong	**3,349**	**–**	**3,349**	3,279	316	3,595
	10,316	**–**	**10,316**	10,031	316	10,347
Profit/(loss) from operations before changes in fair value of properties						
– Mainland China	**4,338**	**(44)**	**4,294**	4,147	(51)	4,096
– Hong Kong	**2,465**	**3**	**2,468**	2,386	138	2,524
	6,803	**(41)**	**6,762**	6,533	87	6,620
(Decrease)/increase in fair value of properties	**(9)**	**–**	**(9)**	(345)	–	(345)
– Mainland China	**295**	**–**	**295**	(117)	–	(117)
– Hong Kong	**(304)**	**–**	**(304)**	(228)	–	(228)
Net interest expense	**(621)**	**–**	**(621)**	(449)	–	(449)
– Interest income	**71**	**–**	**71**	63	–	63
– Finance costs	**(692)**	**–**	**(692)**	(512)	–	(512)
Share of profits of joint ventures	**36**	**–**	**36**	24	–	24
Profit/(loss) before taxation	**6,209**	**(41)**	**6,168**	5,763	87	5,850
Taxation	**(1,573)**	**1**	**(1,572)**	(1,430)	(23)	(1,453)
Profit/(loss) for the year	**4,636**	**(40)**	**4,596**	4,333	64	4,397
Net profit/(loss) attributable to shareholders	**4,010**	**(40)**	**3,970**	3,772	64	3,836

2 Revenue and Segment Information (Continued)

(c) Total segment assets

HK$ Million	2023			2022		
	Property Leasing	Property Sales	Total	Property Leasing	Property Sales	Total
Mainland China	132,919	6,447	139,366	131,472	5,494	136,966
Hong Kong	62,516	8,734	71,250	62,766	6,380	69,146
	195,435	15,181	210,616	194,238	11,874	206,112
Interests in joint ventures			1,116			1,130
Other assets			76			77
Deferred tax assets			142			140
Cash and deposits with banks			5,352			5,229
			217,302			212,688

3 Other Net Income

HK$ Million	2023	2022
Government grants	5	11
Gain on disposal of investment properties	11	–
Dividend income from equity investments measured at FVTOCI	2	–
Others	6	6
	24	17

4 Net Interest Expense

HK$ Million	2023	2022
Interest income on bank deposits	71	63
Interest expense on bank loans and other borrowings	1,862	1,424
Interest on lease liabilities	14	15
Other borrowing costs	83	73
Total borrowing costs	1,959	1,512
Less: Borrowing costs capitalized (Note)	(1,267)	(1,000)
Finance costs	692	512
Net interest expense	(621)	(449)

Note:

The borrowing costs were capitalized at an average rate of 4.2% (2022: 3.6%) per annum to properties under development.

5 Profit Before Taxation

HK$ Million	2023	2022
Profit before taxation is arrived at after charging:		
Cost of properties sold	–	135
Staff costs (Note)	1,523	1,548
Depreciation	88	78
Auditors' remuneration		
– audit services	10	10
– non-audit services	3	3
and after crediting:		
Rental and related income from investment properties less direct outgoings of HK$2,875 million (2022: HK$2,865 million)	7,441	7,166

Note:

The staff costs included employee share-based payments of HK$83 million (2022: HK$88 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$1,856 million (2022: HK$1,855 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	2023	2022
Executive Directors						
Ronnie C. Chan	1.1	30.8	10.8	3.1	45.8	45.0
Adriel Chan	0.8	13.2	6.1	1.3	21.4	21.1
Weber W.P. Lo	0.8	20.6	10.0	1.3	32.7	32.0
Kenneth K.K. Chiu	0.8	5.4	2.8	0.3	9.3	9.0
Independent Non-Executive Directors						
Nelson W.L. Yuen	1.0	–	–	–	1.0	1.0
Dominic C.F. Ho	1.2	–	–	–	1.2	1.2
Philip N.L. Chen (Re-designated from non-executive director to independent non-executive director on January 31, 2023)	0.8	–	–	–	0.8	0.8
Andrew K.C. Chan	1.0	–	–	–	1.0	1.0
Anita Y.M. Fung	1.1	–	–	–	1.1	1.0
Ex-Directors						
H.K. Chang (Retired as independent non-executive director on April 28, 2023)	0.4	–	–	–	0.4	1.1
H.C. Ho (Retired as executive director on March 1, 2022)	–	–	–	–	–	11.5
2023	9.0	70.0	29.7	6.0	114.7	124.7
2022	9.7	69.8	39.5	5.7	124.7	

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, four (2022: 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 (2022: one) individual are as follows:

HK$ Million	2023	2022
Salaries, allowances and benefits in kind	8.7	8.1
Discretionary bonuses	1.2	1.1
The Group's contributions to retirement schemes	0.4	0.3
	10.3	9.5

(c) In addition to the above emoluments, certain directors of the Company were granted share options under the share option schemes of the Company, details of which are disclosed in note 25(b).

7 Taxation in the Consolidated Statement of Profit or Loss

(a) Taxation in the consolidated statement of profit or loss represents:

HK$ Million	2023	2022
Current tax		
Hong Kong Profits Tax	288	351
Under/(over)-provision in prior years	5	(2)
	293	349
Mainland China Income Tax	1,026	986
Total current tax	1,319	1,335
Deferred tax		
Changes in fair value of properties	103	20
Other origination and reversal of temporary differences	150	98
Total deferred tax (Note 19(b))	253	118
Total income tax expense	1,572	1,453

Provision for Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year. Mainland China Income Tax represents mainland China Corporate Income Tax calculated at 25% (2022: 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% (2022: 5%).

(b) Share of joint ventures' taxation for the year ended December 31, 2023 of HK$7 million (2022: HK$7 million) is included in the "share of profits of joint ventures".

(c) Reconciliation between actual tax expense and profit before taxation at applicable tax rates is as follows:

HK$ Million	2023	2022
Profit before taxation	6,168	5,850
Notional tax on profit before taxation at applicable rates	1,101	1,065
Tax effect of non-taxable income	(151)	(148)
Tax effect of non-deductible expenses	292	301
Tax effect of unrecognized temporary differences	(25)	(156)
Tax effect of unrecognized tax losses	350	393
Under/(over)-provision in prior years	5	(2)
Actual tax expense	1,572	1,453

7 Taxation in the Consolidated Statement of Profit or Loss (Continued)

(d) Both mainland China and Hong Kong in which our Group has business operations have not enacted new tax laws to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development for the year ended December 31, 2023. If the new tax laws had applied in both regions in 2023, the Group does not expect to be subject to a new top-up tax in relation to its operations in mainland China and Hong Kong.

8 Dividends

(a) Dividends attributable to the year

HK$ Million	2023	2022
Interim dividend declared and paid of HK18 cents (2022: HK18 cents) per share	810	810
Final dividend of HK60 cents (2022: HK60 cents) per share proposed after the end of the reporting period	2,699	2,699
	3,509	3,509

The dividend proposed after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

The Board of Directors proposes that eligible shareholders be given the option to elect to receive the final dividend in cash, or in the form of new shares in lieu of cash in respect of part or all of such dividend (the "Scrip Dividend Arrangement"). The Scrip Dividend Arrangement is conditional upon: (1) the granting of a general mandate by the shareholders of the Company to the Board of Directors to allot, issue and deal with such additional shares of the Company representing 20% of the number of shares in issue on the date of passing such resolution at the Annual General Meeting to be held on April 26, 2024 (the "AGM"); (2) the approval of the proposed final dividend at the AGM; and (3) The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued pursuant to the Scrip Dividend Arrangement.

