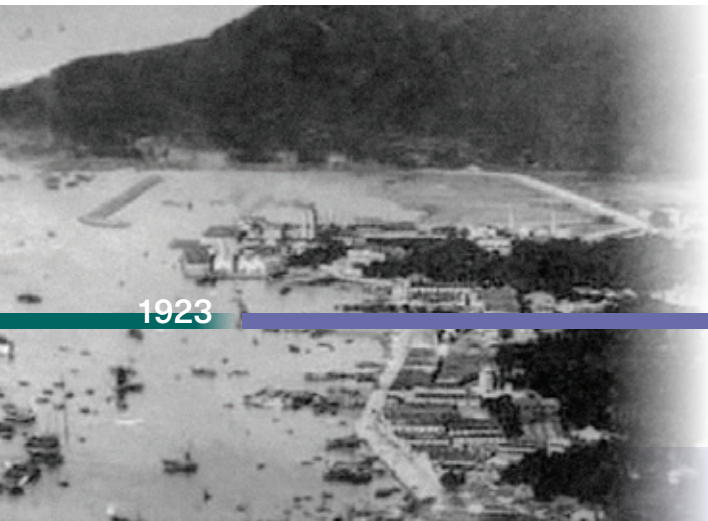


# Lee Gardens for the **Next Century**

2022 Annual Report



# Transforming the Precinct for the Next Century



In 1923, Hysan Development's founding Lee family began developing the now renowned Lee Gardens on a hilltop close to the Victoria Harbour waterfront. This year, we are celebrating the first 100 years of Lee Gardens in Hong Kong's commercial heartland and looking forward to the next 100.

Throughout the years, we have promoted our city's growth, contributing extensively to its development, and made Lee Gardens a popular destination for work and leisure.

As we continue to curate and expand our "Core" in Lee Gardens and invest in our growth "Pillars", a new century will be ushered in for the Company.

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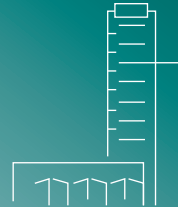
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GBA Flex Business



Lee Gardens  
Shanghai



Area  
Rejuvenation



# Lee Gardens Hong Kong

Caroline Hill Road  
Project



Connectivity

Community  
Business Model

Residential  
Development & Sales



Medical & Health



We welcome stakeholders' feedback on this Report. Please share your thoughts at [hysan@hysan.com.hk](mailto:hysan@hysan.com.hk)

In an effort to reduce consumption of resources due to printing and distributing hard copies, the Hysan Sustainability Report has been prepared for electronic distribution and is available for public viewing on Hysan Development's website ([www.hysan.com.hk](http://www.hysan.com.hk)). Limited copies are printed and distributed, primarily to our shareholders.

A summary of Sustainability Report 2022 is provided on pages 111 to 112 of this Annual Report.



Scan QR code to read the  
Sustainability Report 2022

# Chairman's Statement



## GLOBAL ECONOMIC, SOCIAL AND POLITICAL UNCERTAINTIES IN 2022

The global economy was full of uncertainties throughout 2022. In large part, this was due to the lingering impact of COVID-19, especially in Mainland China, where restrictions curtailed social and economic activities in major cities whenever the virus was reported. An environment of high energy prices and increasing interest rates prevailed against a backdrop of war and geopolitical tensions. Many countries also had to contend with high inflation and supply chain bottlenecks.

## HONG KONG WAS NOT IMMUNE

As a comparatively small and outward-facing economy, Hong Kong was not immune to this external volatility. The impact of COVID-19 on Hong Kong for nearly the past three years has been profound, including significant changes in consumption habits. When the pandemic returned in full force during the first quarter of 2022 (the “fifth wave”), GDP fell by almost 3% from the last quarter of 2021.

## BUT THEN THINGS STARTED TO LOOK UP

The moderation of the pandemic and gradual relaxation of the Hong Kong Government's quarantine measures had a positive effect on the economy from the second quarter of 2022 onwards. In the second half of the year, the city began to host major international events again, including the Global Financial Leaders' Investment Summit and the much-anticipated Hong Kong Rugby Sevens. Inbound tour groups were also welcomed, with some conditions attached. Towards the festive season at the end of the year, with far fewer COVID-19 restrictions, holiday shopping crowds also returned.

The reopening of Hong Kong's border with Mainland China in January 2023 is expected to bring tourists and businesses back to our southern city, albeit gradually. In recent surveys, tourists, including Mainland travellers still considered Hong Kong to be one of their top destinations for leisure and for business. We have every reason to believe Hong Kong will continue to be a favoured place to conduct business as one of the world's key financial centres.

During his first Policy Address, Hong Kong's new Chief Executive John Lee provided further positive news for the city in the medium and long term. Mr Lee emphasized the government's determination to improve the city's competitiveness as an attractive place for talent and business. His government has pledged to address social issues in Hong Kong, in particular the need to increase and speed up land supply for residential use. As a global financial and trading centre, Hong Kong's important role in connecting China to the world will be vital. Moreover, the city will also play a significant part as a member of the burgeoning Greater Bay Area.

## **HYSAN'S APPEAL**

As a property owner and operator with a core portfolio in the heart of commercial Hong Kong, Hysan has a solid asset base that contributes strong levels of revenue and liquidity.

The Company takes maximum advantage of the enduring appeal of Hong Kong, to China and to the world. Our iconic Lee Gardens precinct, in the unrivalled location of vibrant Causeway Bay, has become a destination for businesses that set up an office presence there as well as for consumers, both locals and visitors. Hysan's smart community-based business model, and our long-term commitment to green and sustainable growth, attract potential investors and business partners.

The Company's strategic direction reinforces our confidence in the long-term and sustainable development of our core portfolio and our strategy to build supporting investment pillars. Hysan is steered by an experienced board of directors. Operationally, it is run by a skilled and enthusiastic management team.

Looking ahead, we will continue to fine-tune our strategic execution with a focus on financial discipline, risk management and dynamic asset enhancement.

## **HYSAN'S CORE IN 2022**

Hysan's 2022 earnings were affected by the strict quarantine rules put into place in Hong Kong and Mainland China during the fifth wave, as well as by gloomy global economic prospects and geopolitical tensions. Nevertheless, we were able to maintain the occupancy rate in our retail portfolio and, to an extent, our more challenging office portfolio, by extending support to our tenants throughout the worst of COVID-19. In the process, Hysan gained much goodwill from our stakeholders, further enhancing our reputation as a landlord who values partnership with their tenants and views business from a sustainable, long-term perspective.

As restrictions were gradually lifted in the second half of the year, we saw a general recovery in footfall and spending, especially during weekends. Our retail space attracted considerable interest from potential tenants. Pop-up stores were in demand, bringing in new and exciting concepts.

Our office portfolio faced structural headwinds as a result of a change in requirements by international and local businesses for more flexible office arrangements, thus less space, a trend accelerated by COVID-19; as well as an increase in supply. Hysan, however, continues to be an attractive office destination due to our convenient and lively Lee Gardens location which offers an integrated vibrant office and retail environment with an abundance of popular on-site retail offerings. Our extensive range of flex operators has proven to be an important feature for corporates who value the access to flexible space.

### TIME FOR REJUVENATION

In our last Annual Report, we mentioned our plan for major enhancements within our core portfolio. This will be our first significant core portfolio-wide upgrade since Lee Garden One was completed in 1997. Hysan will put in place a planned area connectivity system throughout our Lee Gardens buildings, as well as linking Causeway Bay MTR station through to the Caroline Hill Road development. We also have plans to connect car parks with tunnels in the future, in a bid to reduce surface traffic, noise and pollution. With the linkages connecting our even more iconic offerings throughout the portfolio, Lee Gardens will be the premier walkable commercial destination in Hong Kong.

The demand for expansion by our key retail anchor tenants together with our plans to connect our buildings gave us the confidence and impetus to commence this important rejuvenation. This will also complement our own interior upgrades for Lee Garden One and Lee Garden Five. After the refurbishment, this cluster on Hysan Avenue will become an even more exclusive destination for top international brands, where each anchor tenant's store will occupy a space of around 10,000 square feet.

The commencement of the bulk of the rejuvenation project this year will coincide with the 100th anniversary of our founding Lee family's presence in Causeway Bay and the birth of our iconic Lee Gardens brand. By looking ahead and renewing our portfolio, a new century will be ushered in for the Company.

Hysan Place acts as the gateway to the rest of the Lee Gardens core portfolio, while providing a seamless vertical journey linked by a series of exciting destinations. It has been and will remain the trendsetter in our portfolio, with a high level of urban vibrancy that starts with its MTR-connected basement levels. In December 2022, we unveiled the Urban Park on the 4th floor, which is now home to skateboarders and other stylish urbanites in the city centre.

The Caroline Hill Road project started in September 2022 and will become the heart of our green-centric area. The overall project is progressing on schedule for completion in 2026. It will set new standards for premium offices, where state-of-the-art, sustainability-minded amenities will match or exceed the expectations of even the most demanding commercial tenants. There will also be a 60,000 square foot lifestyle park that serves as an urban oasis for the community, highlighted by a valuable, ancient Banyan Tree and other significant historical features that will be preserved.

### ON TRACK WITH OUR STRATEGIC DIVERSIFICATION PILLARS

Our strategy to reduce concentration risk and to build new engines of growth will provide flexibility, risk management and at the same time complement and support our core operations. Asset-light investments were generally less affected by COVID-issues, and our pillars have been shown to provide good value for our diversification strategy.

Although the Lee Gardens Shanghai office portfolio was ready for leasing activities in early 2022, the city's COVID outbreak curtailed all activities for several weeks. We started our rental campaign upon the lifting of the restrictions, and the first tenant made its commitment in the fourth quarter of 2022 to move into the building.

Under the leadership of a highly capable management team, New Frontier Group, our healthcare investment, achieved solid financial performance amid a difficult operating environment in 2022.

