

A large, bold, dark blue number '3' is centered on a white rectangular background. The white background is set against a larger background of light pink geometric shapes, including triangles and polygons, creating a modern, abstract design.

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CORPORATE GOVERNANCE

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Corporate Governance Report

➤ Corporate Governance Highlights

Hysan embraces good corporate governance as one of its core values, and as the foundation of achieving consistent and sustainable performance. We are committed to achieving best practice in all aspects of corporate governance, going above and beyond regulatory compliance under the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

In 2021, Hysan continued to comply fully with the requirements of the Corporate Governance Code (the

“Corporate Governance Code”) set out in Appendix 14 of the Listing Rules. Furthermore, Hysan has complied with all applicable requirements and provisions of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules.

This section outlines the highlights and major areas in which Hysan’s corporate governance practices have exceeded the Corporate Governance Code to date and over the past five years.

Hysan’s Corporate Governance Achievements (Beyond Compliance)

Sustainability Committee established on 1 January 2020.

Terms of Reference* for Audit and Risk Management Committee, Nomination Committee, Remuneration Committee, Sustainability Committee, and Executive Committee updated in 2021 and 2022.

Established sustainable finance framework* in 2021, expanding the scope of its existing green finance framework to include social projects and initiatives that would yield a positive impact for society and the stakeholders and communities served by the Group. Issued its first green bond in 2019 and first sustainability bond in 2021. Secured its first sustainability-linked loan in 2021.

Risk Appetite Statement* adopted in 2021.

Anti-Fraud Policy* adopted in 2021, along with supporting fraud handling policy and procedures to control and assist the detection and prevention of fraud.

Tax Governance Policy* adopted in 2021, along with supporting tax compliance policy and procedures.

Human Rights Policy* adopted in 2020, as well as a Code of Ethics* applicable to all staff and Directors. Joint venture partners, contractors and suppliers are encouraged and expected to comply.

Board independence: four INEDs out of ten Directors, exceeding the Listing Rules minimum requirement.

Effective and detailed digital evaluation by the Board of its own performance and that of its committees. Directors’ feedback analysed and discussed in meetings.

Comprehensive Onboarding Guidelines for Directors*.

Individual reports for each Board Committee.

Appointment of Directors through formal letters of appointment. Formal criteria and requirements* established for Non-Executive Director appointments, including expected time commitment.

A separate Whistleblowing Policy* established in 2016. An independent third party is engaged as the whistleblowing channel, reporting directly to the Audit and Risk Management Committee.

A formal Board of Directors Mandate* and a detailed List of Matters Reserved for the Board* provide for a clear division of roles between the Board and management.

Formal Corporate Governance Guidelines* formulated in 2004 and further reviewed in 2021 and 2022.

Corporate Disclosure Policy* formulated in 2013 and further enhanced in 2019. Hysan’s Disclosure Committee conducts regular assessments of inside information and guides and promotes the timely and accurately disseminated disclosure of inside information and stakeholder communications.

Formal Code for Securities Dealing by Directors and Employees, including clearance and approval procedures.

More than 20 business days’ notice for AGMs.

Early announcement of audited financial results within two months and publication of Annual Report within three months after the financial year-end.

Adopted limits on the issuance of additional shares under general mandate from 2018 onwards: specifically, such issuance shall not exceed 10 % of the total number of the Company’s issued shares, and the discount to market price for any shares to be issued shall not exceed 10 %.

Proactive invitation to major nominee companies by Hysan to forward communication materials to the ultimate beneficial shareholders at the Group’s expense.

Auditor Services Policy* for the engagement of auditors.

Confirmation from senior management to the Audit and Risk Management Committee regarding verification compliance. Additional assurance from Internal Audit regarding the review of continuing connected transactions.

Sustainable Procurement Policy* adopted in 2021.

* Detailed policies and terms of reference are available on the Company’s website: www.hysan.com.hk/governance.

➤ Our Leadership Team

Board of Directors

The Board is the governing body of our Group, and assumes the responsibility of overseeing the corporate governance of our Group.

Executive Directors



Lee Irene Yun-Lien

Chairman of the Board

N

Board Appointment Ms. Lee was appointed as a Non-Executive Director in March 2011, Non-Executive Chairman in May 2011, and executive Chairman in March 2012. She also serves as a director of certain subsidiaries of the Group. She is aged 68.

Competencies and Experience Ms. Lee leads the Group in her executive Chairman role. Ms. Lee is the independent non-executive chairman of Hang Seng Bank Limited. She is also an independent non-executive director of HSBC Holdings plc and The Hongkong and Shanghai Banking Corporation Limited. She is a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority. She has held senior positions in investment banking and fund management in a number of renowned international financial institutions. Previously, Ms. Lee was an executive director of Citicorp Investment Bank Limited in New York, London and Sydney, and head of corporate finance at Commonwealth Bank of Australia and chief executive officer of Sealcorp Holdings Limited, both based in Sydney. She was also

the non-executive chairman of Keybridge Capital Limited (listed on the Australian Stock Exchange), a non-executive director of ING Bank (Australia) Limited, QBE Insurance Group Limited and The Myer Family Company Pty Limited, an independent non-executive director of Noble Group Limited (listed on Singapore Exchange Limited), CLP Holdings Limited and Cathay Pacific Airways Limited, and a member of the Advisory Council of JP Morgan Australia. Ms. Lee was formerly a member of the Australian Government Takeovers Panel.

She is a member of the founding Lee family, sister of Mr. Lee Anthony Hsien Pin (Non-Executive Director) and his alternate on the Board.

Qualifications Ms. Lee holds a Bachelor of Arts Degree from Smith College, the United States of America, and is a Barrister-at-Law in England and Wales and a member of the Honourable Society of Gray's Inn, the United Kingdom.

Committees Ms. Lee is the Chairman of the Nomination Committee.



Audit and Risk Management Committee



Remuneration Committee



Nomination Committee



Sustainability Committee



Committee Chairman

Executive Directors (continued)



Lui Kon Wai

Executive Director and Chief Operating Officer

Board Appointment Mr. Lui was appointed as the Group's Chief Operating Officer in December 2016 and Executive Director in October 2021. He also serves as a director of certain subsidiaries of the Group. He is aged 56.

Competencies and Experience Under the leadership of the Executive Chairman, Mr. Lui is responsible for translating and executing the Group's strategy and vision into operational and financial attainment, and also driving the Group's business growth, development and investment.

He has over 30 years of experience as a senior executive in the property industry globally, covering acquisitions, development and asset management for residential, office, retail and large-scale mixed-use developments in Hong Kong, Mainland China and overseas.

Qualifications Mr. Lui holds a Master of Business Administration degree from the University of Warwick, the United Kingdom. He is also a Fellow of the Royal Institution of Chartered Surveyors and a Member of the Chartered Institute of Building.

Non-Executive Directors



Churchouse Frederick Peter

Independent Non-Executive Director



Board Appointment Mr. Churchouse was appointed as an Independent Non-Executive Director in December 2012 and is aged 72.

Competencies and Experience Mr. Churchouse has been involved in Asian securities and property investment markets for more than 30 years. He is currently a private investor including having his own private family office company, Portwood Company Ltd. He is an independent non-executive director of Longfor Group Holdings Limited. He was the publisher and author of *The Churchouse Letter*. In 2004, Mr. Churchouse set up an Asian investment fund under LIM Advisors. He acted as a director and Responsible Officer of LIM

Advisors until the end of 2009. Prior to this, Mr. Churchouse worked at Morgan Stanley as a managing director and advisory director from early 1988. He acted in a variety of roles including head of regional research, regional strategist and head of regional property research. He was also a board member of Macquarie Retail Management (Asia) Limited.

Qualifications Mr. Churchouse gained a Bachelor of Arts degree and a Master of Social Sciences degree from the University of Waikato in New Zealand.

Committees Mr. Churchouse is a member of the Audit and Risk Management Committee and the Nomination Committee.



Fan Yan Hok Philip

Independent Non-Executive Director



Board Appointment Mr. Fan was appointed as an Independent Non-Executive Director in January 2010. He is aged 72.

Competencies and Experience Mr. Fan is an independent non-executive director of China Everbright Environment Group Limited, First Pacific Company Limited, China Aircraft Leasing Group Holdings Limited and PFC Device Inc. He was previously an independent director of Goodman Group.

Qualifications Mr. Fan holds a Bachelor's Degree in Industrial Engineering and a Master's Degree in Operations Research from Stanford University, as well as a Master's Degree in Management Science from the Massachusetts Institute of Technology.

Committees Mr. Fan is the Chairman of the Remuneration Committee, and a member of the Audit and Risk Management Committee, the Nomination Committee and the Sustainability Committee.



Poon Chung Yin Joseph

Independent Non-Executive Director



Board Appointment Mr. Poon was appointed as an Independent Non-Executive Director in January 2010. He is aged 67.

Competencies and Experience Mr. Poon is a non-executive director of Tai Chong Cheang Group, a member of the Advising Committee of the Asia Pacific Institute for Strategy and a board advisor of Clean Air Network. He was formerly an independent non-executive director of AAC Technologies Holdings Inc., the group managing director and deputy chief executive officer of Tai Chong Cheang Group, managing director and deputy chief executive of Hang Seng Bank Limited and held senior management posts in HSBC Group and a number of internationally renowned financial institutions. Mr. Poon was the former chairman of Hang Seng Index Advisory Committee, Hang Seng Indexes Company

Limited, a former member of the Board of Inland Revenue of the Hong Kong Special Administrative Region and the Environment and Conservation Fund Investment Committee, and a former committee member of the Chinese General Chamber of Commerce.

Qualifications Mr. Poon holds a Bachelor of Commerce degree from the University of Western Australia. He is a member of Chartered Accountants Australia and New Zealand, and the Hong Kong Institute of Certified Public Accountants. Mr. Poon is also a Fellow of the Hong Kong Institute of Directors.

Committees Mr. Poon is the Chairman of the Audit and Risk Management Committee, and a member of the Remuneration Committee and the Nomination Committee.



Audit and Risk Management Committee



Remuneration Committee



Nomination Committee



Sustainability Committee



Committee Chairman

Non-Executive Directors (continued)



Wong Ching Ying Belinda
Independent Non-Executive Director



Board Appointment Ms. Wong was appointed as an Independent Non-Executive Director in December 2018 and is aged 50.

Competencies and Experience Ms. Wong is currently the chairman of Starbucks China. Ms. Wong joined Starbucks Coffee Company in 2000 and held leadership positions across a variety of business units and geographies, including marketing director for the Asia Pacific region of Starbucks Coffee, managing director of Starbucks Singapore and general manager of Starbucks Hong Kong. Prior to joining Starbucks group in 2000, Ms. Wong was the marketing manager of McDonald's China Development Company. She is also an

independent non-executive director of Television Broadcasts Limited and has extensive experience in retail, food and beverage, people, brand development and growth strategy across the Greater China and Asia Pacific regions. She serves as a member of the Faculty Advisory Board for University of British Columbia's Sauder School of Business.

Qualifications Ms. Wong holds a Bachelor of Commerce degree with a major in finance from the University of British Columbia in Canada.

Committees Ms. Wong is a member of the Sustainability Committee.



Jebson Hans Michael B.B.S.
Non-Executive Director



Board Appointment Mr. Jebson was appointed as a Non-Executive Director in 1994 and is aged 65.

Competencies and Experience Mr. Jebson is chairman of Jebson and Company Limited as well as a director of other Jebson Group companies worldwide. He is also an independent non-executive director of The Wharf (Holdings) Limited. Mr. Jebson currently holds a number of public offices, namely, chairman of the Asian Cultural Council Hong Kong, chairman of the Advisory Council of the Business School of The Hong Kong University of Science and Technology, trustee of World Wide Fund for Nature Hong Kong, and member of the Board of Trustees of Asia Society Hong Kong Center, the Hong Kong-Europe Business Council of the Hong Kong Trade Development Council as well as the Advisory Board of the Hong Kong Red Cross. Since 2015, he has also been a member of the Operations Review Committee of the Independent Commission Against Corruption.

Mr. Jebson was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2001, made a Knight of the Dannebrog by receiving the Silver Cross of the Order of Dannebrog by H. M. The Queen of Denmark in 2006, was awarded the Merit Cross of the Order of the Merit of the Federal Republic of Germany in 2009, received the title "Hofjægermester" by H. M. The Queen of Denmark in January 2011 and was awarded the Knight of 1st Class of the Order of Dannebrog, Denmark in 2014. Mr. Jebson received the title "Kammerherre" by H.M. The Queen of Denmark in 2020. In 2021, Mr. Jebson was conferred the title of Guangzhou Honorary Citizen.

Qualifications Mr. Jebson was awarded Doctor of Business Administration honoris causa of The Hong Kong University of Science and Technology in 2015.

Committees Mr. Jebson is the Chairman of the Sustainability Committee.



Lee Anthony Hsien Pin

Non-Executive Director

A

Board Appointment Mr. Lee was appointed as a Non-Executive Director in 1994 and is aged 64.

Competencies and Experience Mr. Lee is a director and substantial shareholder of the Australian-listed Beyond International Limited, principally engaged in television programme production and international sales of television programmes and feature films. He is also a non-executive director of Television Broadcasts Limited and a member of the Board of Trustees of Princeton

University. Mr. Lee is a member of the founding Lee family and a director of Lee Hysan Company Limited, a substantial shareholder of the Company. He is the brother of Ms. Lee Irene Yun-Lien, Chairman.

Qualifications Mr. Lee received a Bachelor of Arts Degree from Princeton University and a Master of Business Administration Degree from The Chinese University of Hong Kong.

Committees Mr. Lee is a member of the Audit and Risk Management Committee.



Lee Chien

Non-Executive Director

N

Board Appointment Mr. Lee was appointed as a Non-Executive Director in 1988 and is aged 68.

Competencies and Experience Mr. Lee is a non-executive director of Swire Pacific Limited and a number of private companies. He is a member of the founding Lee family and a director of Lee Hysan Company Limited, a substantial shareholder of the Company. Mr. Lee is a Council member of The Chinese University of Hong Kong and St. Paul's Co-educational College and a

Trustee Emeritus of Stanford University. He is also a director of CUHK Medical Centre.

Qualifications Mr. Lee received a Bachelor of Science Degree in Mathematical Science, a Master of Science Degree in Operations Research and a Master of Business Administration Degree from Stanford University.

Committees Mr. Lee is a member of the Nomination Committee.



Audit and Risk
Management
Committee



Remuneration
Committee



Nomination
Committee



Sustainability
Committee



Committee
Chairman

Non-Executive Directors (continued)



Lee Tze Hau Michael

Non-Executive Director

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Board Appointment Mr. Lee joined the Board in January 2010, having previously served as a Director from 1990 to 2007. He is aged 60.

Competencies and Experience Mr. Lee is currently a director of Oxer Limited, a private investment company. He is also an independent non-executive director of Chen Hsong Holdings Limited and the deputy chairman of the Board of Stewards of The Hong Kong Jockey Club. He was previously an independent non-executive director of Hong Kong Exchanges and Clearing Limited and Trinity Limited, and an independent non-executive director and chairman of OTC Clearing Hong Kong

Limited. Mr. Lee was also a member of the Main Board and Growth Enterprise Market Listing Committees of The Stock Exchange of Hong Kong Limited. Mr. Lee is a member of the founding Lee family and a director of Lee Hysan Company Limited, a substantial shareholder of the Company.

Qualifications Mr. Lee received his Bachelor of Arts Degree from Bowdoin College and his Master of Business Administration Degree from Boston University.

Committees Mr. Lee is a member of the Remuneration Committee.

Senior Management



Hao Shu Yan Roger

BBA (Hons), CPA, ACA, ACCA

Chief Financial Officer and Company Secretary

Mr. Hao is responsible for the Group's financial control, treasury, legal and secretarial functions, and serves as a director of certain Hysan subsidiaries. He joined the Group in 2008. Mr. Hao accumulated extensive experience in auditing, financial management and control while holding senior positions in multinational corporations. He is aged 56.



Choy Man Wai Kitty

BEcon, MSc, MBA

Director, Retail

Ms. Choy is responsible for the Group's retail portfolio and asset management strategies, and serves as a director of certain Hysan subsidiaries. She joined the Group in 2000 and prior to joining Hysan, Ms. Choy held a supervisory position at a major property development company. She is aged 49.



Yip Mo Ching Jessica

BSc (Surveying), MBA, MRICS, MHKIS, RPS

Director, Office and Residential

Ms. Yip is responsible for managing the office and residential portfolio of the Group, and serves as a director of certain Hysan subsidiaries. Prior to joining the Group in 2012, Ms. Yip fulfilled various roles in international consultancies, occupiers and developers. She has extensive experience in the real estate industry. She is aged 45.

➤ Our Governance Structure

The Board is responsible for the stewardship of the Group and ensuring the effectiveness and adequacy of the Group's corporate governance system. A strong corporate governance system allows the Group to enhance business efficacy with precision and thus successfully achieve its intended results, while also supporting Hysan's strategic objective of optimising consistent long-term financial returns for its shareholders.

The Board is the governing body of the Group and assumes the responsibility of shaping business goals and strategies in the best interests of the Group. In carrying out its duties, the Board may, within defined limits and authority, delegate tasks to its Board Committees.

Our Board has four Board Committees, namely:

- Audit and Risk Management Committee
- Remuneration Committee
- Nomination Committee
- Sustainability Committee

The Executive Committee and different Management Committees at the Group level are empowered to implement and execute the Group's business goals and strategies as determined and led by the Board.

Details are set out under the "Leadership" section on page 50.

➤ Our Governance System

Hysan operates within a clear and effective corporate governance system.

The Corporate Governance Guidelines (reviewed from time to time with last updated in January 2022) serve as the main code governing the Board's commitment to high standards of corporate governance and its roles and responsibilities in supervising the management of the business and affairs of the Group.

Our corporate governance system comprises, inter alia:

- Corporate Governance Framework
- Risk Management and Internal Control Framework

At Hysan, we recognize the importance of achieving good corporate governance from top to bottom: not only at the Board level, but also throughout the whole Hysan Group. Our corporate governance procedures and practices are

embedded in a wide range of corporate policies and guidelines, including, but not limited to, the following key policies and guidelines. All Directors and employees are expected to follow our corporate governance policies and guidelines.

- Corporate Governance Guidelines
- Onboarding Guidelines for Directors
- Board of Directors Mandate
- Roles and Requirements of Non-Executive Directors
- List of Matters Reserved for the Board
- Terms of Reference of each Board Committee
- Diversity Policy
- Nomination Policy
- Auditor Services Policy
- Code of Ethics for Directors and Employees
- Corporate Disclosure Policy
- Anti-Fraud Policy
- Whistleblowing Policy
- Procedures for Shareholders to Convene General Meetings/Put Forward Proposals
- Shareholders Communication Policy
- Tax Governance Policy
- Human Rights Policy

Detailed policies and terms of references are available on the Company's website: www.hysan.com.hk/governance.

➤ Our Corporate Governance Framework

Our corporate governance framework is carefully and regularly assessed and tailored in accordance with developments in regulatory regimes, international best practices, and the Company's needs.

This framework is the centrepiece of our corporate governance system. It aims to ensure that both Directors and employees act within a robust chain of delegated authority and powers, in accordance with our corporate governance principles of:

- | | |
|------------------------|-------------------------|
| 1 Leadership | 3 Accountability |
| 2 Effectiveness | 4 Engagement |

1 Leadership

Our Group's business operations and affairs are effectively managed and carried out through a chain of delegated authority within defined limits.