(b) The final dividend of HK$2,699 million (calculated based on HK60 cents per share and the total number of issued shares as of the dividend pay-out date) for the year ended December 31, 2022 were approved and paid in the year ended December 31, 2023 (2022: HK$2,699 million).

9 Earnings Per Share

(a) The calculation of basic and diluted earnings per share is based on the following data:

HK$ Million	**2023**	2022
Net profit attributable to shareholders	**3,970**	3,836

	Number of shares	
	2023	2022
Weighted average number of shares used in calculating basic and diluted earnings per share (Note)	**4,499,260,670**	4,499,260,670

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	**2023**	2022
Net profit attributable to shareholders	**3,970**	3,836
Effect of changes in fair value of properties	**9**	345
Effect of income tax for changes in fair value of properties	**103**	20
Effect of changes in fair value of investment properties of joint ventures	**4**	14
	116	379
Non-controlling interests	**51**	(16)
	167	363
Underlying net profit attributable to shareholders	**4,137**	4,199

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

	2023	2022
Basic	**HK$0.92**	HK$0.93
Diluted	**HK$0.92**	HK$0.93

10 Property, Plant and Equipment

HK$ Million	Investment properties	Investment properties under development	Others	Total
Cost or valuation:				
At January 1, 2022	177,456	22,399	800	200,655
Exchange adjustment	(9,976)	(1,839)	(49)	(11,864)
Additions	577	2,307	132	3,016
Disposals	(15)	–	(19)	(34)
Decrease in fair value	(181)	(164)	–	(345)
At December 31, 2022 and January 1, 2023	167,861	22,703	864	191,428
Exchange adjustment	**(1,545)**	**(306)**	**(7)**	**(1,858)**
Additions	**965**	**2,648**	**115**	**3,728**
Disposals	**(8)**	**–**	**(191)**	**(199)**
(Decrease)/increase in fair value	**(185)**	**176**	**–**	**(9)**
Transfer in/(out)	**1,958**	**(1,958)**	**–**	**–**
Transfer from properties for sale (Note 16)	**–**	**347**	**–**	**347**
At December 31, 2023	**169,046**	**23,610**	**781**	**193,437**
Accumulated depreciation:				
At January 1, 2022	–	–	510	510
Exchange adjustment	–	–	(29)	(29)
Charge for the year	–	–	78	78
Written back on disposals	–	–	(15)	(15)
At December 31, 2022 and January 1, 2023	–	–	544	544
Exchange adjustment	**–**	**–**	**(3)**	**(3)**
Charge for the year	**–**	**–**	**88**	**88**
Written back on disposals	**–**	**–**	**(179)**	**(179)**
At December 31, 2023	**–**	**–**	**450**	**450**
Net book value:				
At December 31, 2023	**169,046**	**23,610**	**331**	**192,987**
At December 31, 2022	167,861	22,703	320	190,884

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

	Investment properties	Investment properties under development	Others	Total
December 31, 2023				
Valuation	**169,046**	**23,610**	**–**	**192,656**
Cost	**–**	**–**	**781**	**781**
	169,046	**23,610**	**781**	**193,437**
December 31, 2022				
Valuation	167,861	22,703	–	190,564
Cost	–	–	864	864
	167,861	22,703	864	191,428

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 2023**		
	Level 1	**Level 2**	**Level 3**
Investment properties	**–**	**169,046**	**–**
Investment properties under development	**–**	**–**	**23,610**

HK$ Million	Fair value measurement at 2022		
	Level 1	Level 2	Level 3
Investment properties	–	167,861	–
Investment properties under development	–	–	22,703

The Group's policy is to recognize transfers between levels of fair value hierarchy at the time at which they occur. During the year, other than the transfers from investment properties under development to investment properties upon their completion, there were no transfers between levels of fair value hierarchy.

The Group's investment properties and investment properties under development were revalued as of December 31, 2023 by Savills Valuation and Professional Services Limited, an independent qualified valuer, 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.

(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.

10 Property, Plant and Equipment (Continued)

(b) Fair value measurement of properties (Continued)

(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$9.6 billion (2022: HK$0.2 billion to HK$10.1 billion). The estimates are largely consistent with the budgets developed internally by the Group based on management experience and knowledge of market conditions.

The movements in the investment properties under development during the year represent the movements in the balances of these Level 3 fair value measurements.

Fair value adjustments of investment properties and investment properties under development is recognized in "decrease in fair value of properties" in the consolidated statement of profit or loss.

(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	
	2023	2022	**2023**	2022
In Hong Kong				
– long-term leases (over 50 years)	**36,973**	38,742	**–**	–
– medium-term leases (10 to 50 years)	**24,854**	21,185	**352**	1,716
Outside Hong Kong				
– long-term leases (over 50 years)	**–**	–	**16**	15
– medium-term leases (10 to 50 years)	**107,219**	107,934	**23,242**	20,972
	169,046	167,861	**23,610**	22,703

(d) The net book value of other property, plant and equipment of the Group included long-term leases of HK$13 million (2022: HK$13 million) in respect of land and buildings held in Hong Kong, medium-term leases of HK$3 million (2022: HK$3 million) and long-term leases of HK$22 million (2022: HK$24 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	**2023**	2022
Interest on lease liabilities	**14**	15
Expenses relating to short-term leases	**9**	8
	23	23

Lease liabilities recognized in the consolidated statement of financial position:

HK$ Million	**2023**	2022
Current liabilities	**30**	27
Non-current liabilities	**248**	266
	278	293

A maturity analysis of lease liabilities is disclosed in note 27(b).

Amounts included in the cash flow statement:

HK$ Million	**2023**	2022
Within operating cash flows	**(9)**	(8)
Within financing cash flows	**(28)**	(30)
	(37)	(38)

(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	**2023**	2022
Operating leases		
Fixed or variable depending on an index or rate	**7,452**	7,347
Variable not depending on an index or rate	**1,545**	1,436
	8,997	8,783

11 Leases (Continued)

(b) As a lessor (Continued)

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	2023	2022
Within 1 year	6,218	6,057
After 1 year but within 2 years	3,956	4,021
After 2 years but within 3 years	2,204	2,343
After 3 years but within 4 years	838	1,141
After 4 years but within 5 years	339	465
After 5 years	254	315
	13,809	14,342

12 Interests in Joint Ventures

HK$ Million	2023	2022
Share of net assets	1,116	1,130

Details of principal joint ventures are set out in note 35. The aggregate financial information related to the Group's share of joint ventures that are not individually material are as follows:

HK$ Million	2023	2022
Non-current assets	1,148	1,157
Current assets	5	8
Non-current liabilities	(10)	(10)
Current liabilities	(27)	(25)
Net assets	1,116	1,130

HK$ Million	2023	2022
Revenue	59	55
Profits and total comprehensive income for the year	36	24

13 Other Assets

As of December 31, 2023, other assets comprised investments in unlisted equity instruments of HK$76 million (2022: HK$77 million), which were measured at fair value through other comprehensive income. These equity instruments are of Ever Light Limited, a company engaged in property leasing, and are expected to be held for long-term strategic purposes.