The co-working industry in China also performed well during COVID, relative to traditional office leasing. We believe flexible requirements and hybrid work modes will continue to drive flex demand. This will benefit our joint venture with IWG in the Greater Bay Area over the medium and long term.

## **EMBEDDING SUSTAINABILITY FOR THE FUTURE**

Our community business model is fundamental to our commitment to sustainability at Hysan. We are committed to inclusivity, diversity, social wellbeing, climate change preparedness and liveability within the communities we serve. Our actions include, rejuvenating our Lee Gardens neighbourhood as well as developing the new Caroline Hill Road project with the highest sustainability standards. To combat climate change, we completed a gap assessment on our carbon net-zero goals and made good progress with our decarbonization strategy.

We continued to provide strong support for the needs of our community. One example is the COVID-19 vaccination centres we set up at Leighton Centre and Caroline Hill during the pandemic's fifth wave, which showed our care and commitment to the community of Hong Kong. The ability to unveil the centres successfully within weeks after the initial proposals showcased public and private partnerships at their best.

Hysan has also contributed to different segments of society through its extensive corporate responsibility programmes. These range from sports (rugby academies) to art (rooftop art pieces celebrating traditional games), and from history (Cantonese Opera with a modern twist) to our support of new cutting-edge technology (manpower for Community Lab cohorts).

## **OUTLOOK**

In the year ahead, the economic uncertainties of today's world look set to continue. The after-effects of the pandemic and geopolitical tensions combined with rising inflation and higher interest rates will remain challenging.

For Hong Kong, the reopening of the border and the resumption of business and social activities will help to revive our city's status as a financial, trading and tourist hub.

Hysan's home base in Causeway Bay, and more specifically in Lee Gardens, has strong appeal to global and local visitors, businesses and investors. With the continuing development of our portfolio and expansion of our core and our pillars, we believe our long-term prospects remain positive.

**Lee Irene Yun-Lien**

*Chairman*

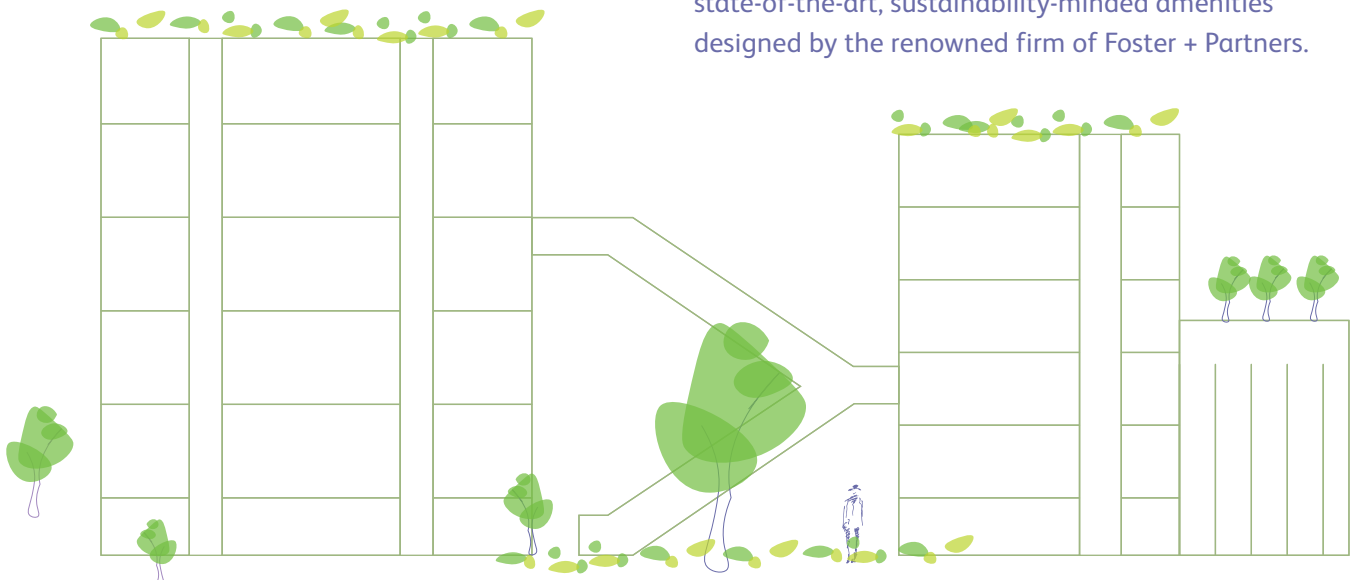
Hong Kong, 17 February 2023

# Expanding and Connecting Lee Gardens

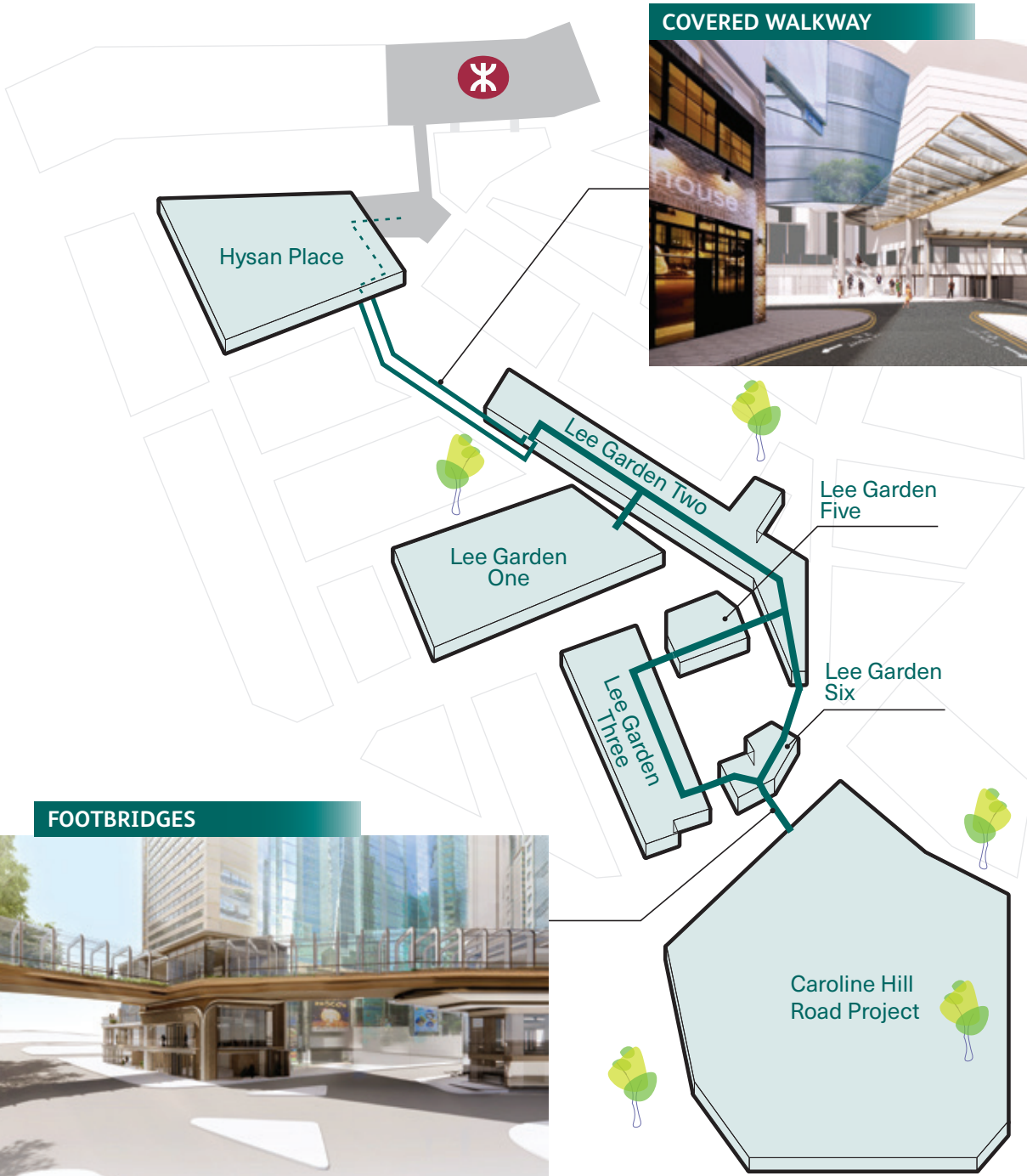


## Caroline Hill Road Project

The Caroline Hill Road project is a strategic piece in the Lee Gardens puzzle. Hysan plans to develop premium offices with community facilities at this site, creating significant synergies with Hysan's existing Lee Gardens amenities. The project started in September 2022 and is progressing on schedule for completion in 2026. Matching or exceeding the expectations of even the most demanding commercial tenants, these premium offices will be equipped with state-of-the-art, sustainability-minded amenities designed by the renowned firm of Foster + Partners.







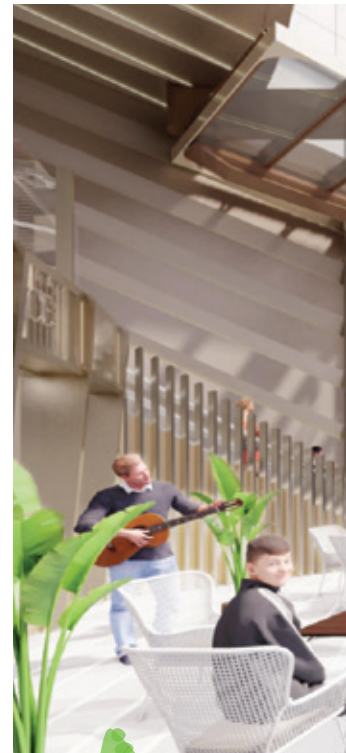
# Enhanced Walkability

A new connectivity system is set to transform the landscape of the Lee Gardens area. From Causeway Bay MTR station to the Caroline Hill Road development, this stimulating walking journey will feature cafés, works of art and performance spaces. We also have plans to connect car parks with tunnels that will help to reduce surface traffic, noise and pollution. Once completed, the new connectivity system will make Lee Gardens the premier walkable commercial destination in Hong Kong.