Leadership at a glance

THE BOARD

Leadership	Strategy Planning	Risk Management and Internal Control	Culture and Values
Provides leadership and direction for the business of the Group	Sets strategy and oversees its implementation	Ensures only acceptable risks are taken	Focuses on the long-term sustainability of the business

BOARD COMMITTEES

AUDIT AND RISK MANAGEMENT COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE	SUSTAINABILITY COMMITTEE
<ul style="list-style-type: none"> Reviews risk management and internal control systems Oversees financial reporting Assesses and makes recommendations on the Group's risk appetite, profile and tolerance 	<ul style="list-style-type: none"> Sets remuneration policy for Executive Directors and senior management Determines Executive Directors' and senior management's remuneration and incentives 	<ul style="list-style-type: none"> Recommends Board appointments Reviews Board structure, composition and diversity Assesses independence of INEDs Oversees succession planning 	<ul style="list-style-type: none"> Reviews the Group's corporate responsibility, sustainability development and related policies Assesses the Group's sustainability development and risks

EXECUTIVE COMMITTEE

- Operates the day-to-day business of the Group under the Board's delegation. It is composed of Executive Directors, Chief Financial Officer and other senior management members of the Group, as delegated from time to time
- Assists the Board and the Company in managing the business, operational and financial performance of the Group

MANAGEMENT COMMITTEES

RISK MANAGEMENT COMMITTEE
<ul style="list-style-type: none"> Serves as the senior management forum for reviewing and discussing risks, controls, and mitigating measures
SUSTAINABILITY EXECUTIVE COMMITTEE
<ul style="list-style-type: none"> Reports and co-ordinates environmental, community and charitable activities Assists the Company in overseeing the sustainability and governance of the Group Sets targets and objectives and monitors progress
DISCLOSURE COMMITTEE
<ul style="list-style-type: none"> Considers issues relating to disclosure of inside information Ensures disclosure requirements are met Ensures appropriate records are maintained

Advisor To The Board

- Invited to advise the Board since 2018
- Provides advice and guidance on the Group's overall capabilities and strategic direction
- Helps the Company to capitalize on opportunities arising from fast-changing customer and tenant behaviour

Next Generation Innovation Panel

- Invited to advise the Board since 2019
- Enhances the Group's overall capability to address the key trends, innovations and generational shifts that may influence and disrupt the Company's operations and development
- Members of the Panel are young international entrepreneurs and accomplished next-generation leaders

Board

All Directors are recruited through formal letters of appointment which set out clearly the terms and conditions of their appointments. Directors (including all Non-Executive Directors and Independent Non-Executive Directors) serve for a term of three years and are subject to rotation.

The main roles and responsibilities of the Board are:

- Setting business goals and strategies in the best interests of the Group and overseeing their implementation;
- Providing insights regarding the Group's culture and values;
- Determining the Group's risk appetite and evaluating the risks that the Group is willing to take;
- Overseeing and ensuring the adequacy and effectiveness of the Group's internal controls and risk management system; and
- Supervising the corporate governance and financial performance of the Group.

The Board is governed by a formal **Board of Directors Mandate**.

To retain control of key decisions and ensure that there is a clear division of responsibilities between the Board and the management regarding the daily operations of the Group, the Board has identified certain reserved matters that only the Board can approve. Other matters, responsibilities and authorities have been effectively delegated as described. Details are set out in the **List of Matters Reserved for the Board**.

Board Committees

The Board has four Board Committees, namely the Audit and Risk Management Committee, Remuneration Committee, Nomination Committee and Sustainability Committee.

All Committee meetings are conducted prior to full Board meetings to ensure that all vital matters are reported to the Board in advance, considered thoroughly and decided upon by the full Board in a timely manner.

Each Committee has access to independent professional advice as and when required, and supported by the Company Secretary. All Board Committees report to the Board. During the year, the procedures for seeking independent professional advice have also been enhanced to facilitate Board access to such advice.

Full details of the Committees' activities during the year are set out in their respective reports:

- "Audit and Risk Management Committee Report" on pages 77 to 80
- "Remuneration Committee Report" on pages 81 to 86
- "Nomination Committee Report" on pages 87 to 88
- "Sustainability Committee Report" on pages 89 to 90

The Terms of Reference for each Committee were updated in 2021 and further reviewed and/or updated (as the case may be) in 2022.

Executive Committee and Management Committees

The Executive Committee is entrusted with the task of implementing and executing business goals and strategies as determined by the Board. The Board retains control of key decisions and certain reserved matters specified in the **List of Matters Reserved for the Board**, which is reviewed annually.

The Executive Committee members include the Executive Directors, the Chief Financial Officer and other members as may be appointed by the Board from time to time. The Terms of Reference for the Executive Committee were updated in 2021.

Hysan's strong governance framework requires a number of executive and advisory groups. These include, among others, three governance-related management level committees:

- the Risk Management Committee;
- the Sustainability Executive Committee; and
- the Disclosure Committee.

To enhance the Group's strategy and overall capabilities in addressing new business trends and emerging generational shifts, the Board has appointed Li Xinzhe Jennifer as an Advisor to the Board, as well as establishing a Next Generation Innovation Panel to advise the Board accordingly.

2 Effectiveness

Board effectiveness stems from achieving the right composition, size, diversity, commitment, and independence. This can be attained through a proper nomination process, ongoing reviews, and a board evaluation process.

Board Size

As at 31 December 2021, there were ten Directors on the Board: the Chairman, the Executive Director and Chief Operating Officer and eight Non-Executive Directors (including four Independent Non-Executive Directors).

Lee Irene Yun-Lien is currently the Board Chairman. She leads the Board, particularly regarding the long-term strategic development of the Group and matters that drive shareholder value.

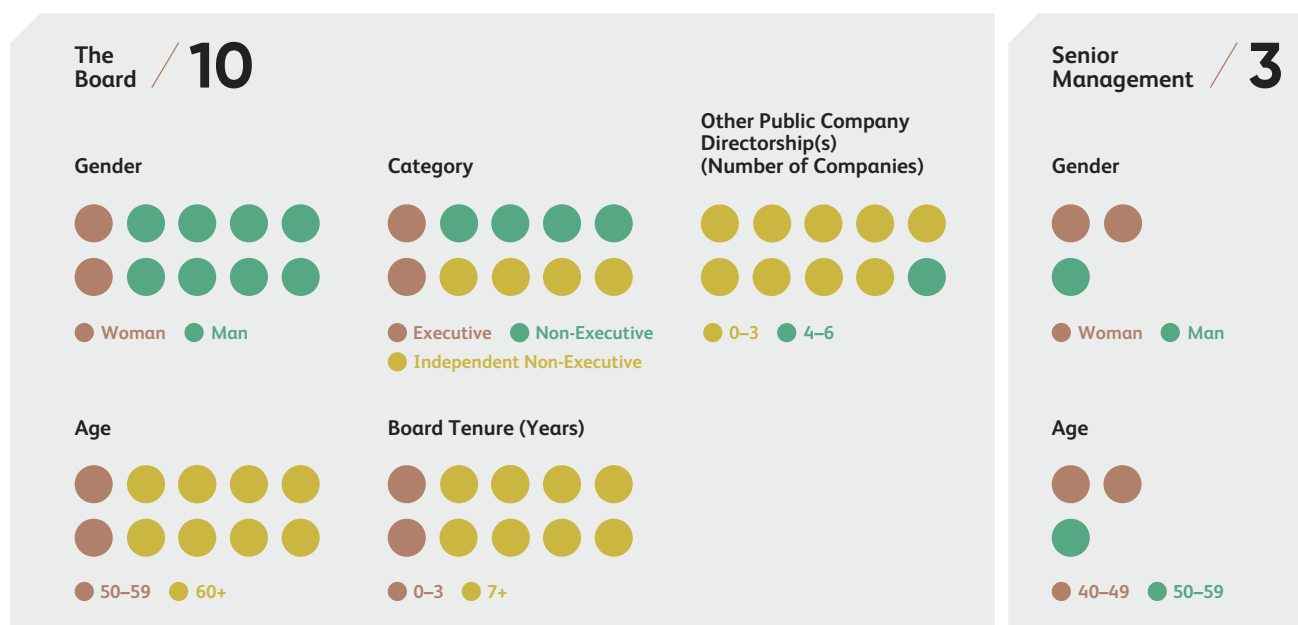
On 1 October 2021, Lui Kon Wai, Chief Operating Officer since December 2016, was also appointed as an Executive Director in accordance with the Company's Diversity Policy and Nomination Policy. Under the leadership of the Board Chairman, Lui Kon Wai is responsible for translating and executing the Group's strategy and vision into operational and financial attainment, and for driving the Group's business growth, development and investment. He has over 30 years of global experience as a senior executive in the

property industry, covering acquisitions, development and asset management for residential, office, retail and large-scale mixed-use developments in Hong Kong, Mainland China and overseas.

Churchouse Frederick Peter, Fan Yan Hok Philip and Poon Chung Yin Joseph have served as Independent Non-Executive Directors for more than nine years. Churchouse Frederick Peter and Poon Chung Yin Joseph were re-elected at the 2021 annual general meeting ("AGM"), while Fan Yan Hok Philip will retire by rotation at the forthcoming AGM to be held on 19 May 2022. The Board highly values their experience and wisdom. They continue to provide positive and significant contributions and guidance to the Company's strategies and business development, offering independent judgment from their areas of expertise and experience in risk management, finance, people and culture, technology, and environmental, social and governance (ESG) matters, all of which are relevant to the Group's business. The Board and the Nomination Committee are of the view that Churchouse Frederick Peter, Fan Yan Hok Philip and Poon Chung Yin Joseph have consistently demonstrated a healthy level of professional scepticism where appropriate and have not held back from asking probing questions and challenging executive management's views and recommendations. There is no evidence to suggest that their tenure has had any impact on their independence.

Fan Yan Hok Philip, Jebesen Hans Michael, Lee Anthony Hsien Pin, Lui Kon Wai and Wong Ching Ying Belinda will retire at the forthcoming AGM to be held on 19 May 2022. All of them being eligible for re-election will offer themselves for

The Board and Senior Management Composition



(Directors' full biographies, including relationships among members of the Board, and Senior Management's full biographies, are set out in pages 43 to 48, and are also available on the Company's website: www.hysan.com.hk/about/leadership)

re-election. Details of the candidates standing for re-election as Directors are set out in the AGM circular to shareholders. None of these Directors has a service contract with the Company or any of its subsidiaries that is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Board, through the Nomination Committee, has determined that the Board size of ten Directors is adequate and effective in terms of carrying out its duties and responsibilities, and recommends the re-election of the retiring Directors.

Board Diversity

Hysan recognizes the importance of diversity among its Board members and has adopted a Diversity Policy to this end. During the year, the Diversity Policy was updated to require that the Policy be reviewed at least annually to ensure its continued effectiveness and confirm that the Board has an appropriate mix of skills and experience to deliver the Company's strategy.

The Diversity Policy requires the Nomination Committee to annually review the following, and report to the Board:

- the structure, size and composition of the Board; and
- the diversity of background, skills and experience (including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board.

Our Board currently has two women Directors out of ten Directors, and is committed to improving gender diversity as and when suitable candidates are identified.

In striving to maintain gender diversity, similar considerations are used when recruiting and selecting key management and other personnel across the Group's operations. As at 31 December 2021, we maintained a 39:61 ratio of women to men in the workplace. For details of our hiring practices, please refer to our Sustainability Report.

Our eight Non-Executive Directors are from diverse and complementary backgrounds. The valuable experience and expertise they bring to our business are critical for the long-term growth of the Group.

Skill / Experience	Summary	Combined
Environmental, Social and Governance	Experience in, and commitment to, exceptional corporate governance standards, environmental management, and social responsibility initiatives.	
Risk Management	Experience in anticipating and identifying the key risks to an organization and monitoring the effectiveness of risk management frameworks and controls.	
Strategy	Experience in defining strategic objectives, assessing business plans and driving execution in large and complex organisations.	
Customer and Retail	Experience as a senior executive in a major retail, customer products, services or distribution company.	
Real Estate Investment	Experience as a senior executive in another major company in the property investment, development or facilities management sector, or related industry experience or insights into real estate investment opportunities.	
Financial Services and Investment	Experience in the financial services industry or experience in overseeing financial transactions and investment management.	
Financial Acumen	Understanding of a business's financial drivers, and experience in implementing or overseeing financial accounting, reporting and internal controls.	
People and Culture	Experience in monitoring a company's culture, overseeing people management and succession planning, and setting remuneration frameworks.	
International and China	Experience in international and Mainland China economics and relations.	
Technology	Experience in digital and technology business or in monitoring technology-related projects.	

● Extensive ● Moderate

Board Commitment

Board effectiveness is attained through significant commitment and contribution from each Director.

To ensure that our Directors have spent sufficient time engaged in the affairs of the Company, the Directors disclose to the Company once a year details of their other offices held in Hong Kong or overseas-listed public companies and other significant commitments, as well as an indication of the time involved in those positions. In addition, the Directors usually inform the Company promptly whenever there are changes regarding their other positions.

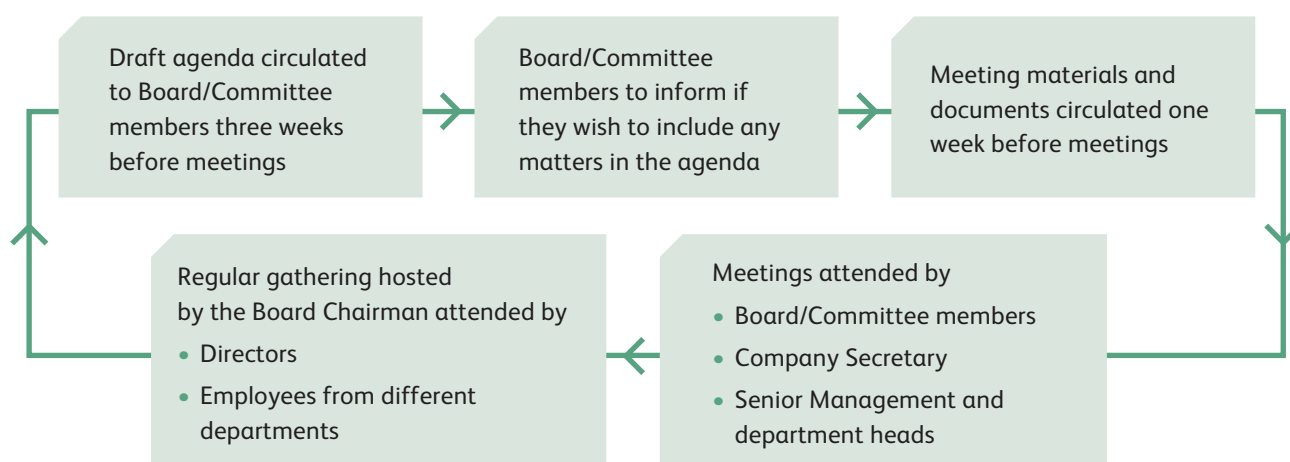
The Board and the Board Committees meet regularly each year. The Board and Board Committee members are given full and timely access to meeting agendas and materials well before the meetings to allow them to read materials thoroughly. The committee chairs are also given sufficient time at each Board meeting to report on the discussions undertaken at Board Committee meetings and make recommendations for the Board's further deliberation and/or approval. The Senior Management and other department

heads are invited to present to the Board on operational topics during the year and to engage in open discussions with the Board.

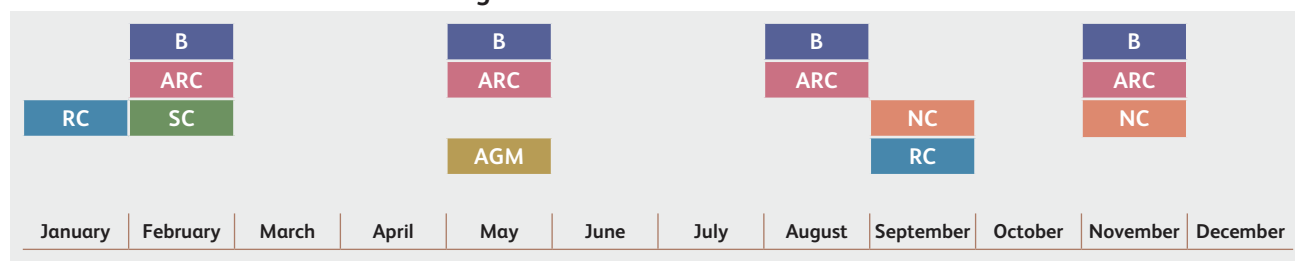
During the year, efficient hybrid (physical and virtual) Board and Board Committee meetings took place using effective technology and a digital board portal, after giving due weight and consideration to the health and safety of Board members and employees considering the COVID-19 pandemic situation. This effective technological connectivity continued to promote a high level of involvement and engagement at different levels of the business.

Meeting Process

In 2021, the Directors participated extensively in the Company's affairs and the Board's discussions and decisions, as reflected in their high attendance record in Board and Board Committee meetings during the year. The Independent Non-Executive Directors held separate meetings with the Board Chairman to discuss Board and relevant matters.



Board and Board Committee meetings in 2021



B	Board Meeting(s)	RC	Remuneration Committee Meeting	SC	Sustainability Committee Meeting
ARC	Audit and Risk Management Committee Meeting	NC	Nomination Committee Meeting	AGM	Annual General Meeting

Directors' Attendance at Meetings and Continuous Professional Development in 2021

The following table shows Directors' attendance at meetings and training:

Directors	B (Total: 5) (Note 1)	ARC (Total: 4)	RC (Total: 2)	NC (Total: 2)	SC (Total: 1)	AGM (Annually)	Training (Note 4)
Lee Irene Yun-Lien	●●●●●	●●●●● (Note 2)	●● (Note 2)	●●	● (Note 2)	●	✓
Lui Kon Wai (Note 3)	●●	● (Note 2)	—	—	—	—	✓
Churchouse Frederick Peter	●●●●○	●●●●○	—	●○	—	●	✓
Fan Yan Hok Philip	●●●●●	●●●●●	●●	●●	●	●	✓
Poon Chung Yin Joseph	●●●●●	●●●●●	○●	●●	—	●	✓
Wong Ching Ying Belinda	●○●○●○	—	—	—	○	○	✓
Jebsen Hans Michael	●○●○●●	—	—	—	●	○	✓
Lee Anthony Hsien Pin	○●○●○●	○●○●○●	—	—	—	○	✓
Lee Chien	●●●●●	—	—	●●	—	●	✓
Lee Tze Hau Michael	●●●●●	—	●●	—	—	●	✓

● Attended ○ Attended by tele/video conference/webcast

Notes:

- In addition to the routine Board meeting in November, a dedicated half-day Board meeting was also held in November 2021 to discuss the Group's business plans and long-term directional strategy.
- Executive Directors are invited to present updates and/or answer relevant questions in order to facilitate the decision-making process. Executive Directors are expressly excused from the sections of Remuneration Committee meetings when their own compensation packages are discussed.
- Lui Kon Wai was appointed as an Executive Director on 1 October 2021.
- This includes (i) trainings organized by Hysan; (ii) expert briefings, seminars and conferences relevant to the Company's business; and (iii) reading legal, regulatory, industry and directors' duties related updates prepared by Hysan on a quarterly basis.

Continuous Professional Development

In addition to regular Board and Board Committee meetings, the Directors attended various knowledge development sessions during the year to keep abreast of industry trends, knowledge and skills.

In 2021, the knowledge development sessions included a deep-dive presentation by our Next Generation Innovation Panel entitled "What Does the Future of Luxury Look Like?", a co-project with the Group's retail team that profiled the future of retail; and a directors' forum with guest speaker Mr. Carl Wu, Chief Executive Officer and Co-Founder of New Frontier Group, who gave an update on healthcare business. All Directors also received various legal and regulatory updates and have access to a comprehensive online board

portal containing memoranda on Directors' Duties and Responsibilities, anti-corruption practices and other training materials. Directors have expressed the view that the training sessions have been stimulating and highly relevant, and that there were adequate training opportunities during the year. Directors are required to provide the Company with details of training undertaken once a year.

In 2021, members of the senior management and the Company Secretary had access to a variety of training activities, including attending seminars, workshops and conferences and receiving regulatory updates relevant to their business and duties, anti-corruption practices as well as their directors' duties and responsibilities when acting as directors of subsidiaries. They received sufficient internal and external training to better equip them to fulfil their roles in supporting the Company.

Board Independence

Hysan's Board has always maintained its independence. As at 31 December 2021, four out of our ten Directors were Independent Non-executive Directors (exceeding the Listing Rules requirement).

Criteria of independence

- Clearly set out in our Corporate Governance Guidelines
- Must be free from any business or other relationship that may interfere with the exercise of their independent judgment

Board independence is regularly and consistently reviewed and maintained, including through:

- Strict compliance with our Code of Ethics, which aims to avoid conflicts of interest;
- Separate discussions amongst Non-Executive Directors, without the presence of Executive Directors or Board members related to the founding Lee family;

- Full disclosure in annual reports of cross-directorships or other business relationships that may interfere with Directors' independence;
- Full Board approval of connected transactions (as described clearly in the List of Matters Reserved for the Board), with exempted transactions required to be reported to the full Board after obtaining management approval;
- Independent professional advice, as and when required by individual Directors;
- Two reminders each year to the Directors from the Company Secretary on compliance with connected transactions related Listing Rules requirements; and
- Review by the Nomination Committee of potential conflicts of interest and recommendation on appropriate actions to take.