14 Cash and Deposits with Banks

HK$ Million	2023	2022
Cash at banks	**2,379**	1,858
Time deposits	**2,973**	3,371
Cash and deposits with banks in the consolidated statement of financial position	**5,352**	5,229
Less: Bank deposits with maturity greater than 3 months	**(81)**	(81)
Cash and cash equivalents in the consolidated cash flow statement	**5,271**	5,148

During the year, the Group's cash and deposits with banks were interest-bearing at an average rate of 2.1% (2022: 1.7%) per annum. The currencies of cash and deposits with banks at the year end date were as follows:

HK$ Million	2023	2022
Hong Kong Dollars	**3,311**	2,102
Hong Kong Dollar equivalent of:		
Renminbi	**1,877**	2,974
United States Dollars	**164**	153
	5,352	5,229

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	2023	2022
Bank loans and other borrowings (Note 17)	**50,704**	45,524
Less: Cash and deposits with banks	**(5,352)**	(5,229)
Net debt	**45,352**	40,295

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	2023	2022
Not past due or less than 1 month past due	138	116
1 – 3 months past due	9	27
More than 3 months past due	1	4
	148	147

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$276 million (2022: HK$280 million).

16 Properties for Sale

HK$ Million	2023	2022
In mainland China		
– Completed properties for sale	3,390	–
– Properties under development for sale	3,057	5,494
	6,447	5,494
In Hong Kong		
– Completed properties for sale	967	934
– Properties under development for sale	6,809	5,240
	7,776	6,174
	14,223	11,668

During the year ended December 31, 2023, certain properties under development for sale in Hong Kong with aggregate carrying amount of HK$347 million (2022: Nil) were transferred to investment properties under development upon the change in intended use (Note 10).The fair value of these properties at the date of transfer was HK$352 million. The difference between the fair value and carrying amount of these properties was included in "decrease 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$770 million (2022: HK$729 million) of which are expected to be completed and handed over to buyers within one 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	2023	2022
Bank loans (Note 17(a))		
Within 1 year or on demand	**3,468**	3,856
After 1 year but within 2 years	**8,483**	7,158
After 2 years but within 5 years	**22,468**	19,715
Over 5 years	**2,816**	2,105
	37,235	32,834
Other borrowings (Note 17(b))		
Within 1 year or on demand	**970**	680
After 1 year but within 2 years	**5,632**	970
After 2 years but within 5 years	**5,466**	8,020
Over 5 years	**1,595**	3,175
	13,663	12,845
	50,898	45,679
Less: unamortized front end fees	**(194)**	(155)
Total bank loans and other borrowings	**50,704**	45,524
Amount due within 1 year included under current liabilities	**(4,434)**	(4,533)
	46,270	40,991

(a) All bank loans are interest-bearing at rates ranging from 3.7% to 6.9% (2022: 3.7% to 6.4%) 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, 2023, the Group had HK$15,717 million (2022: HK$21,374 million) of undrawn committed banking facilities.

(b) Other borrowings represent bonds issued at coupon rates ranging from 2.00% to 4.75% (2022: 2.00% to 4.75%) per annum.

At December 31, 2023, the available balances of the Group's US$4 billion (2022: US$4 billion) Medium Term Note Program amounted to US$2,251 million (2022: US$2,353 million), equivalent to HK$17,584 million (2022: HK$18,343 million).

18 Trade and Other Payables

HK$ Million	2023	2022
Creditors and accrued expenses (Note 18(a))	**6,950**	6,599
Contract liabilities (Note 18(b))	**510**	471
Deposits received (Note 18(c))	**2,756**	2,759
	10,216	9,829

(a) Creditors and accrued expenses include retention money payable of HK$407 million (2022: HK$390 million) which is not expected to be settled within one year.

Included in trade and other payables is an amount of HK$601 million (2022: HK$601 million) due to a fellow subsidiary, which is the joint developer of a project in which the Group and the fellow subsidiary hold respective interests of 66.67% and 33.33%. The amount represents the contribution by the fellow subsidiary in proportion to its interest to finance the project, and is unsecured, non-interest bearing and has no fixed terms of repayment.

(b) Contract liabilities

(i) Building management fees and other income from property leasing received in advance of HK$83 million (2022: HK$84 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$427 million (2022: HK$387 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 of the above balance is expected to be recognized as revenue after one year.

18 Trade and Other Payables (Continued)

(c) In the amount of deposits received, HK$1,587 million (2022: HK$1,653 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	2023	2022
Due within 3 months	2,053	1,318
Due after 3 months	2,289	2,726
	4,342	4,044

19 Taxation in the Consolidated Statement of Financial Position

(a) Current taxation

HK$ Million	2023	2022
Hong Kong Profits Tax	204	167
Mainland China Income Tax	253	267
	457	434

(b) Deferred taxation

HK$ Million	2023	2022
Deferred tax liabilities	13,524	13,462
Deferred tax assets	(142)	(140)
	13,382	13,322

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

(b) Deferred taxation (Continued)

The components of deferred tax liabilities/(assets) recognized in the consolidated statement of financial position and the movements during the year are as follows:

HK$ Million	Depreciation allowances in excess of related depreciation	Revaluation of properties	Future benefit of tax losses	Others	Total
At January 1, 2022	2,043	12,391	(146)	63	14,351
Exchange adjustments	(121)	(1,038)	–	–	(1,159)
Charged/(credited) to					
– profit or loss (Note 7(a))	176	20	(5)	(73)	118
– other comprehensive income	–	–	–	12	12
At December 31, 2022 and January 1, 2023	2,098	11,373	(151)	2	13,322
Exchange adjustments	**(21)**	**(161)**	**–**	**–**	**(182)**
Charged/(credited) to					
– profit or loss (Note 7(a))	**133**	**103**	**21**	**(4)**	**253**
– other comprehensive income	**–**	**–**	**–**	**(11)**	**(11)**
At December 31, 2023	**2,210**	**11,315**	**(130)**	**(13)**	**13,382**

(c) Deferred tax assets not recognized

The Group has not recognized deferred tax assets in respect of tax losses of HK$8,517 million (2022: HK$8,174 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, 2023. 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, 2023 and December 31, 2023		At January 1, 2022 and December 31, 2022	
	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:	**4,499**	**39,950**	4,499	39,950