# Lee Gardens Rejuvenation

## Home of Luxury Flagships

The timing is perfect: the demand for expansion by our key retail anchor tenants together with our plans to connect our buildings gave us the impetus to commence this important rejuvenation project. After the refurbishments are completed, this cluster of buildings on Hysan Avenue will become an even more exclusive destination for top international brands, with anchor stores occupying a total area of more than 50,000 square feet.



# The Trendsetter

Hysan Place acts as the gateway to the rest of the Lee Gardens core portfolio, while providing a seamless vertical journey linked by a series of exciting destinations. It has been, and will remain, the trendsetter in our portfolio, with a high level of urban vibrancy that starts with its MTR-connected basement levels.



# The Green Centric

The Caroline Hill Road project will become the heart of our green-centric area, setting new standards for premium, sustainability-minded offices. Complementing the offices will be a 60,000 square foot lifestyle park that serves as an urban oasis for the community.

# Strategic Pillars

## Pillars

We invest in strategic growth pillars that drive geographic diversification and target business opportunities that complement and reinforce our core business. In 2022, our asset-light pillars provided good value for our business strategy, even during the difficult COVID periods.



### GBA Flex

Generally resilient with strong demand generated by structural changes in office sector



### Lee Gardens Shanghai

Pre-leasing activities resumed after the lifting of COVID-19 restrictions. First tenant committed in Q4 2022

## VILLA LUCCA

Growing interest from local and cross-border buyers is anticipated as COVID-19 restrictions are lifted



## To Kwa Wan Residential

Hysan's skillsets are being leveraged in the design and operations of the retail portion of the project



## New Frontier Investment

Strategic exposure to the growing private healthcare sector in China



## Overview

- 14** Key Facts
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- 20** Financial Review Summary

# Key Facts

## Our Portfolio



Hysan's investment portfolio is set predominantly in Lee Gardens, a unique part of Hong Kong's renowned commercial heart in Causeway Bay.

Within our approximately 4.5 million square feet of retail, office and residential tenant space, we strive to become partners with our tenants and create a sustainable ecosystem. Our medium-to-long term strategy involves the continued refinement and expansion of our "Core" in Lee Gardens, as well as investment in growth "Pillars" which will deliver a more balanced and diversified portfolio for Hysan.

### VISION

To be the premier property company in its market of choice.

### MISSION

Provide our stakeholders with sustainable and outstanding returns from a property portfolio which is strategically planned and managed by passionate, responsible and forward-looking professionals.

### VALUES

**L E E G A R D E N S**  
E X M O C E R N E U  
A C P O C S I T T S  
D E O D O P V R W T  
E L W U E I E O A  
R L E C N C N P R I  
S E R I T T G R K N  
H N M T A / E I A  
I C E I B D N N B  
P E N Z I R E G I  
T E L I U L  
N I V R I  
S T E S T  
H Y N H Y  
I I  
P P



## Value Creation

### FINANCIAL ACHIEVEMENTS:

- Steady and progressive total return
- Strong balance sheet

#### Active Management

Curate a balanced office and retail portfolio with a diversified group of tenants, with our long-term partnerships with tenants serving us well in challenging times

#### Financial Achievements

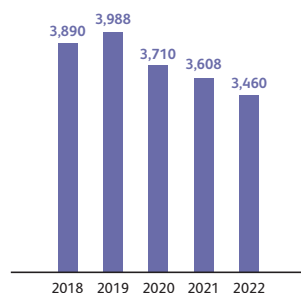
Maintain resilience and strength in the face of adversity

#### Dividends

Provide steady returns

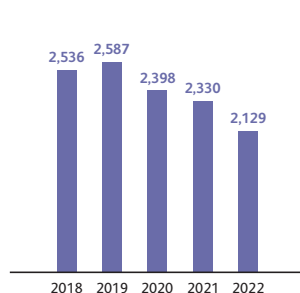
#### Turnover

2018-2022 (HK\$ million)



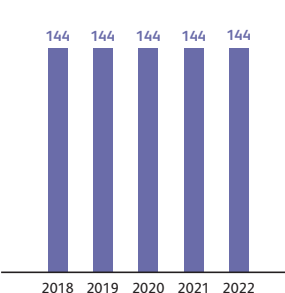
#### Underlying Profit

2018-2022 (HK\$ million)



#### Dividends per Share

2018-2022 (HK cents)



### SUPPORTED BY STRONG UNDERLYING NON-FINANCIAL ACHIEVEMENTS:

#### Environment

Minimize our impact on the environment, and achieve higher efficiency at the same time

#### Community

Make positive contributions to communities where we operate

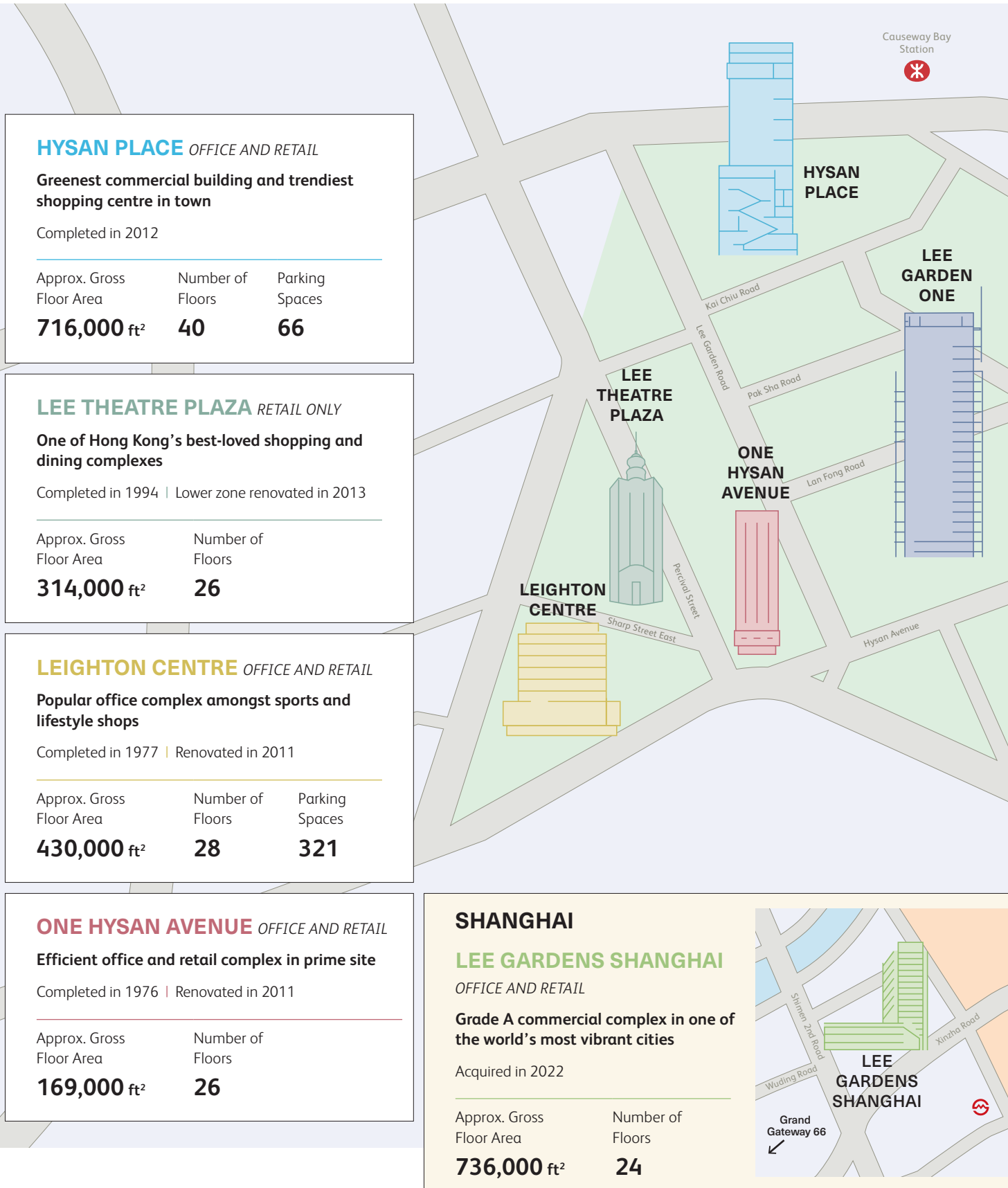
#### Employees

Create a working environment where talent can thrive

#### Governance

Strong governance is the heart of long-term sustainable performance

Our Assets



**HYSAN PLACE** OFFICE AND RETAIL  
**Greenest commercial building and trendiest shopping centre in town**  
 Completed in 2012

Approx. Gross Floor Area	Number of Floors	Parking Spaces
<b>716,000 ft<sup>2</sup></b>	<b>40</b>	<b>66</b>

**LEE THEATRE PLAZA** RETAIL ONLY  
**One of Hong Kong's best-loved shopping and dining complexes**  
 Completed in 1994 | Lower zone renovated in 2013

Approx. Gross Floor Area	Number of Floors
<b>314,000 ft<sup>2</sup></b>	<b>26</b>

**LEIGHTON CENTRE** OFFICE AND RETAIL  
**Popular office complex amongst sports and lifestyle shops**  
 Completed in 1977 | Renovated in 2011

Approx. Gross Floor Area	Number of Floors	Parking Spaces
<b>430,000 ft<sup>2</sup></b>	<b>28</b>	<b>321</b>