During the reporting year, the Nomination Committee carried out a detailed review of the Directors' independence and was satisfied that each of the four Independent Non-Executive Directors was independent at the time of review.

Independence Status

Name	Management	Independent	Not Independent	November 2021 Review – Reason for Independence Status
Churchouse Frederick Peter		✓		No business or other relationships with the Group or management that will affect independence
Fan Yan Hok Philip		✓		
Poon Chung Yin Joseph		✓		
Wong Ching Ying Belinda		✓		

Notes:

1. Shanghai Starbucks Coffee Enterprise Co., Ltd., a wholly-owned subsidiary of Starbucks Corporation (listed on NASDAQ), is one of the tenants of a commercial complex located in Shanghai, People's Republic of China owned by an associate of the Company. The revenue or profit derived from those leases indirectly as the share of results of an associate is immaterial (less than 1% of the Company's turnover or equity attributable to owners of the Company or total assets of the Company for the year ended 31 December 2021) to the Group. During her term as Independent Non-Executive Director of the Company, Wong Ching Ying Belinda will abstain from voting on any Board resolution in relation to any business dealings with the Starbucks group. Wong Ching Ying Belinda has agreed not to participate in any decision making or approval process involving the Starbucks group. Since operational matters (office / retail leasing) are unlikely to be considered at Board level, any conflict of interest is regarded as unlikely to occur in practice. Wong Ching Ying Belinda has ceased to be director of certain entities of Starbucks Coffee Company during the year (including Shanghai Starbucks Coffee Enterprise Co., Ltd.).
2. Wong Ching Ying Belinda holds a cross-directorship with Lee Anthony Hsien Pin since they both serve on the boards of the Company and Television Broadcasts Limited. However, given that Wong Ching Ying Belinda plays a non-executive role and does not hold any shares in the two companies, the Company considers that such cross-directorship would not undermine the independence of Wong Ching Ying Belinda with respect to her directorship in the Company.
3. The Board and the Nomination Committee have assessed the independence of Wong Ching Ying Belinda in light of the circumstances, including (i) her background, experiences, achievements and character, and (ii) the nature of the Company's relationship with the Starbucks group and Wong Ching Ying Belinda's roles, as well as the mitigating actions as described above, and concluded that her independence would not be affected. It was decided that potential conflicts, which are minimal, could be managed and that the benefits of her appointment outweighed any risk of conflict. In addition, the mitigation principles and actions are adequate and appropriate to deal with any such issues.

Nomination Process

A proper and detailed nomination process ensures the appointment of talented Directors suitable for the best interests of the Group.

Hysan has a unique Nomination Policy governing nomination practices and procedures. The Nomination Committee considers a variety of factors in assessing the suitability of a proposed candidate, including:

- Reputation for integrity;
- Accomplishment, experience and reputation in the real estate industry and other relevant sectors;
- Commitment in respect of time, interest and attention to the Company's business, including devoting adequate time for preparation and participation in meetings, training and other Board or Company associated activities;
- Diversity in all aspects, including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Ability to assist and support management and make significant contributions to the Company's success;
- Compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive director; and
- Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

In considering the appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of the individual, evaluate the candidate using the same criteria regardless of the source of the candidacy, and make recommendations for the Board's consideration and approval.

In considering the re-appointment of any existing member(s) of the Board, the Nomination Committee shall review the retiring director's overall contribution to the Company as well as the selection criteria set out in the Nomination Policy. The Nomination Committee will then make recommendations to the Board for its consideration, with the Board determining whether to recommend the proposed candidates for re-election at a general meeting.

Priorities of our induction programme

Providing an overview of:

- the Group's business and challenges;
- the Group's strategies and key risks faced;
- the Group's corporate and organizational structure;
- the Board's culture, governance and dynamics; and
- the legal and regulatory obligations of a Director.

Getting to know the Board and Senior Management

- meeting with the Board Chairman, Committee Chairmen and senior management; and
- introductory session with the Company Secretary and training with external advisers.

Meetings are well planned and efficiently run. Good balance of business and compliance/governance. The focus is always on business strategy, risks, directions and is forward looking.

Directors' comments received in Board Evaluation 2021.

In order to ensure that the Directors are committed to allocating sufficient time and attention to the affairs of the Group, Directors are engaged by formal letters of appointment with a specific term of three years and are subject to rotation under the Company's Articles of Association.

The Directors are subject to re-election at the first AGM following their appointment. Every Director will be subject to retirement by rotation at least once every three years under the Company's Articles of Association. Retiring Directors are eligible for re-election at the AGM at which they retire. There is no cumulative voting in Directors' elections. The election of each Director is executed through a separate resolution.

The Board has adopted comprehensive Onboarding Guidelines for Directors, which sets out a properly tailored induction programme that gives new Directors an understanding of the Group, its businesses and operations (including the major risks it faces), and Board governance and dynamics, with due regard to the Director's unique background, experience and skills.

The induction programme includes an introductory session with the Company Secretary, individual meetings with the Board Chairman, Committee Chairmen and Senior Management, portfolio visits, and meetings with the Company's external advisers. Individual briefings are arranged on topics such as Directors' responsibilities and an overview of the Group's business. The Company has provided Lui Kon Wai, the Director appointed during the year, with a full and comprehensive induction upon his appointment.

Ongoing review by Nomination Committee

The Nomination Committee reviews the Board's structure, size, composition, commitment, independence and diversity from time to time. The last review was conducted in November 2021.

The Nomination Committee undertook a comprehensive review, considering the gender, age, tenure, cultural/educational and professional background, skills, knowledge and experience of each Director, as well as the structure, composition, size, commitment and independence of the Board.

The Nomination Committee was of the view that the existing Board was satisfactory and effective in terms of its size, structure, composition, commitment, independence and diversity. The Committee concluded that, in order to support board succession planning and long-term growth, the boardroom of the future will require expertise in technology and digital media, finance and accounting, risk management, and environmental, social and governance (ESG) matters. Gender diversity should also be taken into account in Board refreshment and succession planning.

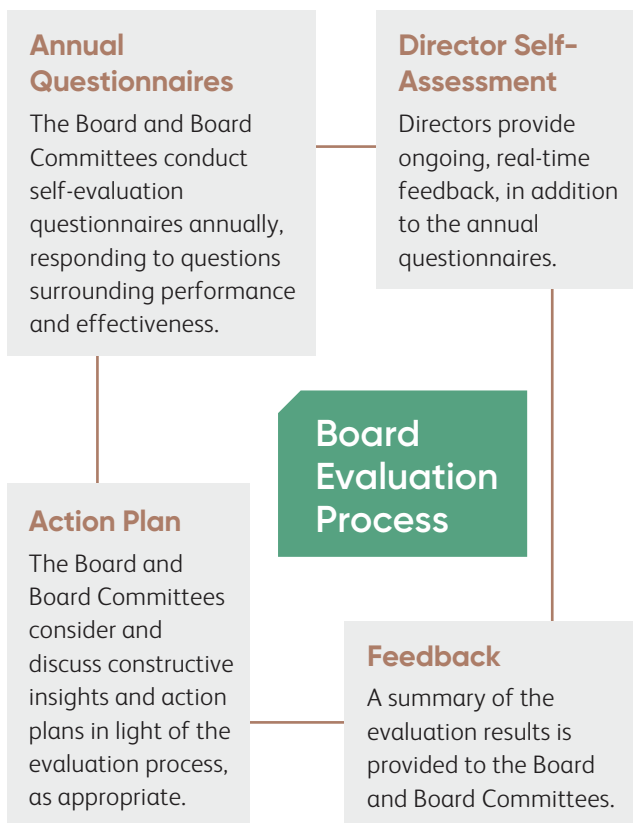
Hysan has a very strong reputation in the community as a "good citizen" – and it is clear that the Board recognizes this and works to ensure that the "good citizen" culture continues – it is a product of a long history and values established at an early stage.

Directors' comments received in Board Evaluation 2021.

Board Evaluation

In addition to the ongoing review by the Nomination Committee, each Director plays a role in evaluating the Board's performance in order to ensure the effectiveness of the Board.

Board evaluation is an ongoing and continual process. Each Director reviews the Board's performance, as well as the performance of the Board Committees, through various means.



Each Board and Board Committee member is required to annually submit an anonymous online questionnaire on relevant matters such as the Board's performance, its dynamics and processes, its composition and diversity, risk management, and the proceedings of Board meetings. Being anonymous, the questionnaire encourages Directors to share suggestions, provide comments and raise any concerns.

2021 Evaluation Report

The Chairman, supported by the Company Secretary, collated the e-Questionnaire responses into a detailed Evaluation Report. The Evaluation Report was prepared based on the collective comments from all Directors and

Board Committee members. The evaluation received a 100% response rate. The 2021 Evaluation Report was submitted to, considered, and discussed by the Board, and constructive feedback received.

Parameters

We have structured our 2021 evaluation based on the Directors' views regarding the effectiveness and performance of the Board. The evaluation consists of quantitative element based on ratings and qualitative element based on Directors' written responses and specific questions addressing emerging business trends and regulatory changes.

The evaluation examines five different aspects of the Board: leadership, composition, meetings and processes, "the Board in action" and training.

Framework of the Evaluation

- 1 Leadership** investigates the role of Directors and the functions of their roles and the Company's culture;
- 2 Composition** discusses Board size and structure, the balance of knowledge, experience and skills of the Directors, and Directors' effectiveness in exercising independent judgement;
- 3 Meetings and Processes** seeks feedback on the respective meeting schedules of the Board and its Committees; the quality of agendas, meeting papers and minutes; satisfaction with the integrity of financial statements and accounts; the governance framework for anti-fraud and whistleblowing matters, policies, operation and compliance controls; internal controls, the ESG governance framework and risk management processes;
- 4 Decision Making and Accountability – The Board in Action** looks into performance effectiveness, supply of and access to information, the appropriateness of strategy, and levels of remuneration; and
- 5 Training** investigates the quality of training and seeks input on areas of interest for future training events.

Conclusions from this year's evaluation

This year's evaluation concluded that the Board and its Committees continued to operate effectively and to a high standard, with all Directors indicating a high degree of satisfaction with the performance and operation of the Company. The overall results ranged from positive to very positive, and there were no material issues to report. All Board members were keen to use this evaluation process as a timely opportunity to identify ways to improve performance.

Directors favourably perceived their board leadership as highly effective. All Board members actively and constructively contributed to discharging the roles and responsibilities of the Board. Open dialogue, constructive debate and the exercise of independent judgement were widely cited as positive achievements of the Board.

This year, we started to discuss the Company's culture. This year's Board evaluation concluded that the Board is engaged in embedding culture into its mindset. Audit of Company's culture conducted during the year helps the Board reinforcing the alignment of purpose, value, strategy, operation, performance and reward.

Directors were also satisfied in terms of the diversity of skills and experience. Directors with different skills, experience and backgrounds may need to be recruited to help the Company progress its diversity agenda with confidence.


Presentations, materials and papers were well organized, comprehensive, focused and delivered by management in a timely manner, and gave a balanced and sufficiently detailed assessment of the Group's performance, position and prospects. Board and Committee meetings were productive, participative and efficiently utilized to discuss

relevant issues and set strategic directions for the Group. The Directors were given direct access to senior management, the Company Secretary, and professional advice (when necessary) to facilitate full understanding of the Group's business affairs. Monthly reports and updates provided balanced and easily comprehensible assessments between Board meetings.

The Directors agreed that the Board shall focus on risks associated with (I) the ongoing impact of COVID-19, which is creating a challenging business environment and affecting the economy; (II) new growth strategies and evolving business challenges; and (III) geographical and business diversification.

Conclusion on Effectiveness

Through a proper nomination process, coupled with ongoing reviews by the Nomination Committee and the board evaluation process, Board effectiveness has been ensured and maintained at all times.



All directors are actively engaged, display curiosity and strong interest. Generous in offering ideas.

Directors' comments received in Board Evaluation 2021.

3 Accountability

Our corporate governance framework provides clear lines of accountability. The **List of Matters Reserved for the Board**, together with the **Terms of Reference** of our Board Committees, specifies the decisions that can only be made by the Board. Authority for managing the Group's daily operations and other decisions is clearly delegated to the Executive Committee, supported by various Management Committees. Management of the Group is responsible for ensuring that a similar process of delegation is in place within his or her department or area of responsibilities. The Board is regularly kept up to date on the key events, material transactions and business outlook of the Group through management reports, as well as on the Group's financials through monthly financial reports. These reports provide the Board with sufficient transparency regarding the Company's operations. To facilitate the decision-making process, senior management are regularly invited to our Board and Committee meetings to make presentations and answer any questions that Board and Committee members may have.

Board Accountability

The Board and the Board Committees are held accountable and responsible to the shareholders by various means:

- All Directors are appointed by formal letters of appointment which clearly set out the terms and conditions of their appointments;
- All Directors are subject to rotation, and the re-appointments of retiring Directors are subject to shareholders' approval at AGMs;
- All Directors are required to make full and frank disclosure of their cross-directorships and other commitments in the Group's annual reports;
- All Directors are required to make full and frank disclosure of their connected persons and transactions. Significant connected transactions must be approved by shareholders in accordance with the Listing Rules;
- All Directors are required to act within their defined and clear authority and powers in accordance with the Group's corporate policies and guidelines, including, but not limited to, the Code of Ethics, Board of Directors Mandate, List of Matters Reserved for the Board and the Terms of Reference of each Board Committee;

- Non-Executive Directors are additionally subject to the "Roles and Requirements of Non-Executive Directors" under the relevant policy;
- All Directors are subject to ongoing review by the Nomination Committee as well as evaluation by other Board members;
- All Directors are subject to the Anti-Fraud Policy and Whistleblowing Policy, which allows an individual to report any irregularity directly to an independent third party;
- All Directors are required to review annual reports, interim reports, announcements and circulars for publication in a timely manner, and in accordance with the Companies Ordinance and the Listing Rules; and
- Our financial statements are verified and audited by an independent auditor.

Executive Member Accountability

The Executive Committee, Management Committees, and Senior Management members (collectively the "**Executive Members**") are held accountable and responsible to the Board by various means:

- Executive Members are required to make full and frank disclosure of their other commitments;
- Executive Members are required to make full and frank disclosure of their connected persons and transactions, which may require full Board approval;
- Executive Members are required to report and send timely updates to the Board on the key events and business outlook of the Group, and submit monthly financial reports to the Board providing sufficient transparency about the Company's operations;
- Executive Members are required to attend relevant sections of Board and Board Committee meetings to answer any questions that the Board and Board Committee members may have; and
- Executive Members are deemed to potentially have access to inside information and are subject to the Code for Securities Dealing by Restricted Employees, which governs dealings in securities. Each Executive Member is required to semi-annually declare that they have complied with the Code throughout the relevant year. Following a specific enquiry by the Company, each Executive Member has made such declaration for the year ended 31 December 2021.

Board Activities during 2021



An outline of the key areas of Board activity in carrying out its roles and responsibilities during the year is provided below.

Strategy

- Discussed the Group's strategic objectives, with a focus on strategic plans for continuing to build our businesses' resilience through the rejuvenation and curation of the Lee Gardens area, tech-based operations and sustainability, while generating value through our core activities;
- Discussed business strategy and opportunities for the diversification and sustainable growth of the Group;
- Reviewed the future challenges faced by the Group, including the impact of COVID-19 on long-term stability and growth;
- Considered and approved the Group's investment strategy; and
- Considered and approved strategically important investments and acquisitions, namely the development of Caroline Hill Road in Causeway Bay, Hong Kong (jointly with Chinachem Group), the acquisition of a premium commercial project in Jing'an District, Shanghai, the Mainland China, a joint venture with IWG plc for flexible workspace operations in the Greater Bay Area, and investment in New Frontier Group.

Leadership

- Reviewed the Board structure, size, composition, diversity, commitment, as well as the independence of Directors;
- Reviewed and evaluated the fees of Directors;
- Reviewed compensation for the senior management; and
- Considered people development and plans to retain and motivate high-performance individuals.

Environmental, Social and Governance

- Reviewed, enhanced and approved key governance-related reports and policies to further improve our corporate governance and align with the latest developments and changes to the Listing Rules and other relevant regulatory requirements. This included our:
 - Corporate Governance Guidelines
 - Diversity Policy
 - Shareholder Communication Policy;
- Reviewed Terms of Reference of Committees;
- Considered the quarterly sustainability progress and the Sustainability Report;
- Endorsed and recommended to shareholders a change to the Company's Articles of Association;
- Approved the appointment of Lui Kon Wai as Executive Director; and
- Approved the change of Company Secretary.

Financial, Operational and Business Performance

- Considered financial performance of the business and approved the annual budget and treasury policy;
- Reviewed the interim and annual results, and approved the interim and annual reports;
- Reviewed and discussed financial forecasts and capital structure management; and
- Reviewed operating results and regular updates of the Group's core businesses (i.e. the office, retail, residential and property development segments).

Risk Management and Internal Controls

- Reviewed the Group's risk appetite and assessed external and internal risk level movements and mitigating actions;
- Adopted a risk appetite statement which articulates the Group's principles regarding risk acceptance in pursuit of its strategic mission and business objectives;
- Reviewed the effectiveness of Hysan's risk management and internal control systems;
- Met with the Company's valuers regularly during the year to discuss the portfolio valuation;
- Reviewed the major risks the Group is facing related to the COVID-19 pandemic; and
- Considered an update from the Audit and Risk Management Committee on the Group's e-procurement system, cyber-security framework and protection approach.

Commitment and Accountability

- Discussed the outcome of the Board evaluation and effectiveness review, and agreed improvement opportunities;
- The Chairs of all Committees updated the Board on the proceedings of their meetings, including the key discussion points and areas of concern; and
- Reviewed key corporate governance-related reports.

Stakeholder Engagement

- Reviewed employee engagement programmes during the year, including learning and talent development, staff engagement and wellness initiatives.

Directors' Interests in Shares

As at 31 December 2021, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures

Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), are set out below:

Aggregate Long Positions in Shares and Underlying Shares of the Company

Name	Number of ordinary shares held				Total	% of the total no. of issued shares (Note a)
	Personal interests	Family interests	Corporate interests	Other interests		
Jebsen Hans Michael	60,984	–	2,473,316 (Note b)	–	2,534,300	0.245
Lee Chien	970,000	–	–	–	970,000	0.094
Lee Irene Yun-Lien	444,000	–	–	–	444,000	0.043

Notes:

(a) The percentages were compiled based on the total number of issued shares of the Company (i.e. 1,034,258,223 ordinary shares) as at 31 December 2021.

(b) Such shares were held through a corporation in which Jebsen Hans Michael was a member entitled to exercise no less than one-third of the voting power at general meetings.

Executive Directors of the Company have been granted share options under the Company's share option schemes adopted on 10 May 2005 (the "2005 Scheme") and 15 May 2015 (the "New Scheme"), details of which are set out in the

section "Long-term Incentives: Share Option Schemes" below. These constitute interests in underlying shares of equity derivatives of the Company under the SFO.

Aggregate Long Positions in Shares of Associated Corporations

Listed below is a Director's interest in the shares of Barrowgate Limited ("Barrowgate"), a 65.36 % owned subsidiary of the Company:

Name	Number of ordinary shares held		Total	% of the total no. of issued shares
	Corporate interests	Other interests		
Jebsen Hans Michael	1,000	–	1,000	10 (Note)

Note:

Jebsen and Company Limited ("Jebsen and Company") held a 10 % interest in the total number of issued shares in Barrowgate through a wholly-owned subsidiary. Jebsen Hans Michael was deemed to be interested in the shares of Barrowgate by virtue of him being a controlling shareholder of Jebsen and Company.

Apart from the above, no other interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations as at 31 December 2021 were recorded in the register required to be kept under

Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Director's securities transactions. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the year.

Directors' Interests in Contracts

During the year, certain Directors had interests, directly or indirectly, in contracts with the Group. These contracts constituted related party transactions, connected transactions or contracts of significance under applicable accounting or regulatory rules (details are disclosed in the "Directors' Report").

Directors' Interests in Competing Business

The Group is principally engaged in property investment, development and management of high-quality investment properties in Hong Kong. The following Directors (excluding Independent Non-Executive Directors, in accordance with Listing Rules' disclosure requirements) are considered to have interests in other activities (the "Deemed Competing Business") that compete or are likely to compete with the said core business of the Group, all within the meaning of the Listing Rules:

- (i) Jebson Hans Michael and his alternate, Yang Chi Hsin Trevor, hold directorships in Jebson and Company. Business activities of some of its subsidiaries include, inter alia, investment holding and property investment in both Mainland China and Hong Kong. Jebson Hans Michael is also a substantial shareholder of Jebson and Company Limited and its subsidiaries.