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

21 Reserves

(a) The Group

HK$ Million	Other reserves						
	Exchange reserve	Hedging reserve	Investment revaluation reserve	Employee share-based compensation reserve	Total	Retained profits	Total reserves
At January 1, 2022	4,814	(17)	78	493	5,368	96,401	101,769
Profit for the year	–	–	–	–	–	3,836	3,836
Exchange difference arising from translation to presentation currency	(8,828)	–	–	–	(8,828)	–	(8,828)
Gain on net investment hedge	9	–	–	–	9	–	9
Cash flow hedges: net movement in hedging reserve	–	67	–	–	67	–	67
Net change in fair value of equity investments	–	–	(1)	–	(1)	–	(1)
Total comprehensive income for the year	(8,819)	67	(1)	–	(8,753)	3,836	(4,917)
Final dividend in respect of previous year	–	–	–	–	–	(2,699)	(2,699)
Interim dividend in respect of current year	–	–	–	–	–	(810)	(810)
Employee share-based payments	–	–	–	77	77	11	88
At December 31, 2022 and January 1, 2023	(4,005)	50	77	570	(3,308)	96,739	93,431
Profit for the year	**–**	**–**	**–**	**–**	**–**	**3,970**	**3,970**
Exchange difference arising from translation to presentation currency	**(1,434)**	**–**	**–**	**–**	**(1,434)**	**–**	**(1,434)**
Loss on net investment hedge	**(9)**	**–**	**–**	**–**	**(9)**	**–**	**(9)**
Cash flow hedges: net movement in hedging reserve	**–**	**(73)**	**–**	**–**	**(73)**	**–**	**(73)**
Net change in fair value of equity investments	**–**	**–**	**(1)**	**–**	**(1)**	**–**	**(1)**
Total comprehensive income for the year	**(1,443)**	**(73)**	**(1)**	**–**	**(1,517)**	**3,970**	**2,453**
Final dividend in respect of previous year	**–**	**–**	**–**	**–**	**–**	**(2,699)**	**(2,699)**
Interim dividend in respect of current year	**–**	**–**	**–**	**–**	**–**	**(810)**	**(810)**
Employee share-based payments	**–**	**–**	**–**	**(104)**	**(104)**	**187**	**83**
At December 31, 2023	**(5,448)**	**(23)**	**76**	**466**	**(4,929)**	**97,387**	**92,458**

21 Reserves (Continued)

(a) The Group (Continued)

The retained profits of the Group at December 31, 2023 included HK$924 million (2022: HK$923 million) in respect of statutory reserves of the subsidiaries in mainland China.

The exchange reserve of the Group comprises exchange differences arising from the translation of the Group's operations in mainland China and the effective portion of any foreign exchange differences arising from hedging of net investments in foreign operations (Note 1(l)(2)).

The hedging reserve comprises the 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(l)(1)).

The table below provides a reconciliation of the hedging reserve in respect of interest rate risk (Note 27(a)) and currency risk (Note 27(d)):

HK$ Million	Interest rate risk	Currency risk	Total
At January 1, 2022	(12)	(5)	(17)
Effective portion of cash flow hedge recognized in other comprehensive income	95	26	121
Amount reclassified to profit or loss	(21)	(21)	(42)
Related tax	(12)	–	(12)
At December 31, 2022 and January 1, 2023	50	–	50
Effective portion of cash flow hedge recognized in other comprehensive income	**18**	**(16)**	**2**
Amount reclassified to profit or loss	**(86)**	**–**	**(86)**
Related tax	**11**	**–**	**11**
At December 31, 2023	**(7)**	**(16)**	**(23)**

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

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

21 Reserves (Continued)

(b) The Company

HK$ Million	Employee share-based compensation reserve	Retained profits	Total reserves
At January 1, 2022	493	23,425	23,918
Profit and total comprehensive income for the year	–	3,632	3,632
Final dividend in respect of previous year	–	(2,699)	(2,699)
Interim dividend in respect of current year	–	(810)	(810)
Employee share-based payments	77	11	88
At December 31, 2022 and January 1, 2023	570	23,559	24,129
Profit and total comprehensive income for the year	**–**	**3,833**	**3,833**
Final dividend in respect of previous year	**–**	**(2,699)**	**(2,699)**
Interim dividend in respect of current year	**–**	**(810)**	**(810)**
Employee share-based payments	**(104)**	**187**	**83**
At December 31, 2023	**466**	**24,070**	**24,536**

The aggregate amount of the Company's reserves available for distribution to equity shareholders of the Company at December 31, 2023 was HK$24,070 million (2022: HK$23,559 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, 2023 (Note 14). Net debt to equity ratio and debt to equity ratio as of December 31, 2023 were 31.9% (2022: 28.1%) and 35.7% (2022: 31.8%), respectively. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

22 Cash Generated from Operations

HK$ Million	2023	2022
Profit before taxation	**6,168**	5,850
Adjustments for:		
Gain on disposal of investment properties	**(11)**	–
Dividend income from equity investments measured at FVTOCI	**(2)**	–
Loss on disposal of other property, plant and equipment	**12**	4
Employee share-based payments	**83**	88
Depreciation	**88**	78
Decrease in fair value of properties	**9**	345
Interest income on bank deposits	**(71)**	(63)
Finance costs	**692**	512
Share of profits of joint ventures	**(36)**	(24)
Increase in properties for sale	**(2,573)**	(1,017)
Decrease/(increase) in trade and other receivables	**60**	(252)
Increase/(decrease) in creditors and accrued expenses and contract liabilities	**563**	(30)
Increase in deposits received	**25**	7
Cash generated from operations	**5,007**	5,498

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, 2022	45,695	336	46,031
Cash flows	881	(30)	851
Non-cash changes:			
Unwind of discount and amortization of transaction costs	87	15	102
Exchange adjustment	(1,139)	(28)	(1,167)
At December 31, 2022 and January 1, 2023	45,524	293	45,817
Cash flows	**5,304**	**(28)**	**5,276**
Non-cash changes:			
Entering into new leases	**–**	**3**	**3**
Unwind of discount and amortization of transaction costs	**69**	**14**	**83**
Exchange adjustment	**(193)**	**(4)**	**(197)**
At December 31, 2023	**50,704**	**278**	**50,982**

24 Commitments

At the end of the reporting period, capital commitments not provided for in the financial statements were as follows:

HK$ Million	**2023**	2022
Contracted for	**6,279**	1,830
Authorized but not contracted for	**9,145**	14,135
	15,424	15,965

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. In addition, the employees employed under the Hong Kong Employment Ordinance are also entitled to long service payment (LSP) if the eligibility criteria are met.

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$35 million (2022: HK$34 million) and forfeited sums refunded to the Group amounted to HK$2 million (2022: HK$2 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 (2022: HK$8 million).

In June 2022, the Government gazetted the Amendment Ordinance, which will eventually abolish the statutory right of an employer to reduce its LSP payable to a Hong Kong employee by drawing on its mandatory contributions to the MPF scheme (the "Offsetting Arrangement"). In accordance with the requirement of HKAS 19, *Employee benefits*, management has re-measured the provision for LSP to reflect the financial impact of such abolishment of the Offsetting Arrangement. The Amendment Ordinance has no material impact on the Group's LSP liability with respect to employees that participate in the MPF Scheme or the Group's ORSO Scheme.

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 (2022: HK$63 million).

25 Employee Benefits (Continued)

(b) Equity compensation benefits

The share option scheme adopted by the Company on April 18, 2012 (the "2012 Share Option Scheme") was terminated upon the adoption of a new share option scheme on April 27, 2022 (the "2022 Share Option Scheme", together with the 2012 Share Option Scheme are referred to as the "Schemes"). The 2022 Share Option Scheme became valid and effective for a period of ten years commencing from the date of adoption. No further share options shall be offered or granted under the 2012 Share Option Scheme but in all other respects the provisions of the 2012 Share Option Scheme shall remain in full force and effect, and all share options granted prior to such termination and not exercised nor forfeited/lapsed at the date of termination shall remain valid.