**ONE HYSAN AVENUE** OFFICE AND RETAIL  
**Efficient office and retail complex in prime site**  
 Completed in 1976 | Renovated in 2011

Approx. Gross Floor Area	Number of Floors
<b>169,000 ft<sup>2</sup></b>	<b>26</b>

**SHANGHAI**  
**LEE GARDENS SHANGHAI** OFFICE AND RETAIL  
**Grade A commercial complex in one of the world's most vibrant cities**  
 Acquired in 2022

Approx. Gross Floor Area	Number of Floors
<b>736,000 ft<sup>2</sup></b>	<b>24</b>

**LEE GARDEN ONE** OFFICE AND RETAIL

Home to international corporations and premium brands

Completed in 1997

Approx. Gross Floor Area	Number of Floors	Parking Spaces
<b>903,000 ft<sup>2</sup></b>	<b>53</b>	<b>200</b>

**LEE GARDEN TWO** OFFICE AND RETAIL

Spacious offices and home to children's concept floors

Completed in 1992 | Retail podium renovated in 2019

Approx. Gross Floor Area	Number of Floors	Parking Spaces
<b>621,000 ft<sup>2</sup></b>	<b>34</b>	<b>167</b>

**LEE GARDEN THREE** OFFICE AND RETAIL

Newest commercial address in Lee Gardens

Completed in 2017

Approx. Gross Floor Area	Number of Floors	Parking Spaces
<b>467,000 ft<sup>2</sup></b>	<b>32</b>	<b>201</b>

**LEE GARDEN FIVE** OFFICE AND RETAIL

An office and retail complex in one of Hong Kong's most prestigious commercial areas

Completed in 1989 | Renovated in 2009

Approx. Gross Floor Area	Number of Floors
<b>132,000 ft<sup>2</sup></b>	<b>25</b>

**LEE GARDEN SIX** OFFICE AND RETAIL

Convenient office and retail location

Completed in 1988 | Renovated in 2004

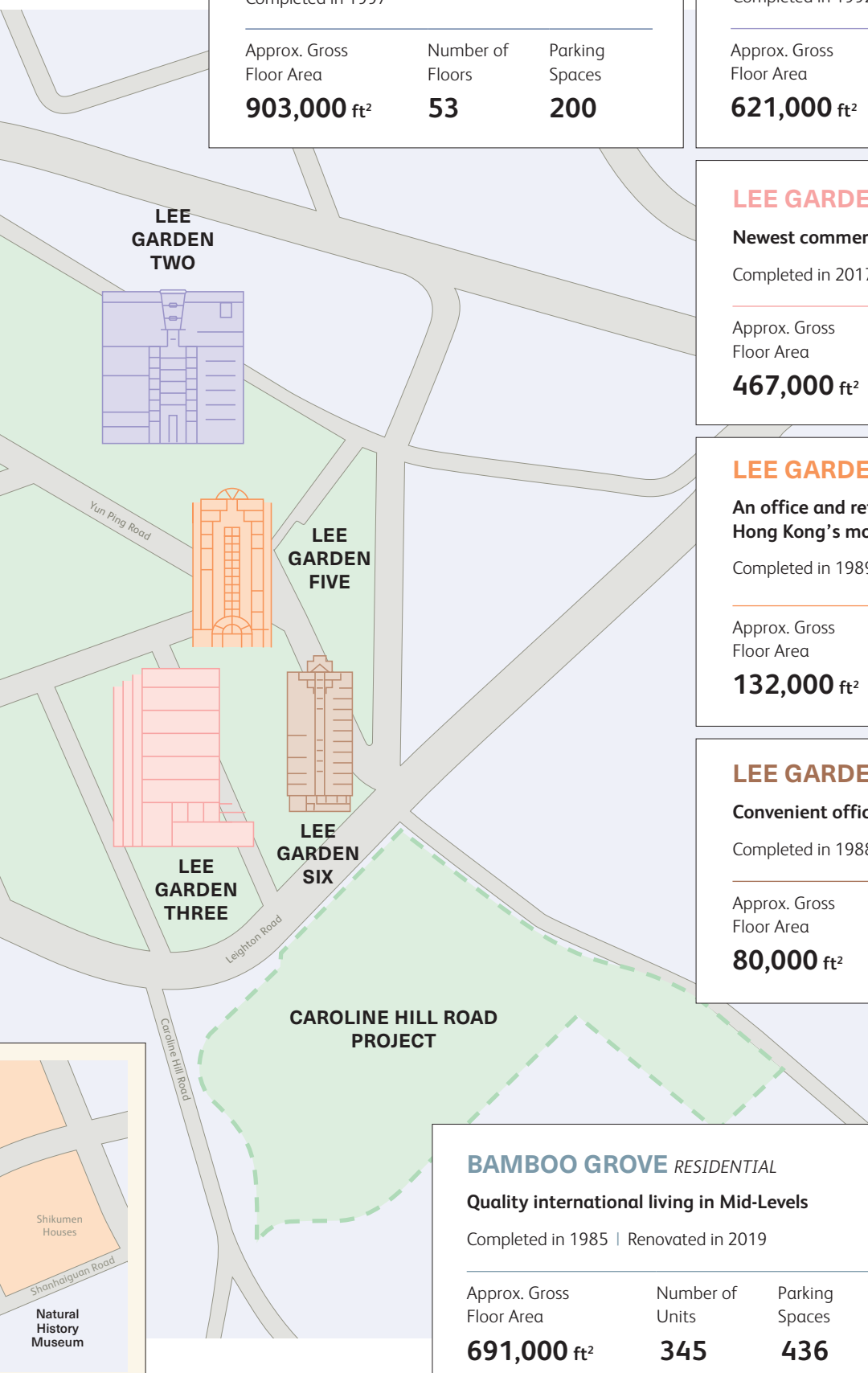
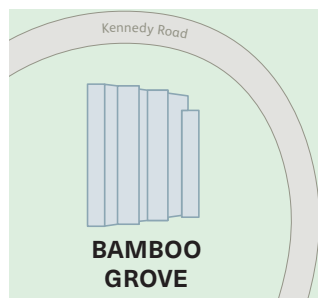
Approx. Gross Floor Area	Number of Floors
<b>80,000 ft<sup>2</sup></b>	<b>24</b>

**BAMBOO GROVE** RESIDENTIAL

Quality international living in Mid-Levels

Completed in 1985 | Renovated in 2019

Approx. Gross Floor Area	Number of Units	Parking Spaces
<b>691,000 ft<sup>2</sup></b>	<b>345</b>	<b>436</b>



# 2022 Performance at a Glance

## Environmental, Social and Governance Recognitions



G R E S B  
★★★★☆ 2022

Rated "A" for public disclosure  
for the fourth year running



Hang Seng Corporate  
Sustainability Index  
Series Member 2022-2023



CCC B BB BBB A AA AAA



Rated "Low Risk" in  
Sustainalytics ESG Risk Rating



FTSE4Good

Constituent member of the  
FTSE4GOOD Index Series

### Hong Kong Quality Assurance Agency's Hong Kong Green and Sustainable Finance Awards 2022

- Outstanding Award for Green and Sustainable Loan Issuer (Real Estate Industry) – Visionary Green Loan Framework
- Pioneering Organisation in ESG Disclosure Enhancement

### Hong Kong Institute of Certified Public Accountants' Best Corporate Governance And ESG Awards 2022

- Special Mention for Corporate Governance – Non-Hang Seng Index (Medium Market Capitalisation) Category

### Hong Kong Management Association's 2022 Best Annual Reports Awards

- Excellence Award in Environmental, Social and Governance Reporting

### Hong Kong Investor Relations Association's 8th Investor Relations Awards 2022

- Grand ESG Award
- Best ESG (E)
- Best ESG (S)
- Best ESG (G)

### The Hong Kong Council of Social Service

- The Outstanding Partnership Project Award – Hysan Urban Farm

### Greater Bay Area ("GBA") Carbon Neutrality Association's GBA Low Carbon Buildings Top 100 Award

- Hysan Place and Lee Garden Three

### Hong Kong Management Association's Hong Kong Sustainability Award 2022

- Merit Award (Large-sized Organizations Category)

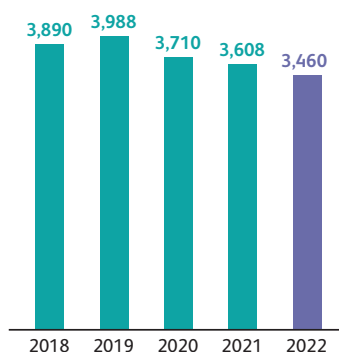
### Green Council's UNSDG Achievement Awards 2022 Hong Kong

- Gold (Organisation Awards)