Jebson Hans Michael is an independent non-executive director of The Wharf (Holdings) Limited whose business includes, inter alia, property investment, development and management in both Mainland China and Hong Kong.

- (ii) Lee Chien is an independent non-executive director of Swire Pacific Limited whose business includes, inter alia, property investment and trading in Hong Kong, Mainland China and the United States of America.

The Company's management team is separate and independent from that of the companies identified above. In addition, the relevant Directors have non-executive roles and are not involved in the Company's day-to-day operations and management.

For the reasons stated above, coupled with the diligence of the Group's Independent Non-Executive Directors and the Audit and Risk Management Committee, the Group is capable of carrying on its business independent of and at arm's length from the Deemed Competing Business.

The Board also has a process in place to regularly review and resolve situations where a Director may have a conflict of interest.

4 Engagement

Hysan is committed to carefully evaluating the impact of its operations on its stakeholders, including shareholders, employees and investors, as well as the wider community.

Hysan has adopted the Corporate Disclosure Policy, which provides guidance on the disclosure of material information to investors, analysts and media. This policy identifies spokespersons and clearly outlines the responsibilities for communication with each stakeholder group. Details are available on the Company's website: www.hysan.com.hk/governance.

Shareholder Engagement

Hysan aims to maintain open and constructive dialogue with its shareholders and to provide them with the information they require to make sound investment decisions.

We have adopted the Shareholder Communication Policy, which governs our framework for providing shareholders with ready, equal and timely access to balanced and easily comprehensible information about the Company. The Shareholder Communication Policy was updated in 2021 to emphasize our commitment to enhancing communication with stakeholders and to require the policy to be reviewed annually to ensure its continued effectiveness.

In accordance with the Shareholder Communication Policy and our Company's Articles of Association:

- We have published key corporate governance policies, the Terms of Reference of Board Committees, the Group's financial reports, press releases and announcements on the Company's website;
- We have published annual reports, interim reports and announcements in a timely manner with the Stock Exchange and on the Company's website;
- The senior management has presented the annual and interim results through press conferences, webcasts, the Company's website, and face-to-face meetings in order to communicate with shareholders, investors and analysts;
- Since December 2015, shareholders can choose to receive corporate communications via electronic means, with the aim to reduce resource consumption related to printing and distribution of hard copies;
- We have arranged annual shareholder visits since 2016, receiving an overwhelming response each year. The shareholder visits include a briefing on the Company's history, sustainability activities and other business areas,

followed by a walking tour of the Lee Gardens area arranged by the Group. The visits are opportunities for the management to constructively communicate with shareholders. Due to COVID-19 pandemic, our shareholder visits were suspended in 2021 until further notice, after giving due weight and consideration to the health and safety of shareholders;

- Since 2005, we have invited major nominee companies to forward communication materials to shareholders at our expense;
- Shareholders are given opportunities to meet the Directors and Senior Management and to raise questions at our AGMs every May. Details are set out in the "AGM" section below;
- Shareholders may put forward proposals for consideration at general meeting. A general meeting of shareholders can also be convened by the Board or with a written request signed by shareholders holding at least 5 % of the total voting rights of all the shareholders ("5 % Shareholder"). The Group's Procedures for Shareholders to Convene General Meetings / Put Forward Proposals are available on the Company's website;
- All shareholders are welcome at all times to give feedback to and communicate with the Directors or management through the Company Secretary;
- There are no limitations imposed on the right of non-residents or foreign persons to hold or vote the Company's shares, other than those that would generally apply to all shareholders;
- All shareholders are entitled to receive dividends according to our Dividend Policy. Dividend payment shall be determined based on the Group's financial performance, future capital requirements, and general economic and business conditions, etc.; and
- Changes to our Articles of Association (i) to allow the Company flexibility to hold a general meeting at one or more locations using facilities that enable the members of the Company who are not together at the same place to listen, speak and vote at the meeting; and (ii) to explicitly set out other related powers of the Board and the Chairman of the general meeting, were proposed and approved at the AGM held in May 2021.

With the above measures in place, the Shareholder Communication Policy are considered to have been effectively implemented.

AGM

Our AGMs are held around the month of May each year. They act as a means of communication with our shareholders and an opportunity for shareholders to understand the business performance of the Company.

Our AGMs are an important annual event for the Group and are attended by our Directors, Senior Management, and our independent auditor.

In order to ensure that our shareholders have sufficient time to consider the AGM notices, annual reports and financial statements, the said documents are dispatched to shareholders more than 30 days prior to the AGMs, exceeding the statutory requirement of 21 days. Comprehensive information is also given on each resolution to be proposed.

Since 2004, we have conducted all voting at AGMs by poll. The poll is conducted by the Company's Registrar and scrutinized by the Group's auditors. Procedures for conducting the poll are explained at the AGMs prior to the taking of poll. Poll results are announced and posted on the websites of both the Stock Exchange and the Company at www.hysan.com.hk.

We held our 2021 AGM at Hong Kong Convention and Exhibition Centre on 21 May 2021. Key matters resolved at the 2021 AGM include:

- Receipt of the Statement of Accounts for the year ended 31 December 2020 and the Reports of the Directors and Auditor thereon;
- Re-election of Churchouse Frederick Peter as Director;
- Re-election of Poon Chung Yin Joseph as Director;
- Re-election of Lee Chien as Director;
- Re-appointment of Deloitte Touche Tohmatsu as Auditor;
- Granting of a general mandate to allot, issue and deal with additional shares in the Company (not exceeding 10% of the number of its issued shares, and the discount for any shares to be issued shall not exceed 10%);
- Granting of a general mandate to repurchase shares in the Company (not exceeding 10% of the number of its issued shares); and
- Approval of the amendments to the Articles of Association.

We successfully held our 2021 AGM despite the COVID-19 pandemic in Hong Kong. In order to ensure the health and safety of all attendees, as well as to comply with government regulatory requirements, we took stringent and sufficient precautionary measures, including, but not limited to:

- Splitting attendees into separate small groups to sit in the main room or in separate rooms with video and audio link facilities;
- Special seating arrangements to allow for appropriate social distancing;
- No distribution of beverages and souvenirs to control human traffic;
- Body temperature screening and submission of health declarations by attendees prior to entry; and
- Compulsory wearing of face masks by attendees.

The aforementioned precautionary measures were set out in the AGM circular sent well in advance of the 2021 AGM. Shareholders were also reminded to appoint the Chairman of the AGM as their proxy to vote on the resolutions.

In light of the uncertain development of the current COVID-19 situation, shareholders are encouraged to appoint the Chairman of the 2022 AGM as their proxy to vote on the resolutions, instead of attending the meeting in person. For the health and safety of shareholders attending the meeting, we will implement precautionary measures at the 2022 AGM in accordance with the prevailing guidelines published by the Government and/or regulatory authorities. Details of the measures will be announced as appropriate.

Investor Relations

Hysan is committed to maintaining open and constructive dialogue via effective two-way communication with its stakeholders, including equity and fixed-income investors, analysts and credit rating agencies.

Given the rapidly changing environment, we aim to provide regular updates on Hysan's operating and financial performance. Amid the COVID-19 pandemic, we arranged virtual meetings and conference calls with institutional investors on a regular basis and held live webcasts for our post-results briefings, which were hosted by our senior management.

A dedicated Investor section is also available on the Company's website: www.hysan.com.hk/investor, which is updated on a regular basis.

Calendar of our Main Investor Relations Events

2021 1st Half

- Annual results announcement
 - Press conference
 - Analyst briefing (live audio webcasts were also available)
- Post-results roadshows in Hong Kong
- Annual General Meeting
- Investor conferences in Hong Kong

2021 2nd Half

- Interim results announcement
 - Press conference
 - Analyst briefing (live audio webcasts were also available)
- Post-results roadshows in Hong Kong

Employee Engagement

At Hysan, talent engagement and development are part of our core values.

Hysan nurtures a work environment that encourages open dialogue and supports employees to unleash their potential and fulfil their career aspirations. Each year, employees and their supervisors discuss and agree on goals and expectations. Employees are provided with ongoing feedback throughout the year to ensure that they are on track, with a final review being conducted at the end of the performance year.

We have proactively developed our talent pipeline through our management trainee programme, launched in 2017 re-started in 2022, as well as our Apprenticeship Scheme, in order to meet our long-term business needs.

In 2021, Hysan continued to leverage its e-learning platform to provide rich and diverse learning content to employees, covering topics such as leadership skills, team collaboration, data protection, connected transactions, anti-competition law, tenancy laws, cybersecurity awareness, anti-corruption related series, etc. To engage employees, we have also deployed various communication strategies to keep staff abreast of the Company's news and development.

Full details are included in the Sustainability Report.

➤ OUR RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board has the overall responsibility of determining the Group's risk appetite and reviewing and maintaining an effective risk management system.

The Audit and Risk Management Committee supported the Board to review the process by which risks are identified, prioritized, managed and mitigated in accordance with the Group's risk appetite. Each business or transactions entails risks of a different nature, but the Group aims to only undertake and mitigate reasonable risks that are in line with our long-term and strategic goals and targets. Our risk management system is designed and tailored carefully to manage and mitigate risks, and to afford reasonable assurance against material misstatement or loss. Everyone within the Group has a role to play in the risk management system, which is underpinned by the "Three Lines of Defence" model.

Full details of risk management and internal control activities during the year are set out in the "Risk Management and Internal Control Report" on pages 70 to 76.

The Board has the overall responsibility of maintaining an effective and robust internal control and compliance system.

Operation Control

The Group has numerous and comprehensive corporate policies and guidelines that detail our practices and procedures in carrying out our business affairs.

Our business affairs are operated through a chain of delegation, from the Board to the Executive Committee through the List of Matters Reserved for the Board, and from the Executive Committee to the responsible business units.

Department head shall ensure that their business unit has fully complied with corporate policies and guidelines in its day-to-day operations.

For any matter involving potentially price sensitive or inside information, business units are required to escalate the matter to the Disclosure Committee. The Disclosure Committee promotes consistent disclosure practices with

the aim of ensuring the timely, accurate, complete, and widely disseminated disclosure of inside information about the Group to the market in accordance with applicable laws, regulatory requirements and the Corporate Disclosure Policy.

The Disclosure Committee conducts meetings in order to assess the materiality and nature of the information and advises the Board promptly whether such information constitutes inside information. All discussions are recorded in the formal meeting minutes of the Disclosure Committee.

Compliance Framework

Each business unit is required to report any irregularity or non-compliance immediately to the compliance team. Our Group's compliance policy sets out the control process for the early identification and recording of non-compliance in order to prevent and/or mitigate the risks of liability and material loss.

In addition, each business unit must submit a full compliance report twice a year, which is reported to the Audit and Risk Management Committee.

Through these means, we are able to effectively monitor the compliance of each business unit of the Group, prioritize each case identified, and ensure comprehensive reporting and follow-up.

All matters relating to the Group's internal controls are collectively reviewed by the Board, with the support of the Audit and Risk Management Committee and the Internal Audit function.

Internal Audit reviews the Group's practices and procedures for conducting business affairs, including leasing business, accounting and financial reporting, corporate communication processes, etc., from time to time, in order to ensure that our business affairs are conducted in full compliance with our corporate policies and guidelines. Internal Audit also examines and suggests areas of improvement for our corporate policies and guidelines.

Our compliance team issues quarterly legal and regulatory updates to the Board and reviews our corporate policies and guidelines from time to time to ensure compliance with the latest legal and regulatory developments as well as suggestions from Internal Audit.

The Group's reporting process and financial management is part of our internal controls. The Board, supported by the Audit and Risk Management Committee, monitors the integrity of the Group's reporting process and financial management. It scrutinizes the full and half-yearly financial

statements, and reviews in detail the work of the external auditor and external valuer, as well as any financial judgements and estimates made by the management.

Full details of the Group's risk management and internal control activities during the year are set out in the "Risk Management and Internal Control Report" on pages 70 to 76.

Sustainability Framework

The Board has established the Sustainability Committee with the aim of enhancing our corporate responsibility, sustainable development and environmental management regarding climate change.

The Sustainability Committee, supported by the Sustainability Executive Committee at the management level, provides long-term direction and supervises sustainability-related matters.

During the year, the Board continued its approach of utilizing a community model for sustainability, focusing on environmental operations management and sustainable construction for our new developments and major enhancement works, as well as offering various social sustainability initiatives to our community.

Full details of Hysan's sustainability development and activities during the year are set out in:

- The 2021 Sustainability Report on Hysan's website: www.hysan.com.hk.
- The "Sustainability Committee Report" on pages 89 to 90.
- A summary of the Sustainability Report on pages 91 to 93.

The Sustainability Report has been prepared for electronic distribution in an effort to reduce resource consumption related to the printing and distribution of hard copies, and is available for public viewing on Hysan's website (www.hysan.com.hk). Limited copies are printed and distributed primarily to our shareholders.

By Order of the Board
Lee Irene Yun-Lien
Chairman

Hong Kong, 24 February 2022

Risk Management and Internal Control Report

Responsibility

Responsibility for risk management is shared by the Board of Directors and the management of the Group. The Board has overall responsibility for reviewing and maintaining sound and effective risk management and internal control systems. The management's role is to design and implement such systems and report to the Board and the Audit and Risk Management Committee regarding the identification and management of risks. This process is essential to achieving the Group's business objectives.

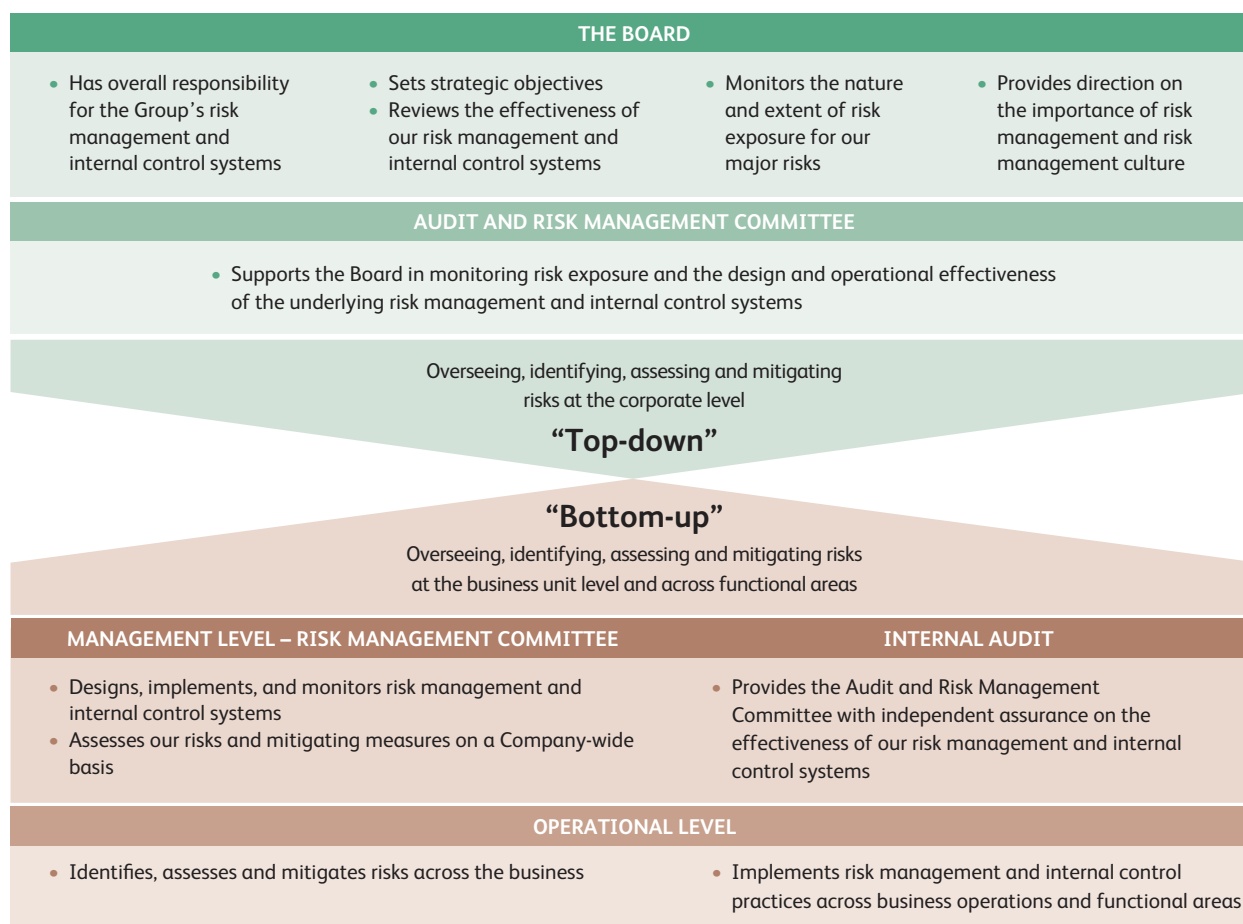
Our Risk Management and Internal Control Framework

The Audit and Risk Management Committee supports the Board in monitoring the Group's risk exposures and overseeing the design and operational effectiveness of its underlying risk management and internal control systems. Acting on behalf of the Board, the Committee consistently supervises the following processes:

- i. Reviewing the Group's principal business risks and the control measures used to mitigate, transfer or avoid such risks; the strengths and weaknesses of the Group's overall risk management and internal control systems; and action plans to address such weaknesses or improve the assessment process;
- ii. Reviewing reports by Internal Audit on the Group's business processes and operations, including action plans to address any control weaknesses identified, and receiving status updates and monitoring the implementation of such audit recommendations; and
- iii. Reviewing reports by the Group's external and internal auditors regarding any control issues identified in the course of their work, and discussing with external and internal auditors the scope of their respective reviews and findings.

The Audit and Risk Management Committee reports its findings to the Board, which then takes them into consideration in forming its own view of the effectiveness of the Group's risk management and internal control systems.

Hysan's Top-Down/Bottom-Up Risk Management Framework



2021 Review of Risk Management and Internal Control Effectiveness

In respect of the year ended 31 December 2021, the Board, with confirmation from the Executive Director and Chief Operating Officer, Chief Financial Officer and Company Secretary, Head of Internal Audit and Legal Counsel, considered the Group's risk management and internal control systems to be effective and adequate. No significant areas of concern that may affect the financial, operational and compliance controls, ESG compliance, internal audit, risk management and internal control functions of the Group were identified. The Group's risk management and internal control systems are designed to manage rather than to eliminate the risks of failure to achieve its business objectives, and can only provide reasonable, not absolute, assurance against material misstatement or loss.

During the review, the Board also considered the resources and staff qualifications/experience of the Group's internal audit, accounting, financial reporting and business support functions, and found their training and budgets to be adequate.

Our Risk Management and Internal Control Model

Our risk management and internal control model is based on that of the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in the U.S., but with due consideration given to our organizational structure and business nature.

Our model has five components. The following section describes how the model fits our operational and control environment:

- **Control Environment** – We have a strong tradition of good corporate governance and are committed to maintaining high standards of integrity, openness, probity and accountability. A formal Code of Ethics is communicated to all staff, including new recruits. We have maintained a separate Whistleblowing Policy since 2016, under which whistleblowers can raise concerns in confidence through an independent third party, who then reports cases to the Audit and Risk Management Committee. In January 2021, we also adopted a separate Anti-Fraud Policy to further promote an ethical culture and emphasize our "zero tolerance" attitude to fraud. During the year, no material related issues were raised.

Following the Risk Management Guidelines developed in 2020, we adopted a Risk Appetite Statement in June 2021 that articulates the Group's principles regarding risk acceptance in pursuit of its strategic mission and business

objectives. The statement defines the type of risk scenarios the Group should avoid and not to become exposed to, taking the varying levels of exposure into consideration.

We are committed to building risk awareness and responsibility for control into our corporate culture, thus making it the foundation of our risk management and internal control systems.

- **Risk Assessment** – We continually improve our risk management process and the quality of information generated, while maintaining a simple and practical approach. We seek to embed risk management into all our operations (including retail, office, residential, property management and technical services, projects, marketing, and investment and development) and functional areas (including finance, human resources and administration, business technology, legal and secretarial, and corporate communications).

Department heads review and update their risk registers on an annual basis, providing assurances that controls are appropriately embedded and operating effectively.

At management level, the Risk Management Committee, comprising the Chairman, Executive Director and Chief Operating Officer, Chief Financial Officer and Company Secretary, Group Financial Controller and Head of Internal Audit, sets relevant policies and regularly monitors potential weaknesses and action items. The Committee is also responsible for identifying and assessing macro and strategic risks, including emerging risks.