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

Under the Schemes, the board of directors of the Company (the "Board") is authorized to grant options to selected participants, including employees and directors of any company in the Group, subject to the terms and conditions such as performance targets as the Board may specify on a case-by-case basis or generally. The exercise price of the options is determined by the Board at the time of grant, and shall not be less than the higher of the nominal value of the shares, the closing price of the shares at the date of grant and the average closing price of the shares for the five business days immediately preceding the date of grant. The period open for acceptance of the option and amount payable thereon, the vesting period, the exercisable period and the number of shares subject to each option are determined by the Board at the time of grant.

The share options granted under the Schemes to the directors and employees of the Company and its subsidiaries are at nominal consideration and each share option gives the holder the right to subscribe for one share of the Company.

As of the date of this report, the total number of shares available for issue under the 2022 Share Option Scheme is 282,875,550 shares, representing approximately 6.3% of the total number of issued shares of the Company. The total number of shares issued and to be issued upon exercise of options (including both exercised and outstanding) granted to each participant in any 12-month period shall not exceed 1% of the shares in issue.

25 Employee Benefits (Continued)

(b) Equity compensation benefits (Continued)

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

(i) *2012 Share Option Scheme*

	Number of share options				
Date granted	Outstanding on January 1, 2023	Forfeited/ Lapsed	**Outstanding on December 31, 2023**	Period during which share options are exercisable	Exercise price (HK$)
June 4, 2013	22,260,000	(22,260,000)	**–**	June 4, 2015 to June 3, 2023	28.20
December 5, 2014	19,290,000	(540,000)	**18,750,000**	December 5, 2016 to December 4, 2024	22.60
August 10, 2017	28,655,000	(1,000,000)	**27,655,000**	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	41,866,700	(2,175,600)	**39,691,100**	June 28, 2021 to June 27, 2029	18.58
May 12, 2021	58,395,000	(3,874,000)	**54,521,000**	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	64,230,000	(5,090,000)	**59,140,000**	February 21, 2024 to February 20, 2032	16.38
Total	246,696,700	(34,939,600)	**211,757,100**		

All the above share 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 share options were exercised or cancelled during the year.

During the year, 13,029,600 share options (2022: 13,283,200 share options) were forfeited upon cessations of the grantees' employments and 21,910,000 share options (2022: Nil) lapsed due to the expiry of the period for exercising the share options.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2023		2022	
	Weighted average exercise price (HK$)	**Number of options**	Weighted average exercise price (HK$)	Number of options
Outstanding at January 1	**19.69**	**246,696,700**	20.81	192,909,900
Granted	**–**	**–**	16.38	67,070,000
Forfeited	**18.66**	**(13,029,600)**	19.34	(13,283,200)
Lapsed	**28.20**	**(21,910,000)**	–	–
Outstanding at December 31	**18.87**	**211,757,100**	19.69	246,696,700
Exercisable at December 31	**20.04**	**86,085,600**	22.34	88,803,650

25 Employee Benefits (Continued)

(b) Equity compensation benefits (Continued)

(i) 2012 Share Option Scheme (Continued)

The weighted average remaining contractual life of share options outstanding at the end of the reporting period was 6.0 years (2022: 6.5 years).

(ii) 2022 Share Option Scheme

Date granted	Number of share options: Outstanding on January 1, 2023	Granted	Forfeited/ Lapsed	Outstanding on December 31, 2023	Period during which share options are exercisable	Exercise price (HK$)
June 28, 2023	–	54,569,000	(1,591,000)	**52,978,000**	June 28, 2025 to June 27, 2033	12.49
Total	–	54,569,000	(1,591,000)	**52,978,000**		

All the above share options may vest after two to four years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No share options were exercised or cancelled during the year.

In respect of share options granted during the year, the closing share price immediately before the date of grant was HK$12.40.

During the year, 1,591,000 share options were forfeited upon cessations of the grantees' employments.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2023 Weighted average exercise price (HK$)	2023 Number of options
Outstanding at January 1	**–**	**–**
Granted	**12.49**	**54,569,000**
Forfeited	**12.49**	**(1,591,000)**
Outstanding at December 31	**12.49**	**52,978,000**
Exercisable at December 31	**–**	**–**

25 Employee Benefits (Continued)

(b) Equity compensation benefits (Continued)

(ii) 2022 Share Option Scheme (Continued)

The weighted average remaining contractual life of share options outstanding at the end of the reporting period was 9.5 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$1.64
Share price at grant date	HK$12.34
Exercise price	HK$12.49
Risk-free interest rate	3.44%
Expected life (in years)	6
Expected volatility	27.02%
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.

(iii) In respect of share options granted to the directors, the related charge recognized for the year ended December 31, 2023, estimated in accordance with the Group's accounting policy in note 1(z)(2) was as follows:

(1) Mr. Ronnie C. Chan, HK$5.7 million (2022: HK$5.8 million);
(2) Mr. Adriel Chan, HK$5.0 million (2022: HK$4.9 million);
(3) Mr. Weber W.P. Lo, HK$6.0 million (2022: HK$7.9 million);
(4) Mr. Kenneth K.K. Chiu, HK$2.9 million (2022: HK$2.3 million);
(5) Mr. Philip N.L. Chen, Nil (2022: HK$0.4 million); and
(6) Mr. H.C. Ho, Nil (2022: HK$3.7 million).

26 Material Related Party Transactions

Except for the emoluments to directors and key management personnel disclosed in notes 6 and 25(b) and the transactions and balances already disclosed elsewhere in the financial statements, the Group did not have any material related party transactions in the ordinary course of business.

None of the above related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided on page 145 in the Report of the Directors.

27 Financial Risk Management Objectives and Policies

Exposure to interest rate, liquidity, credit and currency risks arises in the normal course of the Group's business. The Group has policies and practices approved by management as described below in managing these risks.

(a) Interest rate risk

The Group's interest rate risk arises primarily from deposits with banks and floating rate bank borrowings. Interest rate trends and movements are closely monitored and, if appropriate, existing borrowings will be replaced with new bank facilities when favorable pricing opportunities arise.

The Group enters into floating-for-fixed interest rate swaps to manage its exposure to interest rate risk. In addition, the Group maintains the Medium Term Note Program which facilitates the Group to mitigate future interest rate volatility and re-financing risks.

The Group has designated the interest rate swaps in their entirety as the hedging instruments of the interest rate risk on variability in cash flows arising from certain floating rate bank loans. The table below summarizes the details of hedging instruments as of the end of the reporting period and the effect of the hedge accounting during the year:

HK$ Million	**2023**	2022
Notional amount of hedging instruments	**4,900**	4,500
Carrying amount of hedging instruments		
– Trade and other receivables	**5**	59
– Trade and other payables	**(14)**	–
Change in fair value used for measuring hedge ineffectiveness		
– Hedging instruments	**18**	95
– Hedged items	**(18)**	(95)
Change in fair value of hedging instruments recognized in other comprehensive income	**18**	95
Amount reclassified from hedging reserve to profit or loss that are credited to finance costs	**86**	21

These interest rate swaps will mature during 2026 to 2028, of which the Group receives Hong Kong Interbank Offered Rate and pays fixed rates ranging from 3.06% to 3.39% (2022: 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	**2023**	2022
Fixed	**18,576**	17,376
Floating	**32,128**	28,148
Total borrowings	**50,704**	45,524

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$269 million (2022: HK$230 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 2022.