## Financial Performance

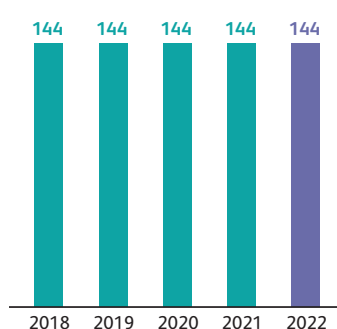
### Turnover

HK\$3,460m  
↓ 4.1%



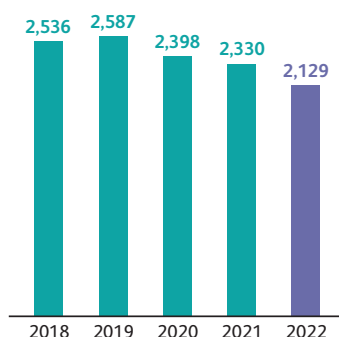
### Dividends per Share

HK144 cents



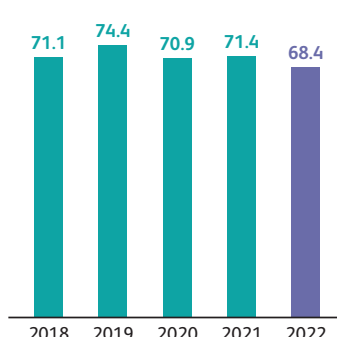
### Underlying Profit

HK\$2,129m  
↓ 8.6%



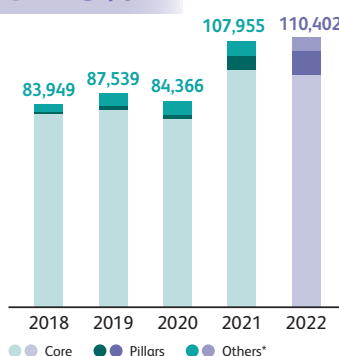
### Net Asset Value per Share

HK\$68.4  
↓ 4.2%



### Total asset (exclude cash and debt securities)

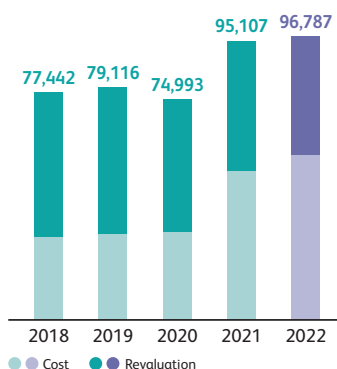
HK\$110,402m  
↑ 2.3%



● Core ● Pillars ● Others\*

### Property Value

HK\$96,787m  
↑ 1.8%



● Cost ● Revaluation

\* Others mainly represent investment in Shanghai Grand Gateway 66

## Financial Prudence

### Net Interest Coverage

(After Interest Capitalization) (Note 1)

**13.1 times**

(2021: 9.1 times)

### Net Interest Coverage

(Before Interest Capitalization) (Note 2)

**3.9 times**

(2021: 5.3 times)

### Net Debt to Equity (Note 3)

**23.4%**

(2021: 11.7%)

### Effective Interest Rate

**2.8%**

(2021: 2.9%)

### Average Debt Maturity

**4.8 years**

(2021: 6.1 years)

### Fixed Rate Debt

**61%**

(2021: 75%)

### Capital Market Issuances

**61%**

(2021: 92%)

### Credit Ratings

Moody's: **Baa1**

Fitch: **A-**

#### Notes:

1. Net Interest Coverage (after interest capitalization) is defined as: "Gross profit less administrative expenses before depreciation" divided by "net interest expenses charged to profit or loss"
2. Net Interest Coverage (before interest capitalization) is defined as: "Gross profit less administrative expenses before depreciation" divided by "net interest expenses charged to profit or loss plus interest expenses capitalized"
3. Net Debt to Equity is defined as borrowings less time deposits, cash and cash equivalents divided by total equity

# Financial Review Summary

## 1. Turnover

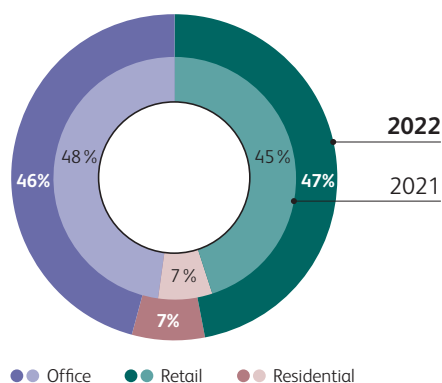
HK\$ million	2022	2021	Change
Office	1,578	1,728	-8.7%
Retail	1,643	1,620	1.4%
Residential	239	260	-8.1%
	<b>3,460</b>	<b>3,608</b>	<b>-4.1%</b>

- Office: Hong Kong's office market remained weak, with a city-wide vacancy rate of more than 12% as at the end of 2022. There was limited new demand for office space and an abundance of supply throughout the year. Global economic uncertainties, interest rate hikes and COVID-19 related travel restrictions were among the factors suppressing demand. Looking ahead, the relaxing of restrictions and the re-opening of the border with Mainland China will generally benefit the market.
- Retail: After a weak first quarter followed by a stronger summer, Hong Kong retail sales saw a slight upward trend towards the end of 2022. Overall consumption demand was supported by a generally stable pandemic situation and a strong labour market. However, these positives were offset by a weakening wealth effect from residential property assets and the stock market.
- Residential: The luxury residential leasing market remained quiet in 2022 due to macroeconomic conditions and travel restrictions, dampening demand from the expatriate population. Hysan offered rental agents enhanced incentives to help attract more interest in its Bamboo Grove units in Mid-Levels.

Details of the operating performances of the group's individual operations are set out on pages 26 to 28 of the Review of Operations.

Occupancy	2022	2021
Office	90%	94%
Retail	99%	99%
Residential	61%	71%

### Revenue by sector



## Consolidated Statement of profit or loss for the year ended 31.12.2022

	HK\$ million
<b>1</b> Turnover	3,460
Operating cost	(899)
Net margin	2,561
Investment income	248
Other losses	(2)
Finance costs	(423)
<b>2</b> Change in fair value of investment properties	(3,213)
<b>3</b> Share of results of associates	274
<b>3</b> Share of results of joint ventures	(52)
Loss before taxation	(607)
Taxation	(342)
Loss for the year	(949)
Attributable to perpetual capital securities holders and other non-controlling interests	(208)
Loss attributable to shareholders	(1,157)

## Underlying profit attributable to shareholders for the year ended 31.12.2022

	HK\$ million
Loss attributable to shareholders	(1,157)
Non-operating items	3,286
<b>4</b> Underlying profit	2,129

## Consolidated Statement of Cash Flows for the year ended 31.12.2022

	HK\$ million
Net margin	2,561
Changes in other working capital	(2)
Depreciation of property, plan and equipment	32
Cash generated from operations	2,591
Net investment and advance to joint ventures and other financial investments	(2,530)
Net borrowings	5,516
Issuance of perpetual capital securities, net of distribution and transaction costs	(857)
Bank deposits	(3,100)
Interest and taxation	(833)
Dividends paid	(1,593)
Considerations for share repurchases	(162)
Acquisition of investment properties and other capital expenditure	(3,081)
Net cash outflow	(4,049)
Time deposits, cash and cash equivalents	8,404
Less: Time deposits maturing more than 3 months	(1,866)
Cash and cash equivalents at 1.1.2022	6,538
Effect of foreign exchange rate changes	71
Cash and cash equivalents at 31.12.2022*	2,560
*Representing:	
Time deposits, cash and cash equivalents	7,771
Time deposits maturing more than 3 months	(5,211)
	2,560

## Consolidated Statement of Financial Position at 31.12.2022

	HK\$ million
<b>Net Assets</b>	
2 Investment properties	96,787
Other long-term investments	11,494
Time deposits, cash and cash equivalents	7,771
Other assets	3,113
Total assets	119,165
Borrowings	(27,277)
Taxation	(1,203)
Other liabilities	(7,274)
	83,411
<b>Capital and reserves</b>	
Share capital	7,723
Retained Profits	62,097
Other reserves	13,591
	83,411

## Consolidated Statement of Financial Position at 1.1.2022

	HK\$ million
<b>Net Assets</b>	
2 Investment properties	95,107
Other long-term investment	9,516
Time deposits, cash and cash equivalents	8,404
Other assets	4,346
Total assets	117,373
Borrowings	(18,657)
Taxation	(1,091)
Other liabilities	(9,740)
	87,885
<b>Capital and reserves</b>	
Share capital	7,723
Retained Profits	64,873
Other reserves	15,289
	87,885

## Consolidated Retained Profits for the year ended 31.12.2022

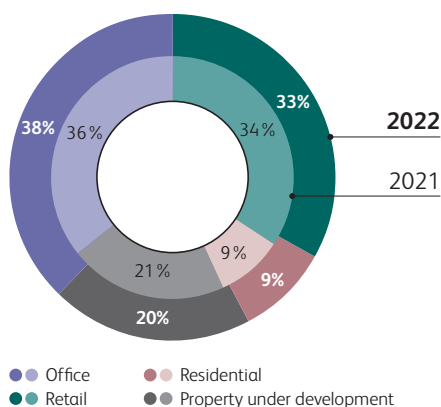
	HK\$ million
Retained profits at 1.1.2022	64,873
Loss attributable to shareholders	(1,157)
Repurchase of own shares	(162)
Dividends paid during the year	(1,486)
Other reserve movement	29
Retained profits at 31.12.2022	62,097

## 2. Investment properties

HK\$ million	2022	2021	Change
Office	36,906	34,707	6.3%
Retail	31,517	31,868	-1.1%
Residential	8,724	8,712	0.1%
Property under development	19,640	19,820	-0.9%
	96,787	95,107	1.8%

The investment properties valuation was carried out by Knight Frank Petty Limited, an independent professional valuer, on the basis of market value. A fair value loss on investment properties (after considering capital expenditure spent on the Group's investment properties) of HK\$3,213 million (2021: fair value loss of HK\$720 million) was recognized in the Group's consolidated statement of profit or loss for the year. The loss mainly reflects heightened market risk in a challenged retail sector, coupled with an office sector weakened by continued global economic uncertainty.

### Investment properties by portfolio



## 3. Share of results of associates and joint ventures

The Group's investments in associates are primarily represented by its interest in Grand Gateway 66, a retail, office and residential complex in Shanghai, China. The share of results of associates decreased to HK\$274 million (2021: HK\$458 million), mainly due to the Group's share of the revaluation gain (net of deferred tax) amounting to HK\$11 million (2021: revaluation gain of HK\$172 million).

The Group's investment in joint ventures comprises interests in a Tai Po residential project, To Kwa Wan residential project and the IWG Flex business.

## 4. Underlying profit

Underlying Profit decreased year-on-year by 8.6%. Details of the reconciliation from reported profit to underlying profit are set out on pages 24 to 25 of the Review of Results.