This bottom-up approach, in which operating unit heads identify operational risks, combines with top-down stewardship to ensure a comprehensive assessment of the Group's major risks. Discussion sessions with all department heads further enhance the participatory and interactive aspects of our overall risk assessment and risk challenge process.

- **Control Activities** – Our business operations involve well-established business processes. The Group's control activities have traditionally been based on supervisor reviews, the segregation of duties, and well-defined physical and digital control points. These control policies have been formalized as written policies and procedures, with defined limits of delegated authority and segregated duties and controls.

The annual budgeting and planning process, one of our key control activities, takes into consideration all risk factors as well as the latest economic and social trends. All operating units, in preparing their respective plans, are required to identify material risks that may have an impact on the achievement of their business objectives.

Action plans to mitigate identified risks are then required to be developed for implementation. Variance analyses are regularly performed and reported to the management and the Board, helping to identify deficiencies for which timely remedial actions can be taken.

The monitoring of major project expenditures is another significant control activity, as this represents a particularly capital-intensive aspect of our property business. For each project, a detailed analysis of expected risks and returns is submitted to the operating unit heads, Executive Director and Chief Operating Officer, Chief Financial Officer, Chairman and the Board for approval as appropriate. Criteria used to assess projects' business and financial feasibility are generally based on net present value, the payback period and the internal rate of return from projected cash flow, as well as sensitivity analysis.

Management also conducts internal control self-assessment on an annual basis. All department and unit heads must complete a relevant control self-assessment questionnaire and confirm with management that appropriate internal control policies and procedures have been established and properly complied with.

- **Monitoring Activities** – The Board and the Audit and Risk Management Committee oversee the control process with assistance from our Internal Audit team. Management provides update reports to the Audit and Risk Management Committee on major risks and appropriate mitigating measures. In 2021, the Audit and Risk Management Committee held four meetings (2020: four meetings) to address dynamic risks and enhance the risk management oversight function. Each meeting included a dedicated discussion of risk management, internal control systems and recent developments.

Risk Management Process

The Group has a robust process to review and communicate risks across its multi-level risk governance structure. This consists of (i) an ongoing process integrated into its day-to-day operations, in which risk owners dynamically evaluate and report any emerging risks they encounter to the Risk Management Committee; and (ii) a periodic risk assessment process through which key risks identified by management are systematically assessed on a regular basis.

Ongoing Risk Monitoring Process

Risk owners and the Risk Management Committee promptly make assessments and take action in response to new or emerging risks. This is a continuous and interactive process that includes communication and consultation with stakeholders.

- New risk confronted / anticipated
- Immediate risk review
- Assess risk
- Assess mitigation actions
- Notify parties
- Brainstorm and communicate
- Enforcement

Regular Risk Assessment Process

Risk Assessment

- Review and highlight key risks across different dimensions at the business unit level
- Analyse risks through detailed consideration of likelihood, impact and velocity, using established risk criteria

Risk Treatment

- Decide how to treat risks, based on the approaches of "Terminate, Transfer, Treat and Take" (or a combination thereof, where applicable)

Residual Risk and Risk Tolerance Level

- Collate the residual risk status (after risk treatment) with the risk tolerance level for each key risk
- Determine any further actions needed to close any risk gap

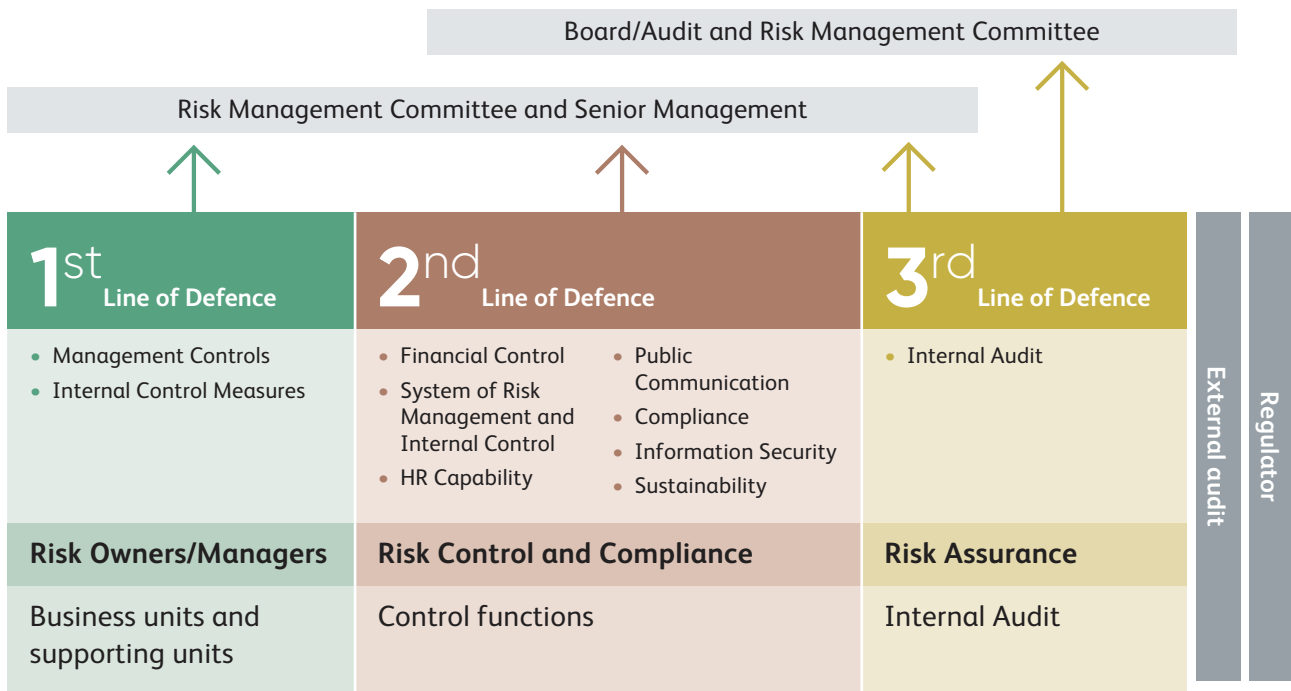
Risk Reporting

- Translate risk registers into a risk radar
- Effectively summarize and reflect the prioritized key risks of the Group

Hysan's "Three Lines of Defence" Model

Clear responsibilities and robust controls are vital to help manage risks. Since 2017, we have reinforced our risk governance structure by adopting a "Three Lines of Defence

Defence" model to address how specific duties related to risk and control should be assigned and coordinated within the Group. This has reinforced Hysan's risk management capabilities and compliance culture across all divisions and functions.



The model aims to reinforce the Group's risk management capabilities and compliance culture throughout the Group. The responsibilities of each of the defence lines are as follows:

Business Units and Supporting Units	Corporate Monitoring and Control Functions	Group Internal Audit
<ul style="list-style-type: none"> Ultimately accountable for all risks and controls in all business processes 	<ul style="list-style-type: none"> Responsible for the Group's policy framework and independent risk assessment 	<ul style="list-style-type: none"> Responsible for providing independent and objective assurance on the effectiveness of risk management, internal controls and governance processes

The past three years has thrown up a series of big risk environments that the management team has done extremely well to deal with. Management has raised and discussed these in depth with the Board and other Committees.

Directors' comments received in Board Evaluation 2021.

Our Risk Profile





Our approach for managing risk is underpinned by our understanding of our current risk exposures as well as how

our risks are changing over time. The following table illustrates the nature of our major risks. Further analysis of our strategies is set out in other sections of the Annual Report as indicated below:

Risk area	Risk level changes during 2021	Description of risk change	Our mitigating measures
Continuing COVID-19 pandemic	↔	<ul style="list-style-type: none"> The proliferation and continuance of the COVID-19 pandemic in Hong Kong since early 2020 has affected the local retail and property leasing markets. 	<ul style="list-style-type: none"> Continued to maintain hygiene standards and reinforced disinfection procedures in our properties. Close dialogue maintained with tenants. Developed a communication protocol with tenants for the notification of infection cases. Took the lead in promoting COVID-19 vaccination among our stakeholders with the aim to have Lee Gardens become a “Fully-Vaccinated Community”.
Overall business environment	↔	<ul style="list-style-type: none"> The continuing COVID-19 pandemic is slowing down the development of the global and local economies. Uncertainties remain regarding China-U.S. trade tensions. 	<ul style="list-style-type: none"> Proactive measures taken to ease tenants’ business pressures. Focus on portfolio curation as well as prudent and sound financial management to ensure Hysan’s business resilience.
Office sector	↑	<ul style="list-style-type: none"> Slowdown in demand due to unclear economic recovery prospects. Average rents for Grade A offices in Hong Kong recorded a drop in 2021. Net take-up of Grade A office space in Hong Kong dropped in 2021. Co-working and work-from-home models continued to disrupt the traditional office leasing business. 	<ul style="list-style-type: none"> Diverse and flexible leasing efforts and maintaining a diversified tenant mix to ensure a more resilient tenant portfolio. Offer tailored solutions to increase marketability of office units. Embrace the co-working trend by collaborating with strong and leading co-working brands. Aim for mutual empowerment with our Retail portfolio.
Retail sector	↔	<ul style="list-style-type: none"> The Hong Kong retail market began to recover and retail sales increased compared to 2020. Tourist arrivals dropped significantly due to COVID-19 travel restrictions in Hong Kong. Brands consolidated their outlets with renewed focus on local consumption. Peer competition intensified. 	<ul style="list-style-type: none"> Diverse and flexible leasing efforts as well as active curation of tenant mix to ensure a more resilient and sustainable tenant portfolio. Strengthen our long-term partnerships with strategic tenants. Achieve appropriate balance of customer profile for the local resident and tourist market segments. Use mobile and business technology to drive loyalty programmes as well as shopping experiences that distinguish our offerings. Focus on marketing efforts to target relevant existing and potential new shoppers.
Residential sector	↔	<ul style="list-style-type: none"> Uncertainties in the economy affected demand for luxury residential units from expatriates, as well as rent levels due to their tighter budgets. 	<ul style="list-style-type: none"> Flexible leasing efforts to meet customer needs. Continue to invest in the renovation of residential units and common areas to attract new tenants and improve rents.
Tai Po Residential Development Project	↔	<ul style="list-style-type: none"> Recent signs of stability in the residential property market. 	<ul style="list-style-type: none"> Approach the market at the right moment.
Caroline Hill Road Commercial Development Project	✖	<ul style="list-style-type: none"> Successful tender for a commercial site at Caroline Hill Road, Causeway Bay, Hong Kong, with the aim of developing a premium commercial building with community facilities on the site through a joint venture with Chinachem Group. 	<ul style="list-style-type: none"> Ensure the site is carefully and professionally designed to fit market demand. Development with best-in-class green building standard and sustainability features.
Newly-acquired Property in Shanghai, PRC	✖	<ul style="list-style-type: none"> Completion of acquisition of a premium commercial property in Jing’an District, Shanghai, which significantly expands the scale of Hysan’s portfolio and diversifies Hysan’s business in the Mainland market. 	<ul style="list-style-type: none"> Ensure the property’s asset management plan is strategically formulated. Strong local team developed.

Risk area	Risk level changes during 2021	Description of risk change	Our mitigating measures
Human Resources	↔	<ul style="list-style-type: none"> The service industry continues to face labour shortages. Increased competition for skilled personnel to support our growth strategy, including both frontline operations and management positions. COVID-19 pandemic threatens the health and safety of the workforce and brings disruption to business operations. 	<ul style="list-style-type: none"> Improve working environment and benefits with an emphasis on wellbeing, to help recruit new employees and retain talented people more effectively. Enhance staff productivity with technology and process automation. Grow and develop talent via Mobile Learning, Hysan Forum and our Leadership Programme. Strengthen our employer brand. Strongly encouraged universal vaccination among the workforce to minimize risk. As at 31 December 2021, a high percentage of Hysan employees had been vaccinated.
Cyber Security	↔	<ul style="list-style-type: none"> Given rapid developments in business technology, Hysan continues to leverage technology to improve our offering to shoppers and tenants, as well as to enhance our operations and management. Business disruption due to cyber-security risks can be significant and costly to rectify. 	<ul style="list-style-type: none"> Regular cyber-security reviews and upgrades to mitigate risks. Engaged external professionals to conduct a technical information security assessment. Put in place cyber-security policies and procedures, as well as insurance for cyber risk. Information about cyber-security risk and protection guidelines are available to all staff. Ongoing monitoring of key risk indicators.
ESG Compliance	↔	<ul style="list-style-type: none"> Increasing attention from investors and the general public on public companies' ESG performance. New requirements on compliance. 	<ul style="list-style-type: none"> Engaged professional independent consultant(s) to conduct an overall review of the Group's sustainability and climate change performance. Formulated a sustainability framework with clear Sustainability Development Goals. Adopted Sustainability Procurement Policy. Board-level Sustainability Committee supported by management-level Sustainability Executive Committee and operations-level Sustainability Task Force. Apply new technologies to reduce carbon footprint.
Environmental Management regarding Climate Change	↔	<ul style="list-style-type: none"> Climate change impacts Hysan's strategies and investments as society shifts to a low-carbon future. Climate change impacts the operations and management of buildings in our portfolio. 	<ul style="list-style-type: none"> Regularly review transitional risks and physical risks in relation to climate change. Regularly update contingency plans. Monitor emissions from existing buildings and new development projects. Put in place ISO 14001 Environmental Management System, ISO 50001 Energy Management System and building analytics systems for daily operational risk management. Invest in renewable energy. Apply new technologies to mitigate operational risk. Assess and enhance indoor air quality in relation to the COVID-19 pandemic situation.
Customer Data Protection and Privacy Protection	↔	<ul style="list-style-type: none"> Given rapid developments in business technology, personal data might be collected in appropriately through digital platforms and other channels. 	<ul style="list-style-type: none"> Continuously build a holistic approach to managing and protecting data and privacy through the implementation of a variety of processes, roles and controls. Conducted comprehensive privacy compliance review. Adopted stringent privacy policies and procedures, with strict compliance by all employees and service providers. Introduced a centralized data privacy inventory. No material customer data loss cases and customer privacy breaches reported in the last three years.
Anti-Fraud and Anti-Corruption	↔	<ul style="list-style-type: none"> External service providers and third parties are often engaged to provide business and technological solutions. Hysan continues to plan for business diversification across the Group. 	<ul style="list-style-type: none"> Adopted an Anti-Fraud Policy as a framework, supported by comprehensive anti-fraud procedures and guidelines. Put in place and regularly review our Code of Ethics and Whistleblowing Policy. Established an independent whistleblowing channel. Identified potential fraud risks across the Group and no material related cases reported in the last three years.

Notes:

 where "inherent risks" (i.e. before taking into consideration mitigating activities) have increased
  where "inherent risks" have decreased
  where "inherent risks" have remained broadly the same
  new risk

Our Efforts to Enhance the Internal Control Environment and Activities in 2021

In addition to the actions described above, the following section outlines examples of improvements we have made to strengthen our risk management and internal control systems:

Control Environment – compliance policies	<ul style="list-style-type: none"> Introduced a Tax Governance Policy and Anti-Fraud Policy in 2021. Updated corporate governance policies including the Diversity Policy, Corporate Governance Guidelines, Shareholder Communication Policy and the Terms of Reference of various Board Committees in 2021 and 2022. 	— Ongoing review and refinement of processes and structures to enhance compliance.
Control Environment – refining the risk management framework and developing our risk appetite	<ul style="list-style-type: none"> Refined the Group's Risk Management Framework, a multi-layered framework that comprises risk modelling and risk management processes, risk reporting structures and roles and responsibilities, risk infrastructure and management, risk tracking and risk assurance. Introduced a Risk Appetite Statement for the Group, which articulates the Group's principles regarding risk acceptance in pursuit of its strategic mission and business objectives. 	— Providing a consistent and systematic approach to risk management across the Group at all levels.
Risk Assessment – updating the Group's Risk Management Guidelines	<ul style="list-style-type: none"> The Risk Management Guidelines were updated such that risks were reclassified to facilitate the processes of risk identification, risk evaluation and risk reporting, with the aim of refining and strengthening the risk management process. The management-level Risk Management Committee plays a key role in identifying and tracking such risks, with top management leading discussions with all department heads. 	— Continual review and refinement of the risk management process to ensure that all major risks are properly identified, evaluated, reported and monitored.
Control Activities – internal controls and policies	<ul style="list-style-type: none"> A professional service provider was engaged to conduct an in-depth vulnerability assessment of our corporate infrastructure. Gaps highlighted were reviewed for rectification, thereby strengthening the information security management of the Group. A culture audit was conducted for the first time, to reflect the underlying values within our corporate culture. Regular training and education was made available to all staff. Hysan continued to leverage various digital means, including our unique Hysan Mobile Learning platform, to deliver compliance training to our personnel. Topics covered data protection, directors' duties, connected transactions, anti-corruption, anti-competition law, corporate disclosure, privacy and cyber-security awareness, etc. 	— Continual review and refinement of policies and procedures to support the essential task of keeping risk management and internal controls aligned with fast-changing external and internal business environments.
Monitoring Activities – Group-wide data privacy inventory	<ul style="list-style-type: none"> A consolidated data privacy inventory was developed in December 2021. It specified the control points (including both physical and logical security) deployed for identified information items that contain personal information. The inventory will be used as a starting point to enable the monitoring of privacy risks on a continuous basis. It will also aid in the undertaking of regular privacy assessments. 	— Facilitating the monitoring of privacy risks in the Group.

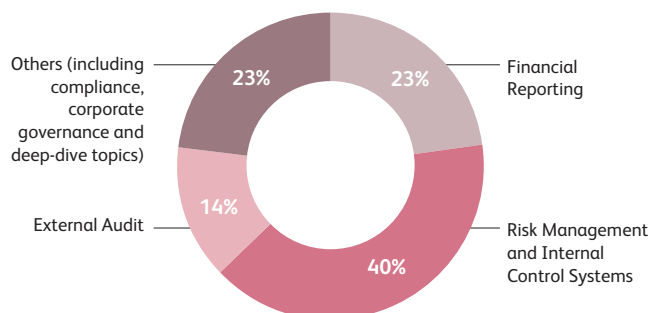
The Risk Management Committee
Hong Kong, 24 February 2022

Audit and Risk Management Committee Report

Dear Shareholders,

We are pleased to present the Audit and Risk Management Committee's report for 2021, which provides an overview of the work undertaken by the Committee during the year. In 2021, the Committee continued to play a key oversight role for the Board in reviewing the Group's risk management and internal control systems, monitoring internal and external auditors and overseeing the financial reporting process. The most significant topics considered by the Committee during the year included rigorous assessment of the Group's enhanced risk management and internal control systems, major risks relating to COVID-19, procurement of some functions, cyber security and data privacy.

Committee activities and agenda time during the year



Composition

The majority of the Committee is comprised of Independent Non-Executive Directors

Committee Members

Poon Chung Yin Joseph* (Chairman)

Churchouse Frederick Peter*

Fan Yan Hok Philip*

Lee Anthony Hsien Pin

* Independent Non-Executive Director

Highlights in 2021 and 2022

- Revised the Group's model of risk management
- Published the Group's Risk Appetite Statement
- Updated the Group's Risk Management Guidelines, facilitating the functional risk management process
- Engaged a professional service provider and conducted a technical information security assessment for the corporate infrastructure
- Undertook a new corporate culture audit
- Reviewed departmental inventories for data privacy management
- Reviewed procurement procedures of selected functions

Key responsibilities

- Oversee the integrity of the Group's financial management and reporting processes and the preparation of financial statements
- Review the risk management and internal control framework
- Review the effectiveness and adequacy of the risk management and internal control systems
- Review the major identified risks
- Assess and determine the risk appetite of the Group
- Oversee the Internal Audit
- Oversee the relationship with the external auditor and the provision of non-audit services

Meeting Schedule

The Audit and Risk Management Committee held four meetings during the year, with one of those meetings specifically focused on addressing dynamic risks and enhancing the risk management oversight function. The Board Chairman and management members (including the Executive Director and Chief Operating Officer, Chief Financial Officer and Group Financial Controller), internal auditor, external auditor and external valuer (as appropriate) attended the meetings by invitation to present updates and answer relevant questions, and thus facilitate the Committee's decision-making process. To further facilitate open dialogue and assurance, pre-meeting sessions with external and internal auditors were held without the management's presence.