(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	**50,704**	**58,773**	**6,703**	**16,017**	**30,628**	**5,425**
Trade and other payables	**10,216**	**10,216**	**8,222**	**1,033**	**919**	**42**
Lease liabilities	**278**	**388**	**30**	**24**	**73**	**261**
At December 31, 2023	**61,198**	**69,377**	**14,955**	**17,074**	**31,620**	**5,728**

HK$ Million		Contractual undiscounted cash flow				
	Carrying amount	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Bank loans and other borrowings	45,524	52,195	6,336	9,675	30,080	6,104
Trade and other payables	9,829	9,829	7,786	1,043	917	83
Lease liabilities	293	418	27	28	73	290
At December 31, 2022	55,646	62,442	14,149	10,746	31,070	6,477

27 Financial Risk Management Objectives and Policies (Continued)

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables with tenants and deposits held with reputable banks and financial institutions.

The Group maintains a defined credit policy including stringent credit evaluation on and payment of a rental deposit from tenants. In addition to the payment of rental deposits, tenants are required to pay monthly rents in respect of leased properties in advance. Receivables are regularly reviewed and closely monitored to minimize any associated credit risk.

Surplus cash is placed with reputable banks and financial institutions in accordance with pre-determined limits based on credit ratings and other factors to minimize concentration risk.

The Group does not provide any financial guarantee which would expose the Group to material credit risk.

There are no significant concentrations of credit risk within the Group.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

The Group measures loss allowances for trade receivables with tenants in accordance with note 1(m).

(d) Currency risk

The Group adopts a conservative risk management policy to manage foreign currency exposure. The level of hedge is decided through cost and benefit analysis with reference to prevailing market situation. If appropriate, the Group may use derivative financial instruments solely for hedging purposes. These derivatives reduce the uncertainty of interest payments and principal repayments of foreign currency debts and can be entered into on or after the issuance of a foreign currency debt.

Currency risk arises from assets and liabilities denominated in a currency other than the functional currency of the Group's entities to which they related. The Group has bonds outstanding amounting to US$50 million (2022: US$50 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% (2022: 2.03%) per annum. These swaps will mature in 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	2023	2022
Notional amount of hedging instruments	388	388
Carrying amount of hedging instruments		
– Trade and other receivables	–	3
– Trade and other payables	(13)	–
Change in fair value used for measuring hedge ineffectiveness		
– Hedging instruments	(16)	26
– Hedged items	16	(26)
Change in fair value of hedging instruments recognized in other comprehensive income	(16)	26
Amount reclassified from hedging reserve to profit or loss that are charged/(credited) to		
– Finance costs	–	4
– Other net income	–	(25)

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 RMB1,701 million (2022: RMB2,659 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, 2023 was HK$1,182 million (2022: HK$90 million). The hedge was determined to be fully effective as the carrying value of the hedged item did not drop below the carrying amount of the hedging instrument throughout the hedging period. A foreign exchange loss of HK$9 million (2022: gain 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% (2022: 5%) appreciation/depreciation of Renminbi against Hong Kong dollar would increase/decrease the Group's equity attributable to shareholders by HK$4,701 million (2022: HK$4,771 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 2022.

(e) Fair value

The fair value of the Group's financial instruments is 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 2023	Fair value 2022	Fair value measurements categorized into
Financial assets			
Trade and other receivables			
Cross currency swaps (cash flow hedges)	**–**	3	Level 2
Interest rate swaps (cash flow hedges)	**5**	59	Level 2
Other assets			
Investment in equity instruments	**76**	77	Level 3
Financial liabilities			
Trade and other payables			
Cross currency swaps (cash flow hedges)	**(13)**	–	Level 2
Interest rate swaps (cash flow hedges)	**(14)**	–	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, 2022 and 2023.

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, 2023

HK$ Million	Note	2023	2022
Non-current assets			
Interests in subsidiaries	30	**65,510**	65,760
Current assets			
Cash and deposits with banks		**1**	1
Trade and other receivables		**4**	4
		5	5
Current liabilities			
Trade and other payables		**21**	21
Net current liabilities		**16**	16
Total assets less current liabilities		**65,494**	65,744
Non-current liabilities			
Amounts due to subsidiaries	30(c)	**1,008**	1,665
NET ASSETS		**64,486**	64,079
Capital and reserves			
Share capital	20	**39,950**	39,950
Reserves	21(b)	**24,536**	24,129
TOTAL EQUITY		**64,486**	64,079

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	2023	2022
Non-current assets		
Unlisted shares, at cost	**8**	8
Amounts due from subsidiaries (Note 30(b))	**65,502**	65,752
	65,510	65,760

(a) Details of principal subsidiaries are set out in note 34.

(b) Amounts due from subsidiaries are unsecured, interest-free with no fixed terms of repayment and classified as non-current assets as they are not expected to be recoverable within the next 12 months.

(c) Amounts due to subsidiaries are unsecured, interest-free with no fixed terms of repayment and classified as non-current liabilities as they are not expected to be repaid within the next 12 months.

31 Ultimate Holding Company

The ultimate holding company is Hang Lung Group Limited, a company incorporated in Hong Kong.

32 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended December 31, 2023

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, 2023 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's financial statements.

33 Approval of Financial Statements

The financial statements were approved and authorized for issue by the Board of Directors on January 30, 2024.

34 Principal Subsidiaries

At December 31, 2023

Company	Issued Share Capital (HK$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Antonis Limited*	10,000	100	100	Property leasing	Hong Kong
AP City Limited	2	100	–	Property leasing	Hong Kong
AP Joy Limited	2	100	–	Property leasing	Hong Kong
AP Properties Limited				Property leasing	Hong Kong
‘A’ shares	34	100	–		
‘B’ shares	6	100	–		
AP Star Limited*	2	100	–	Investment holding	Hong Kong
AP Success Limited	2	100	–	Property leasing	Hong Kong
AP Universal Limited*	2	100	–	Property leasing	Hong Kong
AP Win Limited*	1,000,000	100	–	Property leasing	Hong Kong
AP World Limited	2	100	100	Property leasing	Hong Kong
Bonna Estates Company Limited	1,000,000	100	100	Property leasing	Hong Kong
Caddo Enterprises, Limited*	4,000,000	100	–	Property leasing	Hong Kong
Country Bond Development Limited				Investment holding	Hong Kong
‘A’ shares	990	79.8	–		
‘B’ share	1	100	–		
Dokay Limited*	2	100	–	Property leasing	Hong Kong
Easegood Enterprises Limited*	2	100	–	Investment holding	Hong Kong
Fu Yik Company Limited*	3	100	–	Property leasing	Hong Kong
Gala Ruby Limited*	2	100	100	Investment holding	Hong Kong
Grand Centre Limited	4	100	–	Property leasing	Hong Kong
Grand Hotel Group Limited	10,200	100	–	Apartment operating & management	Hong Kong
Grand Hotel Holdings Limited*				Investment holding	Hong Kong
‘A’ shares	1,004,834,694	100	–		
‘B’ shares	6,000,000	100	–		
Hang Chui Company Limited	2	100	–	Property leasing	Hong Kong
Hang Far Company Limited*	2	100	–	Investment holding	Hong Kong
Hang Fine Company Limited	200	100	–	Property leasing	Hong Kong
Hang Kwok Company Limited*	10,000	100	–	Property leasing	Hong Kong
Hang Lung (Administration) Limited	10,000	100	100	Management services	Hong Kong
Hang Lung (Dalian) Limited*	1	100	–	Investment holding	Hong Kong
Hang Lung (Jiangsu) Limited*	1	100	–	Investment holding	Hong Kong