## Business Performance

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# Management's Discussion and Analysis

## Strategy

Hysan continues to curate and expand its investment portfolio, which is predominantly located in Causeway Bay, one of Hong Kong's prime commercial districts. We also seek to complement our core business by investing in several strategic growth "pillars", with the aim of delivering a more balanced and diversified portfolio.

## Review of Results

In HK\$ million	2022	2021	Change
Turnover	<b>3,460</b>	3,608	-4.1 %
– Office	<b>1,578</b>	1,728	-8.7 %
– Retail	<b>1,643</b>	1,620	+1.4 %
– Residential	<b>239</b>	260	-8.1 %
Recurring Underlying Profit	<b>2,063</b>	2,330	-11.5 %
Underlying Profit	<b>2,129</b>	2,330	-8.6 %

Hysan's Hong Kong investment property portfolio comprises three sectors – office, retail and residential – covering a floor area of approximately 4.5 million square feet. As at 31 December 2022, office properties accounted for around 55 % of the Group's investment portfolio by gross floor area, while retail properties made up around 30 %. Our office and retail properties are located in Causeway Bay's Lee Gardens precinct. Approximately 15 % of the Group's investment portfolio by gross floor area is residential, mainly comprising its Bamboo Grove apartments in Hong Kong's Mid-Levels. Lee Gardens Shanghai will add 0.7 million square feet commercial space when it commences operation in the first quarter of 2023.

Turnover, Recurring Underlying Profit and Underlying Profit saw year-on-year declines of 4.1 %, 11.5 % and 8.6 % respectively. Structural changes, accelerated by COVID-19 related issues, continued to put pressure on the office sector. The retail sector improved in the second half of 2022 after a difficult first quarter, which was seriously affected by the pandemic.

Included in Underlying Profit, there is a one-off exchange gain of HK\$66 million that resulted from the settlement of a subsidiary acquired during the year.

The Board of Directors has declared a second interim dividend of HK117 cents per share (2021: HK117 cents) which will be payable in cash.

The reconciliation of Recurring Underlying Profit, Underlying Profit and Reported (Loss) Profit is as follows:

	2022 HK\$ million	2021 HK\$ million
Reported (loss) profit	(1,157)	1,383
Change in fair value of properties	2,858	493
Investment properties	3,213	720
Less: Effect of other non-controlling interests	(344)	(55)
Share of associates (net of tax)	(11)	(172)
Imputed interest income on interest-free loan to a joint venture	(24)	(13)
Other gains and losses	2	8
Profit attributable to perpetual capital securities holders	450	459
Underlying Profit	2,129	2,330
One-off exchange gain	(66)	–
Recurring Underlying Profit	2,063	2,330

## KEY PERFORMANCE INDICATORS

The Group's turnover growth and occupancy rates are the key measurements used for the assessment of our core leasing business performance. Cost effectiveness is assessed by the Group's management using the property expenses ratio (as a percentage of turnover).

Key Performance Indicators	Definition	Business Performance		
		Sector	2022	2021
Turnover Growth	Rental revenue in current year vs that in last year	Office	-8.7%	-4.7%
		Retail	+1.4%	+1.3%
		Residential	-8.1%	-12.2%
Occupancy Rate	Percentage of total lettable area leased / total lettable area of each portfolio at year-end	Office	90%	94%
		Retail	99%	99%
		Residential	61%	71%
Property Expenses Ratio	Property expenses divided by turnover	N/A	16.4%	13.8%

### Review of Operations

#### OFFICE

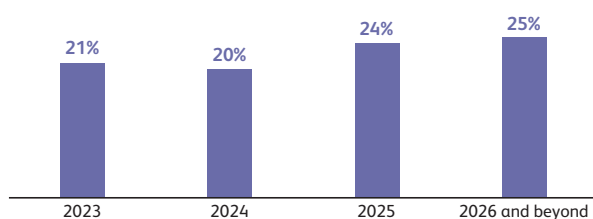
Turnover of the Group's office portfolio saw a decline of 8.7% to HK\$1,578 million (2021: HK\$1,728 million), including an improved turnover rent of HK\$11 million (2021: HK\$5 million).

Hong Kong's office market remained weak, with a city-wide vacancy rate of more than 12% as at the end of 2022. There was limited new demand for office space and an abundance of supply throughout the year. Global economic uncertainties, interest rate hikes and COVID-19 related travel restrictions were among the factors suppressing demand. Looking ahead, the relaxing of restrictions and the re-opening of the border with Mainland China will generally benefit the market.

The average rental reversion rate on renewals, rent review and new lettings for Hysan's Lee Gardens portfolio remained negative. Occupancy was at 90% as at 31 December 2022 (2021: 94%).

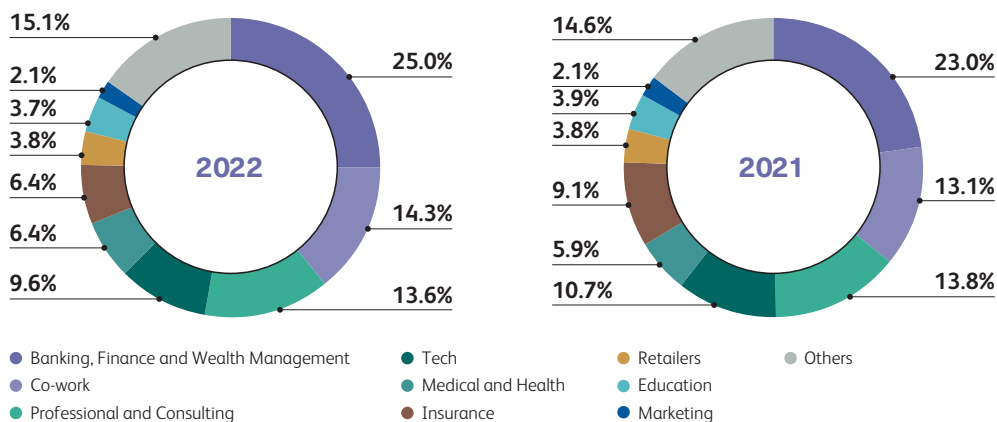
Hysan's office portfolio continued to offer top-quality facilities, exceptional nearby retail amenities and a well-connected location that appeal to both multinational and local businesses alike. Wealth management firms, flexible workspace operators and new economy businesses are among those reaping the advantages of being based in Lee Gardens. Our fully-furnished office units, perfect for tenants who value efficiency in selecting office space, are also attracting significant attention.

#### Office Lease Expiry Profile by Area Occupied (As at 31 December 2022)



As at the end of 2022, the Banking, Finance and Wealth Management sector continued to occupy the largest share 25.0% of our tenant portfolio by floor area. Co-Work surged to second 14.3%, while Professional and Consulting placed third 13.6%.

**Office Tenant Profile by Area Occupied as at Year-end**



**RETAIL**

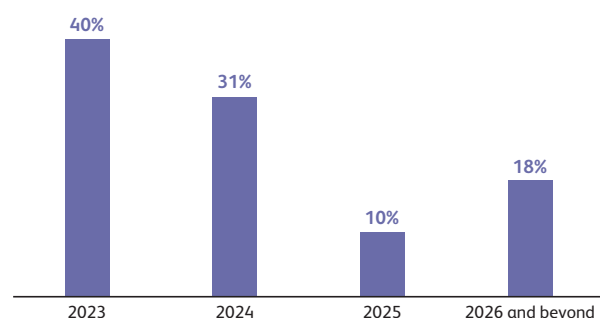
The Group’s retail portfolio turnover increased by 1.4% to HK\$1,643 million (2021: HK\$1,620 million). This included turnover rent of \$106 million (2021: HK\$112 million). Retail occupancy stood at a robust 99% as at 31 December 2022 (2021: 99%). The average rental reversion rate on renewals, rent review and new lettings was negative during 2022.

After a weak first quarter followed by a stronger summer, Hong Kong retail sales saw a slight upward trend towards the end of 2022. Overall consumption demand was supported by a generally stable pandemic situation and a strong labour market. However, these positives were offset by a weakening wealth effect from residential property assets and the stock market.

Hysan’s Lee Gardens retail portfolio continued to add new food and beverage outlets, as well as sports and children’s concept stores. Several existing tenants also expanded their shops. Projects to further enhance Lee Gardens’ reputation as a luxury retail destination kicked off in the second half of 2022. A number of our luxury retail anchor tenants also planned to start their expansion and enhancement programmes in 2023, with an aim to strengthen their presence and exposure in Lee Gardens. These improvement programmes are expected to reinforce Lee Gardens as the city’s home of luxury retail. In the meantime, Hysan Place began its trend-setting transformation, starting with the unveiling of Urban Park and its hip skateboarding theme. Rejuvenation plans for Hysan’s retail core were well received when unveiled to the media in December.

The easing of cross-border travel restrictions between Hong Kong and Mainland China is expected to attract more retail activity to the city. Hysan anticipates increased spending by both visitors and locals as Hong Kong moves along the path to economic recovery.

**Retail Lease Expiry Profile by Area Occupied (As at 31 December 2022)**



### MARKETING INITIATIVES AND LOYALTY PROGRAMMES

In 2022, Lee Gardens' thematic marketing campaigns focused on promoting food and beverage as well as beauty and personal care outlets. A diverse range of rewards attracted Club Avenue and Lee Gardens Club members with varied interests, with both membership channels generating significant tenant sales.

The iconic Power Up campaign, for example, has offered Lee Gardens Club members discounted merchant e-vouchers from more than 100 tenant businesses in recent years. This year, those who purchased vouchers were treated to a superior O2O experience from the hy!@Lee Gardens e-shop. More than 52,000 e-vouchers, including special 50% -off vouchers made exclusively for Hang Seng Bank Credit Card holders, sold out in just a few days.

Both the "Happy, Be!" summer campaign and the Christmas "Gnomes Orchestra" brought bold installations to the area. These were complemented by online games and family activities which attracted significant footfall and spending.