Roles and Authorities

The Audit and Risk Management Committee's main roles and authorities are to:

- Oversee the Group's financial management and reporting processes and monitor the work carried out by the external auditor. Within this process, the management is responsible for the preparation of the Group's financial statements, including the selection of suitable accounting policies, while the external auditor is responsible for auditing and attesting to the Group's financial statements and evaluating the Group's system of internal controls in this regard. Formal statements of Directors' responsibility for the financial statements are contained in the "Financial Statements, Valuation and Other Information" section of this Annual Report;
- Review the Company's risk management and internal control systems;
- Review reports on major risks faced by the Group;
- Review resource adequacy and staff qualifications and experience in the Group's internal audit, accounting and financial reporting functions, as well as their training programmes and budget;
- Review the Group's Whistleblowing Policy. Under this policy, employees and related third parties who deal with the Group (e.g. consultants, contractors, suppliers, agents and customers) can raise concerns, in confidence or anonymously, about misconduct, malpractice or irregularities in any matters related to the Group. The Audit and Risk Management Committee ensures that the concerns raised are investigated and followed up as appropriate;
- Review the Anti-Fraud Policy. This is a separate policy to further promote an ethical culture and emphasize our "zero tolerance" attitude to fraud;
- Review the effectiveness of the Company's internal audit function;
- Oversee the Company's relationship with the external auditor; and
- Report its findings to the Board after each Audit and Risk Management Committee meeting.

Activities

Details of the meeting held in February 2021 were set out in the 2020 Annual Report.

From March 2021 to February 2022, the Audit and Risk Management Committee held four meetings. Details of matters discussed in the meetings are given below.

The Audit and Risk Management Committee Over the Past 12 Months

May 2021 meeting	Report from Internal Audit "Deep dive" topic Legal and regulatory update Risk management review and Risk Appetite Statement
August 2021 meeting	Interim results Property valuations External auditor report Risk management review Report from Internal Audit Legal and regulatory update
November 2021 meeting	External audit progress report Report from Internal Audit Risk management review Annual review of adequacy of resources Legal and regulatory update
February 2022 meeting	Annual results Property valuations Report from Internal Audit Annual review of risk management and internal control effectiveness Effectiveness and independence of external auditor External audit completion report External audit plan for 2022 Annual review of continuing connected transactions Legal and regulatory update

Financial Reporting

In terms of financial reporting, the Audit and Risk Management Committee reviewed and discussed with management and the external auditor, and recommended for approval to the Board, the unaudited financial statements for the first six months ended 30 June 2021; the audited financial statements for the year ended 31 December 2021; and the Independent Auditor's Report for the year ended 31 December 2021, prior to their publication. The Committee's review and recommendations were based on the external auditor's review work, as well as the following:

- Discussions with the external auditor and internal auditor regarding the scope of their respective reviews and findings;
- Discussions with management regarding significant parameters and judgments affecting the Group's financial statements, including the valuation of investment properties as at 30 June 2021 and 31 December 2021 by the independent professional valuer, Knight Frank Petty Limited; and
- A joint review with both management and the external auditor of the Key Audit Matters included in the Independent Auditor's Report for the year ended 31 December 2021.

Review of Risk Management and Internal Control Systems

Key initiatives in relation to our review of risk management and internal control systems during the year are given below:

- Risk Management Model of the Group: we revised how our risk management processes work and the structure of the core components within, in order to form an updated model;
- Risk Appetite Statement: the Risk Appetite Statement was proposed by the Committee and adopted by the Board for the purpose of controlling group-wide risks and defining the type of risk scenarios the Group should avoid exposure to;
- Update of Risk Management Guidelines: risk categories were reclassified, helping risk owners to identify and assess risks within their portfolios;
- Technical Information Security Assessment: a professional service provider was engaged to conduct in-depth security penetration tests of the corporate infrastructure. Potential vulnerability issues were highlighted to guide the strengthening of network protections;
- Culture Audit: a company-wide review was performed to assess the organizational culture;
- Data Privacy Management: a new data privacy inventory was developed across departments and business units, expediting privacy risk monitoring; and
- Procurement Control Review: reviews were conducted to strengthen the procurement control procedures of selected functions.

In addition, the Audit and Risk Management Committee:

- Evaluated the financial aspects of the Group's strategy implementation;
- Considered the Group's key corporate risks, including the overall business environment, operational risks, ESG risks and compliance, etc., with the overall approach being set by senior management;
- Considered the key imminent risks and risk registers presented by the management;
- Reviewed all legal and regulatory updates and trends that may affect the Group, and their implications;
- Reviewed the methodology used by the Group's independent professional valuer, Knight Frank Petty Limited, in the valuation of its investment properties, and discussed the key judgements made by the valuers;
- Reviewed resource adequacy and staff qualifications and experience in the Group's internal audit, accounting and financial reporting functions, as well as their training programmes and budget; and
- Reviewed the annual risk management and internal control systems performance for 2021, based on:
 - Reports from Internal Audit on the review of the Company's continuing connected transactions for the year ended 31 December 2021, as well as the adequacy and effectiveness of the related internal control procedures;
 - Regular reports by management regarding major risks, movements in risk levels and mitigating actions, as well as special reports on select major risk items (as detailed above);
 - Regular reports from Internal Audit, including the implementation status of its recommendations;
 - Certification and confirmation of controls' effectiveness by management, covering financial, operational and compliance controls, ESG compliance, internal audit, risk management and internal control, as well as the adoption of a control self-assessment questionnaire across the operating departments; and
 - Confirmation from the external auditor that it had not identified any control weaknesses in respect of the Group's financial reporting cycle during its audit.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Audit and Risk Management Committee was satisfied as to the adequacy and effectiveness of the Company's risk management and internal control systems, including resource adequacy and staff qualifications and experience in the Group's accounting, financial reporting and internal audit functions, as well as their training programmes and budget. No significant areas of concern that might affect financial, operational and compliance controls, ESG compliance, internal audit, risk management or internal control were identified.

External Auditor

In terms of overseeing the relationship with the external auditor, the Audit and Risk Management Committee:

- Reviewed and considered the terms of engagement of the external auditor in respect of the Group's 2021 results (including the 2021 annual audit, the related results announcement, and the annual review of continuing connected transactions) and the annual update regarding its MTN Programme;
- Reviewed the audit progress report of the external auditor;
- Carried out the annual assessment of the auditor's qualifications, expertise, services and independence, remaining satisfied with the same. The assessment was performed by reviewing the management's detailed assessment of the external auditor's independence, service quality and remuneration level, as well as the annual confirmation of auditor's independence issued by the external auditor.

In particular, the assessment was satisfied that the auditor's independence and objectivity were not in any way impaired by the provision of non-audit services. All services were pre-approved by the Audit and Risk Management Committee. Appropriate policies and procedures have been established to identify audit and non-audit services, as well as prohibited non-audit services that might impair the independence of the auditor. Deloitte Touche Tohmatsu confirmed its independence with regard to the non-audit services provided. A rotation arrangement for the lead audit partner was also established and implemented by the auditor. The lead audit partner is required to comply with professional ethics and independence policies and requirements applicable to the work performed;

External Auditor's Services and Fees

	2021 HK\$ million	2020 HK\$ million
Audit Services	2.8	2.6
Non-audit Services (Note)	1.9	3.8
Total	4.7	6.4

Note:

"Non-audit services" include review consultancy services, agreed-upon-procedures reports, statutory compliance, and regulatory or government procedures related to financial, accounting or regulatory reporting matters with which the Group is required to comply.

- Reviewed and considered the 2022 audit service plan of the external auditor, and the terms of its engagement in respect of the 2022 interim results review; and
- Recommended to the Board that the shareholders be asked to re-appoint Deloitte Touche Tohmatsu as the Group's external auditor for 2022.

Internal Audit

The Audit and Risk Management Committee reviewed the internal audit plan regarding the key risks and business strategy of the Group, details of specific significant internal audit findings, management responses to audit reports issued during the year, and regular reports on implementation status. Following the Group's three-year audit plan, Internal Audit continuously conducted projects that highlighted control gaps for management rectification. Audit findings were raised via audit reports, including management responses regarding the status of subsequent follow-up and implementation.

Members' attendance records are disclosed in the table on page 55.

Evaluation

The Board and Committee evaluation process, which took place during the year, concluded that the Audit and Risk Management Committee was effective in fulfilling its roles in 2021. For details, please refer to the "Board Evaluation" section of the Corporate Governance Report (pages 59 to 60).

Members of the Audit and Risk Management Committee

Poon Chung Yin Joseph (Chairman)
Churchouse Frederick Peter
Fan Yan Hok Philip
Lee Anthony Hsien Pin

Hong Kong, 24 February 2022

Remuneration Committee Report

Dear Shareholders,

We are pleased to present the Remuneration Committee Report for 2021. The primary roles of the Remuneration Committee are to advise the Board on formulating the remuneration policy for Directors and senior management, to determine remuneration and incentive packages for Directors and senior management, and to ensure that the remuneration packages are commensurate with the qualifications and competencies of the Directors and senior management and are appropriate to the best interests of the Company and its shareholders.

Key responsibilities

- Review the Company's framework and general policies for the remuneration of Executive Directors and senior management
- Review the remuneration packages of Executive Directors, Non-Executive Directors and senior management
- Review share incentive plans

Meeting Schedule

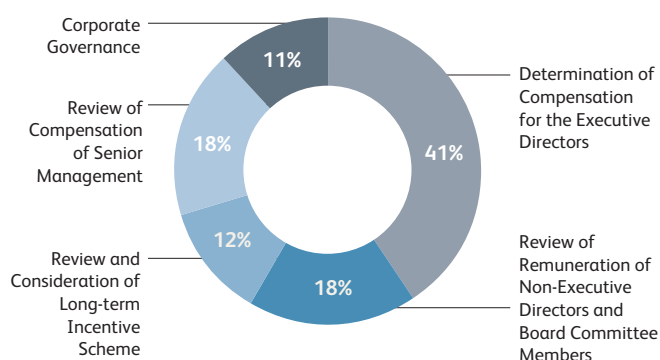
The Remuneration Committee generally meets at least once a year. The Executive Directors and management may be invited to Remuneration Committee meetings to present updates and/or answer relevant questions in order to facilitate the decision-making process. No Director is involved in deciding their own remuneration.

Roles and Authorities

The Remuneration Committee's main roles and authorities are to:

- Review the Group's framework and general policies for the remuneration of Executive Directors and members of senior management, as recommended by management, and make recommendations to the Board;
- Review and determine the remuneration of Executive Directors and senior management;
- Review the fees payable to Non-Executive Directors and Board Committee members prior to shareholders' approval at the AGM; and
- Review new share incentive plans, changes to the key terms of pension plans, and the key terms of any new compensation and benefits plans that have a material financial, reputational and strategic impact on the Company.

Committee activities and agenda time during the year



Composition

The majority of the Committee is composed of Independent Non-Executive Directors

Committee members

Fan Yan Hok Philip* (Chairman)

Lee Tze Hau Michael

Poon Chung Yin Joseph*

* Independent Non-Executive Director

Highlights in 2021 and 2022

- Considered remuneration for Directors and senior management
- Considered the Company's compensation structure and long-term incentive scheme
- Reviewed its Terms of Reference

Activities

In January 2021, the Remuneration Committee met to:

- Approve the Executive Director's 2021 compensation package and 2020 performance-based bonus;
- Review the fees for Non-Executive Directors and Board Committee members;
- Review and determine the compensation of senior management;
- Review and consider the long-term incentive scheme; and
- Review the terms of reference of the Remuneration Committee.

In September 2021, the Committee also met to approve the 2021 compensation package for the newly appointed Executive Director, which took effect from 1 October 2021.

REMUNERATION COMMITTEE REPORT

In January 2022, the Remuneration Committee also held a meeting to:

- Approve the Executive Directors' 2022 compensation packages and 2021 performance-based bonuses;
- Review the fees for Non-Executive Directors and Board Committee members;
- Review and determine the compensation of senior management; and
- Review and consider the long-term incentive scheme.

Members' attendance records are disclosed in the table on page 55.

Executive Director and Senior Management Remuneration Policy

The Group's remuneration policy aims to provide a fair market level of remuneration to attract, retain and motivate high-quality Executive Directors, senior management and employees. At the same time, rewards must be aligned with shareholders' interests.

The following principles have been established:

- Remuneration packages and structures shall reflect a fair reward system for all participants with an emphasis on performance, comprising the following components:

Components Determining Factors

Fixed compensation	
Base salary and allowances	<ul style="list-style-type: none"> • Market trends: pay increments in line with general and real estate industry norms • Market benchmarks relevant to role and job scope • Company performance • Individual performance and contribution, measured against annual financial and operational targets (turnover, expense ratio, earnings per share ("EPS"), portfolio year-end occupancy, achievement of key strategic initiatives, etc.)
Variable compensation	
Performance bonus	<ul style="list-style-type: none"> • Company performance • Individual performance and contribution, measured against annual financial and operational targets (turnover, expense ratio, EPS, portfolio year-end occupancy, achievement of key strategic initiatives, etc.) • Actual bonus paid out ranges from 0–200 % of target bonus, which is set as a percentage of annual base salary
Share options	<ul style="list-style-type: none"> • Company performance • Individual performance and potential, as well as long-term contribution to the Company • Level of share options granted is based on a prescribed grant multiple of annual base salary

- Remuneration packages shall be set at levels that ensure comparability and competitiveness with Hong Kong-based companies competing for a similar talent pool, with special emphasis on the real estate industry. Independent professional advice is to be sought where appropriate;
- The Remuneration Committee shall determine the overall amount of each component of remuneration, taking into account both quantitative and qualitative assessments of performance, as well as the achievement of financial and operational key performance targets that align with the Group's long-term strategy;
- Remuneration policy and practice shall be as transparent as possible;
- Share option grantees shall develop significant personal shareholdings through executive share option schemes, in order to align their interests with those of shareholders;
- Pay and employment conditions elsewhere in the Group shall be taken into account; and
- The remuneration policy for Executive Directors and senior management shall be reviewed regularly, independent of executive management.

In January 2022, the Remuneration Committee held a meeting to consider the annual base salaries of Lee Irene Yun-Lien and Lui Kon Wai, and concluded that their 2022 annual fixed base salaries shall be HK\$8,240,000 and HK\$5,600,000 respectively.

Details of Directors' remuneration, including individual Executive Directors and senior management's emoluments for 2021, as well as changes in share options for Executive Directors during the year, are set out in notes 11, 12 and 37, respectively, to the consolidated financial statements.

Non-Executive Director Remuneration Policy

Key elements of our Non-Executive Director remuneration policy include the following:

- Remuneration shall be set at an appropriate level to attract and retain first-class non-executive talent;
- Remuneration of Non-Executive Directors shall be set by the Board (subject to shareholders' approval) and should be proportional to their commitment and contribution to the Company;
- Remuneration practices shall be consistent with recognized best practice standards for Non-Executive Directors' remuneration;
- Remuneration shall be in the form of cash fees, payable semi-annually; and

- Non-Executive Directors shall not receive share options from the Company.

In 2021, Non-Executive Directors received no compensation from the Group other than the fees disclosed below. None of the Non-Executive Directors received any pension benefits from the Company, nor did they participate in any bonus or incentive schemes.

Non-Executive Directors (including Independent Non-Executive Directors) received fees totalling HK\$3,139,000 during 2021.

Director Fee Levels

Director fees are subject to shareholders' approval at general meetings. In January 2022, the Remuneration Committee duly considered a number of factors, including the level of responsibility, experience and abilities required of the Directors, the level of care and amount of time required, as well as the fees offered for similar positions in companies requiring the same talents, and agreed that the fees of the Non-Executive Directors shall remain at the same level.

The current fees for Non-Executive Directors and Board Committee members are set out below. Executive Directors do not receive any director fees.

	Per annum HK\$	
Board of Directors		
Non-Executive Director	280,000	(Note 1)
Audit and Risk Management Committee		
Chairman	180,000	(Note 1)
Member	108,000	(Note 1)
Remuneration Committee		
Chairman	75,000	(Note 1)
Member	45,000	(Note 1)
Nomination Committee		
Chairman	50,000	(Note 1)
Member	30,000	(Note 1)
Sustainability Committee		
Chairman	50,000	(Note 2)
Member	30,000	(Note 2)

Notes:

1. Approved by shareholders at the 2019 AGM and took effect on 1 June 2019.
2. Approved by the Board and took effect on 1 January 2020.

Human Resources Practices

The Group aims to attract, retain and develop high-calibre individuals who are committed to attaining our objectives. The total number of employees as at 31 December 2021 was 467 (2020: 489). The Group's human resources practices are aligned with our corporate objectives in order to maximize shareholder value and achieve growth. Details of our human resources programmes, training and development are set out in our 2021 Sustainability Report.

Long-term Incentives: Share Option Schemes

The Company may grant options under executive share option schemes as adopted from time to time. The purpose of such schemes is to strengthen the connection between individual employees' and shareholders' interests. The power to grant options to Executive Directors is vested in the Remuneration Committee, with endorsement by all Independent Non-Executive Directors being required under the Listing Rules. The Chairman or the Chief Executive Officer may grant options to management staff below the Executive Director level.

The 2005 Share Option Scheme (the "2005 Scheme")

The Company adopted the 2005 Scheme at its AGM held on 10 May 2005 (the "2005 AGM"), which had a term of 10 years and expired on 9 May 2015. All outstanding options granted under the 2005 Scheme will continue to be valid and exercisable in accordance with the provisions of the 2005 Scheme. No further option will be granted under the 2005 Scheme.

Under the 2005 Scheme, options to subscribe to the ordinary shares of the Company may be granted to employees of the Company or any of its wholly-owned subsidiaries (including Executive Directors), as well as such other persons as the Board may consider appropriate from time to time, on the basis of their contribution to the development and growth of the Company and its subsidiaries.

The maximum number of shares in respect of which options may be granted under the 2005 Scheme and any other share option scheme of the Company shall not exceed the maximum number of shares permissible under the Listing Rules, being 10% of the total number of shares in issue as at the date of the 2005 AGM (being 104,996,365 shares).

REMUNERATION COMMITTEE REPORT

The maximum entitlement of each participant under the 2005 Scheme must not, during any 12-month period, exceed the maximum number of shares permissible under the Listing Rules (which is 1 % of the total number of shares in issue as at the date of the 2005 AGM, being 10,499,636 shares). The exercise price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. The consideration for each grant of option is HK\$1 and is required to be paid within 30 days from the date of grant, with full payment for the exercise price to be made upon the exercise of the relevant option.

The 2015 Share Option Scheme (the "New Scheme")

The Company adopted the New Scheme at its AGM held on 15 May 2015 (the "2015 AGM"), which has a term of 10 years and will expire on 14 May 2025. The terms of the New Scheme are substantially the same as those of the 2005 Scheme.

Under the New Scheme, options to subscribe to the ordinary shares of the Company may be granted to employees of the Company or any of its subsidiaries (including Executive Directors), as well as such other persons as the Board may consider appropriate from time to time, on the basis of their contribution to the development and growth of the Company and its subsidiaries.

The maximum number of shares in respect of which options may be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed the maximum number of shares permissible under the Listing Rules, currently being 10% of the total number of shares in issue as at the date of the 2015 AGM (being 106,389,669 shares). Under the Listing Rules, a listed issuer may seek approval from its shareholders in a general meeting to "refresh" the 10% limit under the New Scheme. In addition, the total number of shares that may be issued upon the exercise of all outstanding options granted but not yet exercised under the New Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time (or the maximum number of shares permissible under the Listing Rules). No options may be granted where such a grant would result in this 30% limit or the maximum permissible limit being exceeded.

The maximum entitlement of each participant under the New Scheme must not, during any 12-month period, exceed the maximum number of shares permissible under the Listing Rules (which is 1 % of the total number of shares in issue as at the date of the 2015 AGM, being 10,638,966 shares). The exercise price shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. The consideration for each grant of option is HK\$1 and is required to be paid within 30 days from the date of grant, with full payment for the exercise price to be made upon the exercise of the relevant option.

Grant and vesting structures

Under the Company's current policy, grants are to be made on a periodic basis. The exercise period is 10 years. The vesting period is three years in equal proportions starting from the first anniversary of the grant, with the shares becoming fully vested on the third anniversary. The size of the grant will be determined with reference to a base salary multiple and job performance metrics. The Board reviews the grant and vesting structures from time to time.

Movement of share options

During the year, a total of 1,607,000 share options were granted under the New Scheme. The 2005 Scheme expired on 9 May 2015 and no further option has been granted under the 2005 Scheme.