34 Principal Subsidiaries (Continued)

At December 31, 2023

Company	Issued Share Capital (HK$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Hang Lung (Jinan) Limited*	1	100	–	Investment holding	Hong Kong
Hang Lung (Kunming) Limited*	1	100	–	Investment holding	Hong Kong
Hang Lung (Liaoning) Limited*	1	100	–	Investment holding	Hong Kong
Hang Lung (Shenyang) Limited*	2	100	–	Investment holding	Hong Kong
Hang Lung (Tianjin) Limited*	2	100	–	Investment holding	Hong Kong
Hang Lung (Wuhan) Limited*	1	100	–	Investment holding	Hong Kong
Hang Lung (Wuxi) Limited*	1	100	–	Investment holding	Hong Kong
Hang Lung Gala Place Limited	2	100	–	Property leasing	Hong Kong
Hang Lung Project Management Limited*	10,000	100	100	Project management	Hong Kong
Hang Lung Property Management Limited*	100,000	100	–	Property management	Hong Kong
Hang Lung Real Estate Agency Limited*	2	100	100	Property agencies	Hong Kong
Hang Top Limited*	3	66.7	–	Investment holding	Hong Kong
Hang Wise Company Limited*	200	66.7	–	Property development	Hong Kong
HLP (China) Administrative Limited	1	100	–	Management services	Hong Kong
HLP (China) Limited*	2	100	100	Investment holding	Hong Kong
HLP Finance Limited#	US$1	100	100	Financial services	British Virgin Islands
HLP Financial Services Limited	RMB1	100	–	Financial services	Hong Kong
HLP Treasury Limited	2	100	100	Financial services	Hong Kong
HLP Treasury Services Limited*	2	100	–	Financial services	Hong Kong
Hoi Sang Limited*	2	100	–	Investment holding	Hong Kong
Lockoo Limited*	1,000,002	100	–	Property development	Hong Kong
Mansita Limited*	2	100	–	Property leasing	Hong Kong
Modalton Limited	2	100	–	Property leasing	Hong Kong
Palex Limited*	2	100	–	Property leasing	Hong Kong
Passion Success Limited*	1	100	–	Investment holding	Hong Kong
Pocaliton Limited	2	100	–	Property leasing	Hong Kong
Rago Star Limited	2	100	–	Property leasing	Hong Kong
Stooket Limited	2	100	100	Property leasing	Hong Kong
Superlane Development Limited	1,000	66.7	–	Property development	Hong Kong
Tegraton Limited	2	100	–	Property leasing	Hong Kong
Total Select Limited	1	100	–	Property development	Hong Kong
Wai Luen Investment Company, Limited*	100,000	100	–	Property leasing	Hong Kong
Yangli Limited*	2	100	–	Property leasing	Hong Kong

34 Principal Subsidiaries (Continued)

At December 31, 2023

Wholly Foreign Owned Enterprises in Mainland China	Registered Capital	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Dalian Hang Lung Properties Ltd.	RMB5,586,877,355	100	–	Property development & leasing	Mainland China
Hangzhou Hang Lung Properties Ltd.	RMB11,767,500,000	100	–	Property development	Mainland China
Hubei Hang Lung Property Development Co., Ltd.	RMB7,900,000,000	100	–	Property development & leasing	Mainland China
Kunming Hang Ying Properties Ltd.	RMB8,055,634,575	100	–	Property development & leasing	Mainland China
Liaoning Hang Lung Properties Ltd.	RMB8,040,096,324	100	–	Property development & leasing	Mainland China
Shandong Hang Lung Properties Ltd.	US$385,000,000	100	–	Property development & leasing	Mainland China
Shenyang Hang Lung Properties Ltd.	US$349,990,000	100	–	Property development & leasing	Mainland China
Tianjin Hang Lung Properties Ltd.	HK$5,329,600,000	100	–	Property development & leasing	Mainland China
Wuxi Hang Lung Properties Ltd.	RMB4,691,746,261	100	–	Property development & leasing	Mainland China
Wuxi Hang Ying Properties Ltd.	RMB1,411,000,000	100	–	Property development	Mainland China

Equity Joint Ventures in Mainland China	Registered Capital (US$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Shanghai Hang Bond Property Development Co., Ltd.	167,004,736	82	–	Property development & leasing	Mainland China
Shanghai Kong Hui Property Development Co., Ltd.	165,000,000	69.3^	–	Property development & leasing	Mainland China

Operated in Hong Kong

* Not audited by KPMG

^ Represents the Group's attributable interest in the commercial portion of the properties held either directly or indirectly by the subsidiary

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

35 Joint Ventures

At December 31, 2023

Company	Issued Share Capital (HK$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Country Link Enterprises Limited	5,000,000	36.8	–	Investment holding	Hong Kong
Ease Smart Development Limited				Investment holding	Hong Kong
'A' share	1	–	–		
'B' share	1	100	–		
Star Play Development Limited*	3	33.3	–	Property leasing	Hong Kong

* Not audited by KPMG.

TEN-YEAR FINANCIAL SUMMARY

in HK$ million (unless otherwise stated)	2023	2022	2021
CONSOLIDATED STATEMENT OF PROFIT OR LOSS			
Revenue			
Property leasing	10,316	10,031	10,321
Property sales	–	316	–
	10,316	10,347	10,321
Operating profit/(loss)			
Property leasing	7,441	7,166	7,462
Property sales	(52)	87	(91)
	7,389	7,253	7,371
Underlying net profit attributable to shareholders	4,137	4,199	4,365
Effect of changes in fair value of properties	(167)	(363)	(497)
Net profit/(loss) attributable to shareholders	3,970	3,836	3,868
Dividends for the year	(3,509)	(3,509)	(3,509)
	461	327	359
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Net assets employed (Note 1)			
Investment properties	169,046	167,861	177,456
Investment properties under development	23,610	22,703	22,399
Properties for sale	14,223	11,668	10,790
Other assets	5,071	5,227	5,075
	211,950	207,459	215,720
Other liabilities	(24,475)	(24,018)	(26,156)
	187,475	183,441	189,564
Financed by			
Shareholders' equity	132,408	133,381	141,719
Non-controlling interests	9,715	9,765	10,665
Net debt/(cash)	45,352	40,295	37,180
	187,475	183,441	189,564
Number of shares issued (in million)	4,499	4,499	4,499
PER SHARE DATA			
Basic earnings/(loss) (HK$)	$0.88	$0.85	$0.86
Dividends (HK cents)	78¢	78¢	78¢
Interim	18¢	18¢	18¢
Final	60¢	60¢	60¢
Net assets attributable to shareholders (HK$)	$29.4	$29.6	$31.5
FINANCIAL INDICATORS			
Dividend payout ratio	88%	91%	91%
Underlying dividend payout ratio	85%	84%	80%
Net debt to equity	31.9%	28.1%	24.4%
Debt to equity	35.7%	31.8%	30.0%
Interest cover (times)	3.6	4.6	4.8
Return on average shareholders' equity	2.9%	2.8%	2.8%

Note:

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

	2020	2019	2018	2017	2016	2015	2014
	8,911	8,556	8,181	7,779	7,737	7,751	7,216
	62	296	1,227	3,420	5,322	1,197	9,814
	8,973	**8,852**	**9,408**	**11,199**	**13,059**	**8,948**	**17,030**
	6,437	6,325	6,060	5,672	5,710	5,704	5,589
	44	162	762	2,238	3,209	844	7,419
	6,481	**6,487**	**6,822**	**7,910**	**8,919**	**6,548**	**13,008**
	4,201	**4,474**	**4,093**	**5,530**	**6,341**	**4,387**	**10,022**
	(6,772)	1,698	3,985	2,594	(146)	705	1,682
	(2,571)	**6,172**	**8,078**	**8,124**	**6,195**	**5,092**	**11,704**
	(3,418)	(3,418)	(3,374)	(3,374)	(3,373)	(3,373)	(3,409)
	(5,989)	**2,754**	**4,704**	**4,750**	**2,822**	**1,719**	**8,295**
	164,322	159,534	136,676	134,444	125,421	129,425	120,137
	27,544	27,602	31,186	21,592	17,282	16,709	25,611
	7,988	5,642	2,442	1,612	2,352	3,830	4,046
	5,143	3,896	3,786	3,832	5,527	2,765	3,439
	204,997	196,674	174,090	161,480	150,582	152,729	153,233
	(25,211)	(22,495)	(15,606)	(16,521)	(15,680)	(16,355)	(19,078)
	179,786	**174,179**	**158,484**	**144,959**	**134,902**	**136,374**	**134,155**
	138,295	138,669	137,561	136,158	126,565	128,989	132,327
	9,893	9,143	6,033	6,087	5,580	5,903	6,676
	31,598	26,367	14,890	2,714	2,757	1,482	(4,848)
	179,786	174,179	158,484	144,959	134,902	136,374	134,155
	4,498	4,498	4,498	4,498	4,498	4,497	4,485
	($0.57)	$1.37	$1.80	$1.81	$1.38	$1.13	$2.61
	76¢	76¢	75¢	75¢	75¢	75¢	76¢
	17¢	17¢	17¢	17¢	17¢	17¢	17¢
	59¢	59¢	58¢	58¢	58¢	58¢	59¢
	$30.7	$30.8	$30.6	$30.3	$28.1	$28.7	$29.5
	N/A	55%	42%	42%	54%	66%	29%
	81%	76%	82%	61%	53%	77%	34%
	21.3%	17.8%	10.4%	1.9%	2.1%	1.1%	0.0%
	25.6%	20.1%	19.0%	17.4%	20.5%	24.3%	25.2%
	4.3	4.4	7.2	11.1	15.8	16.1	24.1
	N/A	4.5%	5.9%	6.2%	4.8%	3.9%	9.1%

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 of the Company
CEO	chief executive officer
CFO	chief financial officer
CG Code	Corporate Governance Code contained in Appendix C1 to the Listing Rules
Companies Ordinance	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company	Hang Lung Properties Limited
CRM	customer relationship management
Director(s)	director(s) of the Board
ERM	enterprise risk management
ESG	environmental, social and governance
ESG Guide	Environmental, Social and Governance Reporting Guide contained in Appendix C2 to the Listing Rules
Executive Director(s)	executive Director(s) of the Board
Group	the Company and its subsidiaries
HKEX	Hong Kong Exchanges and Clearing Limited
HKSAR	the Hong Kong Special Administrative Region of the People's Republic of China
HLG	Hang Lung Group Limited, the ultimate listed holding company of the Company
INED(s)	independent non-executive Director(s)
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
NED	non-executive Director
RMB	Renminbi
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Stock Exchange	The Stock Exchange of Hong Kong Limited

CORPORATE INFORMATION

Directors

Ronnie C. Chan *GBM (Chair)*
Adriel Chan *(Vice Chair)*
Weber W.P. Lo *(Chief Executive Officer)*
Nelson W.L. Yuen*
Dominic C.F. Ho*
Philip N.L. Chen* *(re-designated from Non-Executive Director to Independent Non-Executive Director on January 31, 2023)*
Andrew K.C. Chan *BBS, JP**
Anita Y.M. Fung *BBS, JP**
Kenneth K.K. Chiu *(Chief Financial Officer)*

* *Independent Non-Executive Director*

Audit Committee

Dominic C.F. Ho *(Chair)*
Andrew K.C. Chan *BBS, JP*
Anita Y.M. Fung *BBS, JP*

Nomination and Remuneration Committee

Nelson W.L. Yuen *(Chair)*
Dominic C.F. Ho
Anita Y.M. Fung *BBS, JP*

Authorized Representatives

Weber W.P. Lo
Winnie Ma

Company Secretary

Winnie Ma

Registered Office

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

Auditor

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

FINANCIAL CALENDAR

2023

July

Announcement of interim results	July 31, 2023

September

Interim dividend paid	September 29, 2023

2024

January

Announcement of annual results	January 30, 2024

April

Latest time for lodging transfers (for attending and voting at annual general meeting)	4:30 p.m. on April 22, 2024
Closure of share register (for attending and voting at annual general meeting)	April 23 to 26, 2024 (both days inclusive)
Annual general meeting (Details are set out in the notice of annual general meeting accompanying this annual report)	10:00 a.m. on April 26, 2024

May

Latest time for lodging transfers (for final dividend)	4:30 p.m. on May 9, 2024
Closure of share register (for final dividend)	May 10, 2024

June

Last day for lodging form of election for scrip dividend	4:30 p.m. on June 4, 2024
Proposed final dividend payable	June 14, 2024

LISTING INFORMATION

At December 31, 2023

4,499,260,670 shares listed on The Stock Exchange of Hong Kong Limited

Stock Code

Hong Kong Stock Exchange: 00101
Reuters: 0101.HK
Bloomberg: 101 HK

Board Lot Size (Share)

1,000

American Depositary Receipt (ADR)

Sponsored Level-1 (Over the Counter)
CUSIP Number/Ticker Symbol: 41043M104/HLPPY
ADR to Underlying Share Ratio: 1:5
Depositary Bank: The Bank of New York Mellon
Website: http://www.adrbnymellon.com

Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Tel: 2862 8555
Fax: 2865 0990

Investor Relations Contact

Joyce Kwock
Email: ir@hanglung.com

SHARE INFORMATION

	Share Price		Total Trading Volume		Share Price		Total Trading Volume
	High HK$	Low HK$	Number of Shares ('000)		High HK$	Low HK$	Number of Shares ('000)
2023				2022			
First quarter	16.28	14.34	253,960	First quarter	16.37	13.33	206,251
Second quarter	15.22	12.00	283,478	Second quarter	16.40	13.14	492,796
Third quarter	12.38	9.80	385,638	Third quarter	14.62	12.47	256,532
Fourth quarter	11.68	9.74	299,837	Fourth quarter	15.48	9.28	413,041
Share Price as at December 31, 2023:			**HK$10.88**	**Share Price as at December 31, 2022:**			**HK$15.26**
Market Capitalization as at December 31, 2023:			**HK$48.95 billion**	**Market Capitalization as at December 31, 2022:**			**HK$68.66 billion**

DESIGN: FORMAT LIMITED www.format.com.hk

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

STOCK CODE

00101

PRINTED WITH SOY INK

MIX
Paper | Supporting responsible forestry
FSC™ C023053
FSC www.fsc.org