Hysan's new Relationship Management team, which caters to Club Avenue's top VIP tiers, has been providing a more personalized service to members than ever before. Their excellent work was part of a Group-wide drive that saw improvements in overall member spending in the second half of the year, due in large part to the more relaxed COVID-19 situation.

Hysan has also leveraged its resources to support the activities of other business units, such as curated events to introduce its quality VILLA LUCCA residential project to top VIPs, who responded with highly positive feedback.

### HARNESSING BUSINESS TECHNOLOGY

Consumers' payment preferences are shifting away from physical methods as online transactions become ever easier. In 2022, Hysan increased and diversified the digital payment options on its eCommerce hy! platform, which is gaining traction in its efforts to digitally promote tenants' offerings. The platform not only offers products for sale, but also provides experiences and workshops hosted by neighbouring businesses that can be purchased with loyalty club points as well as cash.

Hysan's office workflow automation system was unveiled in 2022, which has significantly improved property case management tools, increased work efficiency and realised operational cost savings. In addition, the Group enhanced the functions of its invoice submission and verification systems and facilitated the full digitalisation of Hysan's Shanghai office. An e-procurement system was also launched to simplify our property management processes and operations.

### RESIDENTIAL

Hysan's residential leasing portfolio turnover experienced a decrease of 8.1% to HK\$239 million (2021: HK\$260 million). Occupancy was at 61% as at 31 December 2022 (2021: 71%). The average rental reversion in the sector was negative for renewals, rent review and new lettings.

The luxury residential leasing market remained quiet in 2022 due to macroeconomic conditions and travel restrictions, dampening demand from the expatriate population. Hysan offered rental agents enhanced incentives to help attract more interest in its Bamboo Grove units in Mid-Levels.

Hong Kong's luxury residential sales market also slowed significantly in the second half of the year, mainly due to rising interest rates and a fluctuating stock market. Despite poor market sentiment, however, 12 units were sold during the year at VILLA LUCCA, our luxury residential project in Tai Po, with buyers impressed by the high quality and reasonable pricing. Highlights of the latest developments are outlined below.

## Core Expansion and Strategic Pillars

### COMMERCIAL PROPERTY DEVELOPMENT – CAROLINE HILL ROAD PROJECT

Foundation works for the Caroline Hill Road project, a joint venture with Chinachem Group, commenced in September 2022 and are targeted for completion at the end of 2023. The overall project is progressing on schedule for completion in 2026. It aims to set a new standard for premium Grade A office space with regard to spatial efficiency, flexibility, sustainability and amenities.

The Caroline Hill Road Project is included under “investment properties” in our consolidated statement of financial position.

### RESIDENTIAL PROPERTY DEVELOPMENT – VILLA LUCCA IN TAI PO AND TO KWA WAN RESIDENTIAL PROJECT

The construction of VILLA LUCCA, Hysan’s luxury residential project in Tai Po, was completed during the year. Its occupation permit was issued in May 2022, and sales programme was rolled out in the third quarter. This development of 262 garden houses and apartments is the first luxury residential project in Tai Po’s prestigious Lo Fai Road in recent years. We anticipate attracting more interest from local and cross-border buyers when COVID-19 restrictions are lifted further.

Hysan acquired a 25% stake in a joint venture to develop the Urban Renewal Authority’s residential project at Bailey Street/Wing Kwong Street in Kowloon’s To Kwa Wan district. The quality site is adjacent to the blossoming commercial and residential hub of Kai Tak and within a 5-minute walk to To Kwa Wan MTR station. Hysan will leverage its skillsets by overseeing the design and operations of the retail portion of the project.

The VILLA LUCCA Project and To Kwa Wan Residential Project are included under “investments in joint ventures” in our consolidated statement of financial position.

### SHANGHAI INVESTMENT PROPERTY – LEE GARDENS SHANGHAI

Pre-leasing activities for Lee Gardens Shanghai started in early 2022, but had to be suspended during the pandemic wave in the second quarter that curtailed social and economic activities. Activities resumed immediately after the lifting of restrictions, with the first tenant making a commitment in the fourth quarter of 2022. The project’s gross floor area for commercial activities is around 0.7 million square feet, with 375 parking spaces available.

The investment is included under “investment properties” in our consolidated statement of financial position.

### **SHANGHAI INVESTMENT PROPERTY – GRAND GATEWAY 66**

This investment property, in which Hysan owns a 26% stake, demonstrated resilient performance despite the impact of COVID-19 measures in Shanghai. The investment is included under “investments in associates” under our consolidated statement of financial position.

### **GREATER BAY AREA FLEX – JOINT VENTURE WITH IWG PLC**

All of IWG's flexible workspace brands in Hong Kong and the Greater Bay Area are exclusively operated by a Hysan-IWG joint venture.

During the pandemic, flexible workspaces generally outperformed traditional offices in Mainland China, both in terms of rental yields and occupancy rates. Advantages include “hybrid working” applications, unparalleled flexibility in lease terms, locations and services, as well as reduced capital expenditure for clients.

Through our partnership with one of the world's largest flexible workspace platforms, we are confident that our Greater Bay Area Flex business will remain on a positive and sustainable trend as demand grows in the future.

The investment is included under “investments in joint ventures” in our consolidated statement of financial position.

### **MEDICAL AND HEALTH – NEW FRONTIER GROUP**

New Frontier Group is a leading private healthcare services provider based in China which operates a system of acute hospitals, an online hospital, rehabilitation and geriatric hospitals, oncology centres, ambulatory centres, outpatient clinics, a home health network, doctor groups, training centres and health insurance services across the country.

Hysan's minority stake investment in New Frontier Group provides strategic exposure for the Group in Mainland China's fast-growing healthcare sector where demand for premium healthcare services is on the rise.

Opened in May 2022, Shenzhen New Frontier United Family Hospital is a comprehensive hospital dedicated to serving affluent and middle-class families in Shenzhen and the Greater Bay Area. With a gross floor area of 65,000 sqm., the hospital provides inpatient as well as outpatient care in family medicine, internal medicine, surgery, OB-GYN, paediatrics, ophthalmology, ENT, dentistry and more.

The investment is included as part of the “other financial investments” in our consolidated statement of financial position.



## Financial Review

A review of the Group's results and operations is featured in the preceding sections. This section deals with other significant financial matters.

### OPERATING COSTS

The Group's operating costs are generally classified as property expenses (direct costs and front-line staff wages and benefits) and administrative expenses (indirect costs, largely comprising payroll related costs of management and head office staff).

The Group's operating costs to turnover ratio was 26.0% (2021: 21.4%), mainly due to pre-operating expenses of Lee Gardens Shanghai as well as increased marketing, leasing and epidemic related property management expenses to mitigate the COVID-19 fifth wave impact of our operations.

### FINANCE COSTS

Finance costs increased to HK\$423 million, as compared with HK\$393 million in 2021, contributed by the interest rate hike during the year. The Group raised approximately HK\$7 billion from new issuance via its medium term note programme in 2020, taking advantage of ample market liquidity and a low interest rate environment. During 2022, finance costs related to such funding exercises amounted to HK\$346 million (2021: HK\$394 million). The effective interest rate for the year was 2.8%, as compared with 2.9% in 2021.

Further explanation of the Group's treasury activities and policy, including debt and interest rate management, is set out in the "Treasury Policy" section.

### REVALUATION OF INVESTMENT PROPERTIES

As at 31 December 2022, the Group's investment real estate portfolio was valued at HK\$96,787 million, an increase of 1.8% from the HK\$95,107 million recorded at the prior year-end.

The valuation was carried out by Knight Frank Petty Limited, an independent professional valuer, on the basis of market value. A fair value loss on investment properties (after considering capital expenditure spent on the Group's investment properties) of HK\$3,213 million (2021: fair value loss of HK\$720 million) was recognized in the Group's consolidated statement of profit or loss for the year. The loss mainly reflects heightened market risk in a challenged retail sector, coupled with an office sector weakened by continued global economic uncertainty.

The following shows the property valuation of each portfolio at year-end.

	2022 HK\$ million	2021 HK\$ million	Change
Office	36,906	34,707	+6.3%
Retail	31,517	31,868	-1.1%
Residential	8,724	8,712	+0.1%
Property under development	19,640	19,820	-0.9%
	<b>96,787</b>	<b>95,107</b>	<b>+1.8%</b>

### INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investments in associates are primarily represented by its interest in Grand Gateway 66, a retail, office and residential complex in Shanghai, China. The share of results of associates decreased to HK\$274 million (2021: HK\$458 million), mainly due to the Group's share of the revaluation gain (net of deferred tax) amounting to HK\$11 million (2021: revaluation gain of HK\$172 million). The properties at Grand Gateway 66 were revalued at fair value by an independent professional valuer for both years ended 31 December 2021 and 2022.

The Group's investment in joint ventures comprises interests in a Tai Po residential project, To Kwa Wan residential project and the IWG Flex business.

### OTHER FINANCIAL INVESTMENTS

During the year, the Group extended its geographical and business reach through certain strategic minority stake investments. Investment in New Frontier Group was one of the key initiatives which provides strategic exposure for the Group in the fast-growing healthcare sector in Mainland China. As at 31 December 2022, other financial investments totalled HK\$2,035 million (2021: HK\$1,780 million).

### BANK DEPOSITS

In addition to placing surplus funds as time deposits in banks with strong credit ratings, the Group also invested in investment grade debt securities.

Excluding imputed interest income recognized on an interest-free loan of HK\$24 million (2021: HK\$13 million) to a joint venture company for a residential site development in Tai Po, like-for-like interest income increased to HK\$121 million (2021: HK\$79 million) resulting from higher deposit rate on the bank deposits placed.

### CASH FLOW

Cash flow of the Group during the year is summarized below. Cash includes liquid cash and bank deposits with less than 3 months' tenor.