As at the date of this Annual Report:

- share options exercisable into a total of 1,239,000 ordinary shares of the Company granted and fully-vested under the 2005 Scheme remained outstanding, representing approximately 0.12 % of the total number of issued shares of the Company;
- share options exercisable into a total of 5,844,067 ordinary shares of the Company (including fully-vested share options exercisable into 3,376,718 ordinary shares of the Company) granted under the New Scheme remained outstanding, representing approximately 0.57 % of the total number of issued shares of the Company; and
- 100,121,673 shares remained issuable under the New Scheme, representing approximately 9.68 % of the total number of issued shares of the Company.

Details of options granted, exercised, cancelled/lapsed and outstanding under the 2005 Scheme and the New Scheme (“the Schemes”) during the year are as follows:

Name	Date of Grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2021	Changes during the year			Balance as at 31.12.2021
					Granted	Exercised	Cancelled/ lapsed (Note b)	
2005 Scheme								
Executive Director								
Lee Irene Yun-Lien	14.5.2012	33.50	14.5.2013 – 13.5.2022	87,000	–	–	–	87,000
	7.3.2013	39.92	7.3.2014 – 6.3.2023	265,000	–	–	–	265,000
	10.3.2014	32.84	10.3.2015 – 9.3.2024	325,000	–	–	–	325,000
	12.3.2015	36.27	12.3.2016 – 11.3.2025	300,000	–	–	–	300,000
Eligible employees (Note c)	31.3.2011	32.00	31.3.2012 – 30.3.2021	32,000	–	–	(32,000)	–
	30.3.2012	31.61	30.3.2013 – 29.3.2022	70,000	–	–	–	70,000
	28.3.2013	39.20	28.3.2014 – 27.3.2023	85,000	–	–	–	85,000
	31.3.2014	33.75	31.3.2015 – 30.3.2024	46,000	–	–	–	46,000
	31.3.2015	34.00	31.3.2016 – 30.3.2025	62,667	–	–	(1,667)	61,000
				1,272,667	–	–	(33,667)	1,239,000
Name	Date of Grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2021	Changes during the year			Balance as at 31.12.2021
					Granted	Exercised	Cancelled/ lapsed (Note b)	
New Scheme								
Executive Directors								
Lee Irene Yun-Lien	9.3.2016	33.15	9.3.2017 – 8.3.2026	375,000	–	–	–	375,000
	23.2.2017	36.25	23.2.2018 – 22.2.2027	300,000	–	–	–	300,000
	1.3.2018	44.60	1.3.2019 – 29.2.2028	373,200	–	–	–	373,200
	22.2.2019	42.40	22.2.2020 – 21.2.2029	494,200	–	–	–	494,200
	21.2.2020	29.73	21.2.2021 – 20.2.2030	650,000	–	–	–	650,000
	26.2.2021	33.05 (Note e)	26.2.2022 – 25.2.2031	–	664,000	–	–	664,000
Lui Kon Wai (Note g)	29.3.2018	41.50	29.3.2019 – 28.3.2028	179,000	–	–	–	179,000
	29.3.2019	42.05	29.3.2020 – 28.3.2029	203,000	–	–	–	203,000
	31.3.2020	25.20	31.3.2021 – 30.3.2030	262,000	–	–	–	262,000
	31.3.2021	30.40 (Note f)	31.3.2022 – 30.3.2031	–	267,000	–	–	267,000
Eligible employees (Note c)	31.3.2016	33.05	31.3.2017 – 30.3.2026	125,000	–	–	(19,000)	106,000
	31.3.2017	35.33	31.3.2018 – 30.3.2027	244,667	–	–	(36,000)	208,667
	29.3.2018	41.50	29.3.2019 – 28.3.2028	315,000	–	–	(55,000)	260,000
	29.3.2019	42.05	29.3.2020 – 28.3.2029	555,000	–	–	(162,000)	393,000
	31.3.2020	25.20	31.3.2021 – 30.3.2030	690,000	–	(57,332) (Note d)	(134,668)	498,000
	31.3.2021	30.40 (Note f)	31.3.2022 – 30.3.2031	–	676,000	–	(65,000)	611,000
				4,766,067	1,607,000	(57,332)	(471,668)	5,844,067

Notes:

- (a) All options granted have a vesting period of three years in equal proportions starting from the first anniversary of the grant and becoming fully vested on the third anniversary. In this table, “exercise period” begins with the first anniversary of the date of grant.
- (b) These options lapsed during the year upon the resignations of certain eligible employees or the end of the period during which the options are exercisable.
- (c) Eligible employees are those working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance.
- (d) The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$30.58.
- (e) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 25 February 2021) was HK\$33.25.
- (f) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2021) was HK\$31.50.
- (g) Lui Kon Wai, currently Chief Operating Officer, was appointed as Executive Director with effect from 1 October 2021.

REMUNERATION COMMITTEE REPORT

Apart from the above, the Company has not granted any share options under the Schemes to any other persons during the year that are required to be disclosed under Rule 17.07 of the Listing Rules.

Particulars of the Schemes are set out in note 37 to the consolidated financial statements.

Value of share options

Pursuant to Rule 17.08 of the Listing Rules, the value of the share options granted during the year is to be expensed through the Group's statement of profit or loss over the three-year vesting period of the options.

The fair values of share options granted by the Company were determined using the Black-Scholes option pricing model (the "Model"), a commonly-used model for estimating the fair value of an option. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimates. The value of an option is determined by different variables which are based on a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

The inputs into the Model were as follows:

Date of grant	31.3.2021	26.2.2021
Closing share price at the date of grant	HK\$30.40	HK\$33.05
Exercise price	HK\$30.40	HK\$33.05
Risk-free rate (Note a)	0.817 %	0.726 %
Expected life of option (Note b)	5 years	5 years
Expected volatility (Note c)	27.100 %	26.899 %
Expected dividend per annum (Note d)	HK\$1.408	HK\$1.388
Estimated fair values per share option	HK\$4.770	HK\$5.560

Notes:

(a) Risk-free rate: the approximate yields of 5-year Exchange Fund Notes traded on the date of grant, matching the expected life of each option.

(b) Expected life of option: the period of five years commencing on the date of grant, based on management's best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations.

(c) Expected volatility: the approximate historical volatility of the closing prices of the shares of the Company over the past five years immediately before the date of grant.

(d) Expected dividend per annum: the approximate average annual cash dividend over the past five financial years.

Members of the Remuneration Committee

Fan Yan Hok Philip (Chairman)

Lee Tze Hau Michael

Poon Chung Yin Joseph

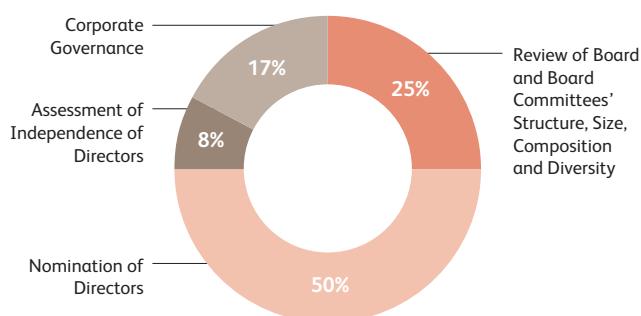
Hong Kong, 24 February 2022

Nomination Committee Report

Dear Shareholders,

We are pleased to present the Nomination Committee Report for 2021. The primary roles of the Nomination Committee are to review the Board's structure, composition and diversity, and to recommend Board appointments. The roles of the Non-Executive Directors continue to evolve in line with the growing demands of a fast-changing business environment. The Board is constantly looking ahead to ensure that our Non-Executive Directors have the skills and experience required to drive the highest standards of performance. During the year, we were pleased to welcome Lui Kon Wai, our Chief Operating Officer, to the Board.

Committee activities and agenda time during the year



Composition

The majority of the Committee is comprised of Independent Non-Executive Directors

Committee members

Lee Irene Yun-Lien (Chairman)

Churchouse Frederick Peter*

Fan Yan Hok Philip*

Lee Chien

Poon Chung Yin Joseph*

* Independent Non-Executive Director

Highlights in 2021

- Nominated Lui Kon Wai as Executive Director
- Considered the re-appointment and independence of Directors
- Reviewed the Diversity Policy

Key responsibilities

- Review the structure, size and composition of the Board
- Review the skills, knowledge, experience and diversity aspects of each Director
- Assess the independence of the Independent Non-Executive Directors
- Make recommendations to the Board on the appointment of Directors
- Review the time commitment and expertise of each Director, while taking into account other material commitments of such Directors
- Oversee succession planning for the Board

Meeting Schedule

The Nomination Committee generally meets at least once a year.

Roles and Authorities

The Nomination Committee's main roles and authorities are to:

- Review and make recommendations on the structure, size, composition and diversity of the Board with a view to complementing the Company's corporate strategies;
- Review the Diversity Policy;
- Review the independence of Directors pursuant to the Listing Rules' requirements;
- Oversee the general succession planning of the Board;
- Review the time commitment and effort required of Directors to discharge their responsibilities;
- Review the training and continuous professional development of the Directors; and
- Recommend the nomination of Directors after careful consideration of the attributes and values required in accordance with the Company's Nomination Policy, while also taking into account diversity aspects (including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) with due regard to the benefits of diversity, as set out under the Diversity Policy.

Director Recruitment Process

- 1 A wide and diverse range of candidates with different skills and business backgrounds appropriate to the Group's business needs are identified
- 2 Nomination Committee Chairman meets with shortlisted candidates
- 3 Nomination Committee assesses the suitability of the candidates based on a range of criteria
- 4 All Directors are given the opportunity to meet with the preferred candidate
- 5 Nomination Committee makes a recommendation to the Board

Activities

During 2021, the Committee held two meetings. Details of matters discussed in the meetings are given below.

Board Composition

Regarding board composition, the Committee:

- Considered the nomination of our Chief Operating Officer Lui Kon Wai as an Executive Director on the basis of his expertise and global experience in the property industry (which covers acquisitions, development and asset management for residential, office, retail and large-scale mixed-use developments in Hong Kong, Mainland China and overseas), his personal attributes as well as his extensive understanding of the Group's business, in accordance with the Company's Nomination Policy and Diversity Policy. The appointment of Lui Kon Wai as Executive Director reflected a strong internal succession planning process and demonstrated our focus on people development;
- Assessed the Board's structure, size, composition and diversity, and monitored the progress made towards enriching the skills and experience of Board members while improving Board diversity in its widest sense (including gender) in line with the Company's strategy. During the year, the Board continued to engage Li Xinzhe Jennifer as an advisor to the Board to enrich the Board's skills and diversity, and the Next Generation Innovation Panel to strengthen the Board's capability and support its strategic decision-making. The Nomination Committee was satisfied that the current composition and size of the Board is appropriate for the time being. These matters shall continue to be kept under regular review;
- Recommended the re-appointment of Directors to the Board;
- Reviewed the time commitment of Directors. The Committee was satisfied that all Directors were committed to the Company and had contributed to the Board through their participation in the Company's affairs and discussions at Board and Board Committee meetings during the year, as reflected in their high rates of attendance as recorded in the table on page 55;
- Reviewed the contributions of those Directors who are due to retire and are subject to re-appointment at the forthcoming AGM with the support of the Board; and

- Reviewed the training of the Directors and senior management.

Independence of Non-Executive Directors

The Committee assessed the independence, effectiveness and commitment of each of the Company's Independent Non-Executive Directors during the year.

It also considered the fact that three Directors (Churchouse Frederick Peter, Fan Yan Hok Philip and Poon Chung Yin Joseph) have served as Independent Non-Executive Directors for more than nine years. Churchouse Frederick Peter and Poon Chung Yin Joseph were re-elected at the 2021 AGM and will remain on the Board for a further year, while Fan Yan Hok Philip will retire by rotation at the forthcoming AGM to be held on 19 May 2022. The Nomination Committee recognized the contribution of Churchouse Frederick Peter, Fan Yan Hok Philip and Poon Chung Yin Joseph, who have developed deep insights into the Group's business and provided invaluable contributions to the Board over the years. The Nomination Committee was also of the view that Churchouse Frederick Peter, Fan Yan Hok Philip and Poon Chung Yin Joseph have exercised independent judgement and consistently demonstrated a healthy level of professional scepticism whenever appropriate, and have not held back from asking probing questions and challenging the executive management's views and recommendations. There is no evidence to suggest that their tenure has had any impact on their independence. The Nomination Committee was thus satisfied that, notwithstanding the length of service of such Directors, as well as the number and nature of offices they hold in other public companies and their other commitments, they remained highly committed to the Company, are independent and impartial, and continue to be in a position to discharge their duties and responsibilities in the coming year.

Review of Policy

The Committee reviewed the Diversity Policy (available on the Company's website) to formalize the Board's commitment to annually assess diversity and ensure its continued effectiveness.

Committee Effectiveness

The Committee's effectiveness was formally reviewed during the year as part of the Board evaluation process, which concluded that the Committee has operated effectively.

Members of the Nomination Committee

Lee Irene Yun-Lien (Chairman)
Churchouse Frederick Peter
Fan Yan Hok Philip
Lee Chien
Poon Chung Yin Joseph

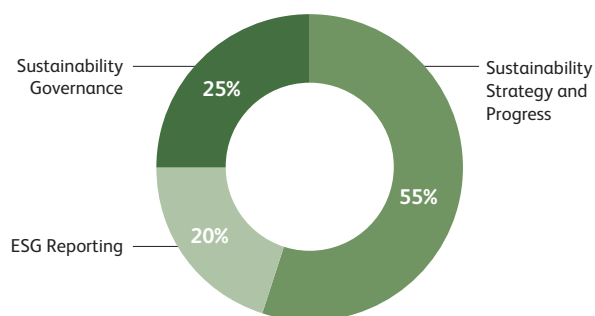
Hong Kong, 24 February 2022

Sustainability Committee Report

Dear Shareholders,

We are pleased to present the Sustainability Committee Report for 2021. The primary roles of the Sustainability Committee are to review and oversee the Group's corporate responsibility activities, sustainability development and related policies. The Committee is tasked with overseeing the Group's overall vision and action plans for corporate responsibility and sustainability, and bringing any related issues to the attention of the Board. It also assesses and makes recommendations on matters concerning the Group's sustainability opportunities and risks.

Committee activities and agenda time during the reporting period



Composition

The majority of the Committee is comprised of Independent Non-Executive Directors

Committee members

Jebsen Hans Michael B.B.S. (Chairman)

Fan Yan Hok Philip*

Wong Ching Ying Belinda*

* Independent Non-Executive Director

Highlights in 2021 and 2022

- Reviewed and endorsed the Group's sustainability strategy
- Considered the progress of ESG initiatives on a quarterly basis
- Considered the Group's commitment and actions taken to engage employees and society throughout the COVID-19 pandemic
- Reviewed sustainability finance framework and initiatives
- Assessed sustainability risks and opportunities
- Enhanced its Terms of Reference
- Reviewed the Sustainability Report

Key responsibilities

- Oversee corporate responsibility and sustainability matters
- Review the Group's sustainability footprint, targets and commitments, and make recommendations to the Board

Meeting Schedule

The Sustainability Committee generally meets at least once a year. One meeting was held in 2021 to review and discuss sustainability matters. The Board Chairman and management members (including the Executive Director and Chief Operating Officer, Chief Financial Officer and Company Secretary, and General Manager, Corporate Communication) attend the meetings by invitation to present updates and answer relevant questions, and thus facilitate the Committee's decision-making process.

Roles and Authorities

The Sustainability Committee's main roles and authorities are to:

- Review and endorse the Group's corporate responsibility and sustainability plans, strategies, priorities, policies, practices and frameworks, and report to the Board;
- Review and evaluate the adequacy and effectiveness of the actions taken by the Group based on its corporate responsibility and sustainability plans, strategies, priorities, policies and frameworks, and recommend improvements;
- Review sustainability risks and opportunities, and report to the Board;
- Monitor and review existing and/or emerging issues, trends and investments related to the corporate responsibility and sustainability priorities of the Group;

SUSTAINABILITY COMMITTEE REPORT

- Monitor and review the Group's corporate responsibility and sustainability policies and practices to ensure they remain relevant and compliant with legal and regulatory requirements (including, but not limited to, the relevant Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide and the Listing Rules); and
- Review the annual corporate responsibility and sustainability report and relevant disclosures in the Company's annual report, and provide recommendations to the Board regarding their approval.

Activities

Details of the meeting held in February 2021 were set out in the 2020 Annual Report.

From March 2021 to February 2022, the Sustainability Committee held one meeting. Details of matters discussed in the meeting are given below.

The Sustainability Committee Over the Past 12 Months

May Quarterly Update	Sustainability Progress Update – Q1 2021
August Quarterly Update	Sustainability Progress Update – Q2 2021
November Quarterly Update	Sustainability Progress Update – Q3 2021
February 2022 meeting	Sustainability Progress Update – Q4 2021 Sustainability Report Annual review of adequacy of resources of ESG functions Annual review of ESG risks Committee Terms of Reference

Review the Group's Sustainability Strategies

The Committee reviewed the Group's sustainability strategies and objectives, considered the Group's action plan and identified potential related risks and challenges, as benchmarked against international standards and industry peers. It also identified material ESG-related issues.

Discuss ESG Overview and Initiatives

In terms of the Group's ESG activities and initiatives, the Committee:

- Reviewed the Group's engagement strategy on a regular basis to prepare for the future. Hysan has consistently engaged with the community in which it operates, since our community is core to the Group's heritage;
- Reviewed ESG measures taken to promote the sustainable development of the Group, including our response to the COVID-19 pandemic, highlighting our initiatives to ensure the safety and well-being of our employees and the community, and to take the lead in promoting COVID-19 vaccination among our stakeholders with the aim of having Lee Gardens become a "Fully-Vaccinated Community";
- Reviewed our sustainability finance framework and initiatives to support eligible green or social projects;
- Reviewed ESG-related sustainability efforts and achievements; and
- Identified short and long-term sustainability targets across the Group and reviewed their progress.

Sustainability Governance

Regarding sustainability governance, the Committee:

- Reviewed reports on the major ESG risks that are integrated into the Group's risk assessment process, including risks relating to the COVID-19 pandemic, ESG compliance and environmental management related to climate change, as well as corresponding mitigation measures. Details are set out in the Risk Management and Internal Control Report;
- Reviewed the framework for sustainability governance and confirmed its satisfaction with the adequacy of resources for ESG performance and reporting; and
- Reviewed its Terms of Reference to enhance the Group's sustainability governance structure.

More details are set out in the 2021 Sustainability Report.

Members of the Sustainability Committee

Jebsen Hans Michael B.B.S. (Chairman)
Fan Yan Hok Philip
Wong Ching Ying Belinda

Hong Kong, 24 February 2022

Sustainability Report 2021 – Summary

This section provides a summary of Hysan's sustainability strategy and 2021 highlights. The reporting period is from 1 January 2021 to 31 December 2021, unless otherwise specified. During this period, Hysan continued to comply fully with the requirements of the provisions contained in the Environmental, Social and Governance Reporting Guide, Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Healthy communities depend upon a sustainable and liveable natural environment. For this reason, Hysan has continued to make environmental management, and in particular decarbonization, a core pillar of its corporate strategies and day-to-day operations. The Group achieved significant headway in this regard during 2021, and will continue to make every effort to develop the right pathway towards a net-zero carbon strategy for Hysan.

2021 was a watershed year for Hysan, as the Group made substantial investments both in the familiar environs of Causeway Bay and in Shanghai. It also secured a wider foothold in the Greater Bay Area with an investment in the flexible workspace sector. Sustainability will be at the heart of these projects, with a special emphasis on community development. The Caroline Hill Road site in Causeway Bay, for example, will be developed not only as a successful commercial building, but also as an urban oasis which will benefit nearby communities.

With guidance from Hysan's Board-level Sustainability Committee, the management team initiated and maintained a wide range of new and existing sustainability projects based on environmental, social and governance objectives that align with a number of the Sustainability Development Goals ("SDGs") adopted by the United Nations General Assembly and with reference to the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). Our efforts have been recognised by some of the world's top sustainability indices and rating agencies.

Climate Resilience

With global leaders adopting ambitious climate targets at the COP26 summit and Hong Kong publishing its own Climate Action Plan 2050 last year, the urgent importance of embedding decarbonisation in Hysan's strategies and daily operations is well recognised by the Group. Buildings contribute significantly to carbon emissions and energy consumption, so reducing our reliance on fossil fuels plays a key role in our business sustainability. Given the clear need to accelerate our progress towards low carbon emissions, we have committed to developing a climate action plan with reference to the recommendations of the TCFD for better adaptation and resilience. We have also given serious consideration to the Hong Kong Exchanges and Clearing Ltd ("HKEX")'s recently published Practical Net-Zero Guide for Business in developing our own pathway towards a net-zero carbon strategy.

Sustainability Policy

Hysan's Sustainability Policy is formulated by the Sustainability Executive Committee and applies to all properties and business units. Projects and initiatives based on the Policy's strategic agenda are executed by the Sustainability Task Force, which comprises representatives from each of Hysan's departments. The Board-level Sustainability Committee will continue to review this Policy, which guides the Group's long-term direction.

Environmental Management System

Hysan's Environmental Policy focuses on measuring and reporting carbon reduction efforts, promoting waste reduction at source, enhancing green purchasing and improving stakeholder engagement. We have obtained ISO 14001 Environmental Management System certification for our head office in order to align our corporate environmental management efforts with international standards, and to strengthen our measures for monitoring, reviewing and minimising the environmental impact of our operations. We communicate Hysan's environmental management policies and priorities to our staff through the Sustainable Office Guide, thus cultivating a green office environment.

Please refer to our standalone Sustainability Report for further details of the Group's sustainable development efforts and progress.

➤ LIFE – 2030 Strategy and Targets



Leap into Smart and Eco-business

Smart use of natural resources and technology for reducing the environmental impacts of Hysan's daily operations

Targets and Commitment



Climate Resilience and Adaptation

- Achieve 20% reduction in carbon intensity by 2024 (baseline: 2005)¹

2021 progress:

35% reduction



Renewable Energy

- Target to generate a total of 100,000 kWh of renewable energy per year by 2025

2021 progress:

14,004 kWh generated



Energy Efficiency & Reduction

- Target to achieve an average of 20% reduction in electricity purchased by 2024 (baseline: 2005)¹

2021 progress:

22% reduction

- Complete energy audit for 75% of total electricity consumption of building operations by 2025

2021 progress:

20% completed

Integrate with our Communities

Integrate community needs into our core business operations and partnerships, provide support to community projects, and develop sustainable partnership with our tenants

Targets and Commitment

- Create a vibrant, diverse and inclusive Lee Gardens community

2021 progress:

Over **672,000** people drawn to Hysan campaigns promoting local businesses

including over **38,000** participants engaged in community initiatives



- Promote collaboration with impact organizations

2021 progress:

33 impact partners (NGOs, SMEs) engaged

- Promote public awareness on eco-conscious living

2021 progress:

1,943 people participated in promoting an eco-conscious community



1. We have carried out a thorough reassessment of our carbon and energy reduction potential for the short to medium term. In 2022, we aim to provide 2030 targets which will match industry best practices.

F

Foster Partnership with our People

Build a diverse and inclusive workforce, treat our people fairly and help them realise their full potential

Targets and commitment



Health & Safety

- Reduce workplace injury rate to below 0.5 % by 2030 and maintain zero work-related fatalities

2021 progress:

Injury rate of **2.35%**, zero work-related fatalities



Diversity & Inclusion

- Maintain gender balance in management

2021 progress:

49% of management positions held by women



Talent Development

- Increase the numbers of learning activities offered by 30 % by 2030 (baseline: 2020)

2021 progress:

15% increase

- Increase training hours per employee by 20 % by 2030 (baseline: 2020)

2021 progress:

9% increase



Talent Engagement and Wellbeing

- Increase the numbers of employee engagement activities offered by 30 % by 2030 (baseline: 2020)

2021 progress:

10% increase

- Maintain an annual average employee participation rate of 60 % or above

2021 progress:

64%

- Enrich health protection programme covering physical and mental health for all employees

2021 progress:

New programmes added include eye-health self exercises, yoga classes, Thai boxing experience, Singing Bowl relaxation sessions, nutrition talks, family care tips for employees with children starting secondary school and vaccine information talks

E

Establish Strong Corporate Governance

Build a strong governance structure, maintain an ethical workplace and promote green finance

Targets and commitment



Sustainability Benchmarks and Indices

- Maintain global recognition from major benchmarks and indices

2021 progress:

Obtained four stars and a score of "A" for public disclosure in the 2021 Real Estate Assessment of the GRESB



Green and Sustainable Finance

- Target to have 40 % of debt financed by sustainable finance by 2030

2021 progress:

21% of debt financed by sustainable finance

Directors' Report

The Directors submitted their report together with the audited consolidated financial statements for the year ended 31 December 2021, which were approved by the Board of Directors on 24 February 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Group continued throughout 2021 to be property investment, management, and development. Details of the Group's principal subsidiaries, associates and joint ventures as at 31 December 2021 are set out in notes 17 to 19 respectively to the consolidated financial statements.

The turnover and results of the Group are principally derived from the leasing of investment properties located in Hong Kong. The Group's turnover and results by operating segment are set out in note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss on page 107.

The first interim dividend of HK27 cents per share, amounting to approximately HK\$281 million, was paid to shareholders during the year.

The Board declared a second interim dividend of HK117 cents per share to the shareholders on the register of members on 11 March 2022, totalling approximately HK\$1,210 million. The dividends declared and paid for ordinary shares in respect of the full year 2021 will total approximately HK\$1,491 million, and the balance of the profit will be retained.

BUSINESS REVIEW AND PERFORMANCE

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year, the material factors underlying its results and financial position and material attributable factors relating to the development and likely future developments of the Group's business, are provided throughout this Annual Report, particularly in the following separate sections:

- (a) Review of the Group's business – "Management's Discussion and Analysis";
- (b) The Group's risk management framework, the principal risks the Group is facing and the controls in place – "Risk Management and Internal Control Report";
- (c) Particulars of important events affecting the Group that have occurred since the end of the financial year 2021 – "Chairman's Statement", "Management's Discussion and Analysis" and "Notes to the Consolidated Financial Statements";
- (d) Future development of the Group's business – "Key Facts" and "Chairman's Statement";
- (e) Analysis using financial key performance indicators – "Management's Discussion and Analysis";
- (f) Discussion of the Group's environmental policies and performance – "Sustainability Report 2021 – Summary";
- (g) Discussion of the Group's compliance with the relevant laws and regulations that have a significant impact on the Group – "Corporate Governance Report", "Sustainability Report 2021 – Summary" and "Independent Auditor's Report"; and
- (h) An account of the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Group and on which the Group's success depends – "Directors' Report" and "Sustainability Report 2021 – Summary".

A detailed discussion of the Group's environmental policies and performance, its compliance with the relevant laws and regulations that have a significant impact on the Group, and its key relationships with stakeholders, is contained in the separate Sustainability Report 2021, which is available on the Company's website: www.hysan.com.hk.

These discussions form part of this Directors' Report.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity on pages 110 and 111 and note 31 to the consolidated financial statements respectively.

INVESTMENT PROPERTIES

All of the Group's investment properties were revalued by an independent professional valuer as at 31 December 2021 using the fair value model. Details of movements during the year in the investment properties of the Group are set out in note 15 to the consolidated financial statements.

Details of the major investment properties of the Group as at 31 December 2021 are set out in the section "Schedule of Principal Properties" of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and meeting the requirements of the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Further information on the Company's corporate governance practices is set out in the following separate reports:

- (a) "Corporate Governance Report" (pages 42 to 69) – this gives detailed information on the Group's compliance with the Corporate Governance Code and relevant laws and regulations, its adoption of local and international best practices, Directors' service contracts, and Directors' interests in shares, contracts and competing business;
- (b) "Risk Management and Internal Control Report" (pages 70 to 76) – this sets out the Group's framework for risk assessment and internal control (including control environment, control activities and work completed during the year);
- (c) "Audit and Risk Management Committee Report" (pages 77 to 80) – this sets out the terms of reference, work performed and findings of the Audit and Risk Management Committee for the year;
- (d) "Remuneration Committee Report" (pages 81 to 86) – this gives detailed information on Directors' remuneration and interests (including information on Directors' compensation);
- (e) "Nomination Committee Report" (pages 87 and 88) – this sets out the terms of reference, work performed and findings of the Nomination Committee for the year; and
- (f) "Sustainability Committee Report" (pages 89 and 90) – this sets out the terms of reference, work performed and findings of the Sustainability Committee.

Further information on the Group's sustainability policies and practices is contained in the separate Sustainability Report 2021, which is available on the Company's website: www.hysan.com.hk.

THE BOARD

The Board is currently chaired by Lee Irene Yun-Lien, Chairman. There are eight other Non-Executive Directors.

Lui Kon Wai was appointed as Executive Director with effect from 1 October 2021.

Lee Irene Yun-Lien and Yang Chi Hsin Trevor served as alternate Directors to Lee Anthony Hsien Pin and Jebsen Hans Michael, respectively, throughout the year.

Save as otherwise mentioned above, other Directors whose names and biographies appear on pages 43 to 48 have been Directors of the Company throughout the year and up to the date of this report.

Under Article 97 of the Company's Articles of Association ("Articles"), a Director appointed as an addition to the Board shall hold office only until the next following Annual General Meeting ("AGM").

Under Article 114 of the Articles, one-third (or such other number as may be required under applicable legislation) of the Directors (and where the applicable number is not an integral number, to be rounded upwards), who have been longest in office shall retire from office by rotation at each AGM. A retiring Director is eligible for re-election.

Particulars of Directors seeking re-election at the forthcoming AGM are set out in the related circular to shareholders.

The Company received from each Independent Non-Executive Director an annual confirmation of his or her independence with regard to each of the factors referred to in Rule 3.13 (1) to (8) of the Listing Rules, and the Company considered all of them to be independent. The Nomination Committee also reviewed the Directors' independence in a meeting held in November 2021 (See "Corporate Governance Report" and "Nomination Committee Report").

The names 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 are available on the Company's website: www.hysan.com.hk.

DIRECTORS' INTERESTS IN SHARES

Details of the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations are set out in "Corporate Governance Report" on pages 42 to 69.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 December 2021, the interests or short positions of substantial shareholders and other persons of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company, were as follows:

Aggregate long positions in shares and underlying shares of the Company

Name	Capacity	Number of ordinary shares held	% of the total no. of issued shares (Note)
Lee Hysan Company Limited	Beneficial owner	433,130,735	41.88
Silchester International Investors LLP	Investment manager	83,647,000	8.09
First Eagle Investment Management, LLC	Investment manager	52,460,214	5.07

Note:

The percentages were compiled based on the total number of issued shares of the Company as at 31 December 2021 (i.e. 1,034,258,223 ordinary shares).

Apart from the above, no other interest or short position in the shares or underlying shares of the Company were recorded in the register that is required to be kept under Section 336 of the SFO as at 31 December 2021.

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as “Related Parties” under applicable accounting principles. These mainly relate to contracts entered into by the Group in the ordinary course of business and that were negotiated on normal commercial terms and on an arm’s length basis. Further details are set out in note 36 to the consolidated financial statements.

Some of these transactions also constituted “Continuing Connected Transactions” under the Listing Rules, as identified below.

CONTINUING CONNECTED TRANSACTIONS

Certain transactions entered into by the Group constituted continuing connected transactions that were subject to reporting and announcement requirements but exempt from the circular and shareholders’ approval requirements under Rule 14A.76(2) of the Listing Rules during the year (the “Transactions”). Details of the Transactions required to be disclosed are set out as follows:

I. Leases granted by the Group

(a) Lee Garden Two, 28 Yun Ping Road, Hong Kong (“Lee Garden Two”)

The following lease arrangements were entered into by Barrowgate Limited (“Barrowgate”), a 65.36 % subsidiary of the Company and the property owner of Lee Garden Two, as landlord, with the following connected person:

Connected person	Date of agreement	Term	Premises	Annual consideration (Note a)
Jebsen and Company Limited (Note b)	22 June 2018 (Lease, Carpark Licence Agreements and Licence Agreements) (Note c)	3 years commencing from 1 September 2018	Office units on the 28th, 30th and 31st Floors, 4 carparking spaces and 2 portions of spaces near the carparking spaces	2021: HK\$25,777,000 (on pro-rata basis)

(b) Hysan Place, 500 Hennessy Road, Hong Kong (“Hysan Place”)

The following lease arrangements were entered into by Earn Extra Investments Limited (“Earn Extra”), a wholly-owned subsidiary of the Company and the property owner of Hysan Place, as landlord, with the following connected person:

Connected person	Date of agreement	Term	Premises	Annual consideration (Note a)
Jebsen and Company Limited (Note b)	19 March 2021 (Note c)	3 years commencing from 1 November 2021	Office units on the 20th, 21st and 22nd Floors	2021: HK\$8,693,000 (on pro-rata basis) 2022: HK\$52,158,000 2023: HK\$52,158,000 2024: HK\$43,465,000 (on pro-rata basis)

II. Provision of leasing and property management services to a non-wholly-owned subsidiary regarding Lee Garden Two

- (a) The following management agreement was entered into by Hysan Leasing Company Limited, a wholly-owned subsidiary of the Company, with Barrowgate, a connected subsidiary of the Company, for the provision of leasing marketing and lease administration services in respect of Lee Garden Two:

Connected person	Date of agreement	Term	Premises	Consideration received during the year
Barrowgate Limited	20 March 2019	3 years commencing from 1 April 2019	Whole premises of Lee Garden Two	HK\$23,932,000 (Note d)

CONTINUING CONNECTED TRANSACTIONS continued

II. Provision of leasing and property management services to a non-wholly-owned subsidiary regarding Lee Garden Two (continued)

- (b) The following management agreement was entered into by Hysan Property Management Limited, a wholly-owned subsidiary of the Company, with Barrowgate, a connected subsidiary of the Company, for the provision of property management services in respect of Lee Garden Two:

Connected person	Date of agreement	Term	Premises	Consideration received during the year
Barrowgate Limited	20 March 2019	3 years commencing from 1 April 2019	Whole premises of Lee Garden Two	HK\$4,301,000 (Note d)

III. Provision of escrow services by a connected person

The following escrow agency agreement (the "Escrow Agreement") was entered into between Hysan (Shanghai) Limited ("Hysan Shanghai"), a wholly-owned subsidiary of the Company, among others, with the following connected person (as escrow agent):

Connected person	Date of agreement	Term	Services	Escrow amount, upfront fee and administration fee payable during the year
The Hongkong and Shanghai Banking Corporation Limited (Note e)	17 September 2021 (Note f)	Commencing from 17 September 2021 and shall be terminated on the earlier of (i) the release of all escrow amount; (ii) the 3rd anniversary; or (iii) earlier termination in accordance with the Escrow Agreement	Provision of escrow agency service to hold the escrow amount of RMB1,132 million (equivalent to approximately HK\$1,370 million) in escrow	HK\$1,370,000,000 (Escrow amount) HK\$39,000 (Upfront fee) HK\$132,000 (Administration fee)

Notes:

- The annual considerations were calculated based on prevailing rates of rental, operating charges and licence fees for each of the relevant financial years as provided in the relevant agreements. The rental, operating charges and licence fees (as the case may be) are payable monthly in advance.
- Jebsen and Company Limited ("Jebsen and Company") is (i) a substantial shareholder of Barrowgate holding 10% legal and beneficial interest in Barrowgate and (ii) an associate of Jebsen Hans Michael, Non-Executive Director of the Company.
- As the aggregated annual consideration under the leases and various licence agreements (where applicable) entered into between Jebsen and Company on one part and Barrowgate and Earn Extra respectively on the other part exceeds the applicable de minimis threshold under the Listing Rules, each of them constituted continuing connected transaction of the Company, subject to announcement and reporting requirements but exempt from independent shareholders' approval requirements.
- These represent the actual consideration received for the year ended 31 December 2021, calculated on the basis of the fee schedules as prescribed in the respective management agreements.
- The Hongkong and Shanghai Banking Corporation Limited ("HSBC") is the holding company of Hang Seng Bank Limited, a substantial shareholder of Barrowgate holding 24.64% interest in Barrowgate.
- The Escrow Agreement dated 17 September 2021 was entered into by Hysan Shanghai, HSBC, Chinex Limited and Coworld Investments Limited to facilitate payment arrangement contemplated under the sale and purchase agreement dated 17 September 2021 in relation to Hysan Shanghai's acquisition of the entire issued shares of Scorecity Investments Limited.

All the Transactions were entered in the ordinary and usual course of business of the respective companies within the Group, after due negotiations on an arm's length basis with reference to the prevailing market conditions.

Announcements in respect of the Transactions were published in accordance with the Listing Rules. The Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules insofar as they are applicable.

CONTINUING CONNECTED TRANSACTIONS continued

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions 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 its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 97 to 98 of the Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company's Internal Audit has reviewed the Transactions and the related internal control procedures, and concluded that the internal control procedures are adequate and effective. All Independent Non-Executive Directors of the Company have reviewed the Transactions and the report of the auditor and confirmed that the Transactions are:

1. in the ordinary and usual course of business of the Group;
2. on normal commercial terms or better; and
3. on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

The lease, carpark licence agreements and licence agreements between Jebson and Company and Barrowgate are considered contracts of significance under paragraph 15 of Appendix 16 to the Listing Rules due to the related annual consideration having a revenue ratio of 0.96 % under the revenue test (the percentage ratios for assets ratio and consideration ratio are 0.03 % and 0.14 % respectively). Details of the transaction are set out under (I) of "Continuing Connected Transactions".

MAJOR CUSTOMERS AND SUPPLIERS

During the year, 30.84 % of the aggregate amount of purchases was attributable to the Group's five largest suppliers, with the largest supplier accounting for 9.83 % of the Group's total purchases. The aggregate amount of turnover attributable to the Group's five largest customers was less than 30 % (being the Listing Rule disclosure threshold) of total turnover of the Group.

None of the Directors, their close associates or any shareholder (which to the knowledge of the Director owns more than 5 % of the Company's issued shares) had any interest in the Group's five largest suppliers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company was authorized at its AGMs to repurchase its own ordinary shares not exceeding 10 % of the total number of its issued shares as at the dates of the resolutions being passed. During the year, the Company repurchased its ordinary shares on the Stock Exchange when they were trading at a significant discount to the Company's net asset value in order to enhance shareholder value.

During the year, the Company repurchased an aggregate of 5,500,000 ordinary shares for a total consideration of approximately HK\$146 million on the Stock Exchange. The repurchased shares were cancelled during the year. Details of the shares repurchased are as follows:—

Month of repurchase in 2021	Number of ordinary shares repurchased	Consideration per share		Aggregate consideration paid HK\$ million
		Highest HK\$	Lowest HK\$	
June	100,000	29.95	29.95	3
August	1,600,000	28.50	27.45	45
September	1,700,000	27.60	24.20	42
October	1,500,000	27.30	24.75	40
November	600,000	27.10	26.25	16
	<u>5,500,000</u>			<u>146</u>

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

ISSUANCE OF SECURITIES

A HK\$400 million 1.50 % Fixed Rate Note (the "Fixed Rate Note") due in July 2026 was issued during the year under the Group's US\$4 billion Medium Term Note Programme ("MTN Programme") and in accordance with the eligibility criteria set out in Hysan's Sustainable Finance Framework. The Fixed Rate Note is unconditionally and irrevocably guaranteed by the Company. The issuer under the MTN Programme is Hysan (MTN) Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company. For further details of the Fixed Rate Note, please refer to note 27 to the consolidated financial statements and Sustainability Report 2021. Save as disclosed above, the Group has not issued any debentures during the year.

EQUITY-LINKED AGREEMENTS

The Company granted share options under share option schemes as adopted from time to time. Share options granted are subject to three years vesting period and the consideration for each grant of option is HK\$1. During the year, 57,332 ordinary shares of the Company have been issued pursuant to the exercise of share options. As at the end of the year, share options exercisable into a total of 7,083,067 ordinary shares of the Company (including fully-vested share options exercisable into 4,234,317 shares of the Company) remained outstanding.

For further details of the above share options, please refer to "Remuneration Committee Report – Long-term Incentives: Share Option Schemes".

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

DONATIONS

During the year, the Group made donations of approximately HK\$1.4 million to charitable and non-profit-making organizations.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred by him or her in the execution of the duties of his or her office or in relation thereto. The Directors and Officers Liability Insurance ("D&O Insurance") taken out by the Company throughout the year provides adequate cover for such indemnities to all the Directors of the Company and its subsidiaries. The relevant provisions in the Articles and the D&O Insurance were in force during the financial year ended 31 December 2021 and as of the date of approval of this report.

AUDITOR

A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company is to be proposed at the 2022 AGM.

By Order of the Board
Lee Irene Yun-Lien
Chairman

Hong Kong, 24 February 2022