	2022 HK\$ million	2021 HK\$ million
Cash generated from operations	2,591	2,845
Net investment and advance to joint ventures and other financial investments	(2,530)	(1,126)
Net borrowings	5,516	7,507
Repurchase and distribution of perpetual capital securities	(857)	(459)
Bank deposits	(3,100)	8,340
Interest and taxation	(833)	(861)
Dividends paid	(1,593)	(1,617)
Considerations for share repurchase	(162)	(146)
Capital expenditure	(3,081)	(22,334)
<b>Net cash outflow</b>	<b>(4,049)</b>	<b>(7,851)</b>

The Group's cash generated from operations was HK\$2,591 million (2021: HK\$2,845 million), HK\$254 million lower than that in 2021, reflecting lower Recurring Underlying Profit from our core leasing business.

Net investment and advance to joint ventures and other financial investments, amounted to HK\$2,530 million (2021: HK\$1,126 million) in 2022 related to the investment in the To Kwa Wan residential project, an advance to the residential site development in Tai Po and investment in New Frontier Group.

Net borrowings amounted to HK\$5,516 million, reflecting issuance and repayment of fixed rate notes, drawdown and repayment of bank loans and repayment to loan from non-controlling interest. In 2021, total net borrowings were HK\$7,507 million.

In 2020, the Group through a wholly owned subsidiary of the Company (the "Issuer") issued US\$850 million (equivalent to approximately HK\$6,604 million) 4.10% subordinated perpetual capital securities, which are unconditionally and irrevocably guaranteed by the Company. Further, the Issuer issued US\$500 million (equivalent to approximately HK\$3,875 million) 4.85% senior perpetual capital securities, which are unconditionally and irrevocably guaranteed by the Company. The proceeds of the capital securities are for general corporate purposes and the capital securities are listed on The Stock Exchange of Hong Kong Limited. In 2022, the distribution paid to perpetual capital securities holders amounted to HK\$458 million.

In 2022, the Group repurchased perpetual capital securities with principal amount of HK\$425 million with cash consideration at HK\$399 million.

Cash placed in bank deposits was HK\$3,100 million (2021: cash from bank deposits: HK\$8,340 million), which was mainly attributable to additional deposits with a longer tenor.

The Group paid dividends of HK\$1,486 million (2021: HK\$1,497 million), via a 2021 second interim dividend of HK117 cents per share (2021: HK117 cents) and a 2022 first interim dividend of HK27 cents per share (2021: HK27 cents).

During the year, the Group repurchased 7.3 million of its own shares as part of its capital management programme for an aggregate consideration of approximately HK\$162 million.

## CAPITAL EXPENDITURE AND MANAGEMENT

Total cash outlay of capital expenditure decreased to HK\$3,081 million during the year (2021: HK\$22,334 million), mainly contributed by the completion of acquisition of a commercial complex located at Nos. 668 and 688 Xinzha Road, Shanghai, the PRC in January 2022 at consideration of approximately RMB3,500 million (equivalent to approximately HK\$4,235 million). The Group is committed to enhancing the asset value of its investment property portfolio through selective enhancement and redevelopment.

### Treasury Policy

#### CAPITAL STRUCTURE MANAGEMENT

To ensure a healthy financial position and a suitable capital structure servicing its financing needs and sustainable growth, the Group always strives to diversify its funding sources, and to maintain an appropriate debt maturity profile relative to the overall use of funds. The Group also aims to maintain adequate liquidity, keep a low borrowing margin relative to market conditions, and adopt suitable hedging and forex management strategies.

#### Funding Sources

The Group's total Gross Debt<sup>1</sup> level as at 31 December 2022 increased to HK\$27,487 million (31 December 2021: HK\$18,807 million), mainly result from the bank loans drawn down for our Caroline Hill Road project financing.

As at 31 December 2022, bank loans accounted for approximately 39% of the Group's total Gross Debt with the remaining 61% from capital market financing (31 December 2021: 8% : 92%).

The following table shows the Group's sources of debt financing as at 31 December 2022 (in HK\$ million):

	Available	Drawn	Undrawn
Secured term loans <sup>2</sup>	12,951	7,912	5,039
Unsecured term loans	2,717	2,717	–
Committed revolving loans	4,900	–	4,900
Capital market issuances	16,858	16,858	–
<b>Total committed facilities</b>	<b>37,426</b>	<b>27,487</b>	<b>9,939</b>
Uncommitted revolving loans	2,680	–	2,680
<b>Total source of debts financing</b>	<b>40,106</b>	<b>27,487</b>	<b>12,619</b>

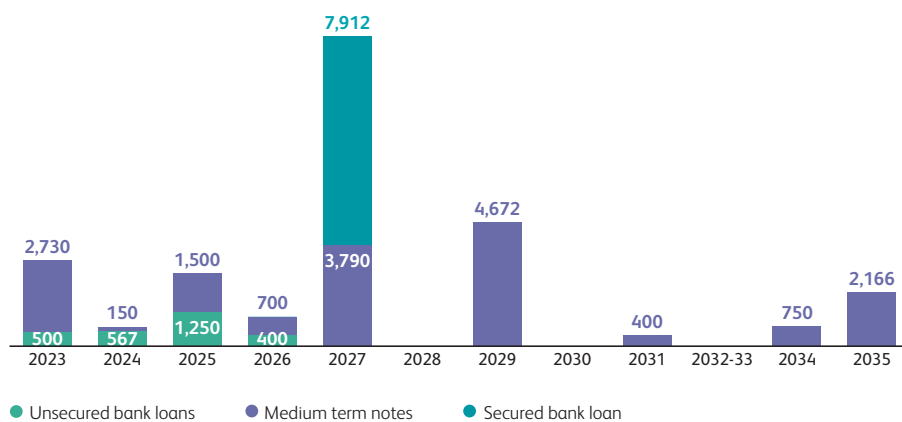
#### Maturity Profile

The Group maintains a well-staggered debt maturities in the coming 12 years to match with the nature of our assets and operations. As at 31 December 2022, the average maturity of debt portfolio was about 4.8 years (2021: 6.1 years) and have approximately HK\$3,230 million debts maturing in 2023.

<sup>1</sup> The Gross Debt represents the contractual principal payment obligations as at 31 December 2022. However, in accordance with the Group's accounting policies, the debt is measured at amortized costs, using the effective interest method. As disclosed in the Group's consolidated statement of financial position as at 31 December 2022, the book value of the outstanding debt of the Group was HK\$27,277 million (31 December 2021: HK\$18,657 million).

<sup>2</sup> Secured term loans represent the contractual principal payment obligations of the project financing of Caroline Hill Road project.

### Debt Maturity Profile of the Group at the end of 2022 (HK\$ million)



### Gearing ratio and net interest coverage

The Group's gearing ratio, as measured by Net Debt to Equity ratio<sup>3</sup>, was 23.4% at year-end 2022 (31 December 2021: 11.7%). The Group's Net Interest Coverage<sup>4</sup> increased to 13.1 times for 2022 (2021: 9.1 times).

### Credit Rating

The Group keeps an active dialogue with credit rating agencies and aims at maintaining investment-grade credit ratings. As at 31 December 2022, the Group's credit ratings<sup>5</sup> were maintained at A3 from Moody's and A- from Fitch, reflecting the Group's strong financial position and prudent capital management strategy.



<sup>3</sup> Net Debt to Equity is defined as borrowings less time deposits, cash and cash equivalents divided by total equity.

<sup>4</sup> Net Interest Coverage is defined as gross profit less administrative expenses before depreciation divided by net interest expenses.

<sup>5</sup> On 24 February 2023, Moody's adjusted the Group's credit rating to Baa1 with stable outlook.



### LIQUIDITY MANAGEMENT

As at 31 December 2022, the Group has cash and bank deposits totalling about HK\$7,771 million (31 December 2021: HK\$8,404 million). In order to preserve liquidity and for yields enhancement, the Group invested HK\$992 million (2021: HK\$1,014 million) in investment-grade debts securities.

Further liquidity, if needed, is available from the undrawn committed facilities offered by the Group's relationship banks. These facilities, amounted to HK\$4,900 million at the year-end of 2022 (31 December 2021: HK\$5,550 million), essentially allowing the Group to obtain additional liquidity as the need arose.

### INTEREST RATE MANAGEMENT

Interest expenses represent one of the key cost drivers of the Group's business. The Group monitors its interest rate exposure closely and adopts an appropriate hedging strategy in light of market conditions. The fixed rate debt ratio (after taking into account interest rate swap) as at 31 December 2022 was 61% (31 December 2021: 75%). The effective interest rate decreased slightly to 2.8% at year-end 2022 from 2.9% at year-end 2021.

### FOREIGN EXCHANGE MANAGEMENT

The Group aims to achieve minimal currency exposure and does not speculate in currency movements for asset and liability management. The Group monitors and manages its foreign currency exposure, including USD and RMB, where appropriate, by applying systematic measures to mitigate foreign currency risks.

All USD fixed rate notes were hedged by entering cross-currency swaps to effectively converted the debts into HKD. A USD bank loan has also been drawn down as a natural hedge against the Group's outstanding foreign currency balances in the investment in debts securities.

## USE OF DERIVATIVES

As at 31 December 2022, outstanding derivatives were all related to the hedging of foreign exchange exposures and interest rates. Strict internal guidelines have been established to ensure derivatives are used to manage volatility or to adjust the appropriate risk profile of the Group's treasury assets and liabilities.

## COUNTERPARTY CREDIT RISK

All deposits are placed with banks with strong credit ratings and counterparty risk is monitored on a regular basis.

Before entering into any hedging transaction, the Group will ensure that its counterparty possesses strong investment-grade ratings to control credit risk. As part of our risk management, a limit on maximum risk-adjusted credit exposure is assigned to each counterparty, which basically reflects the credit quality of the counterparty.

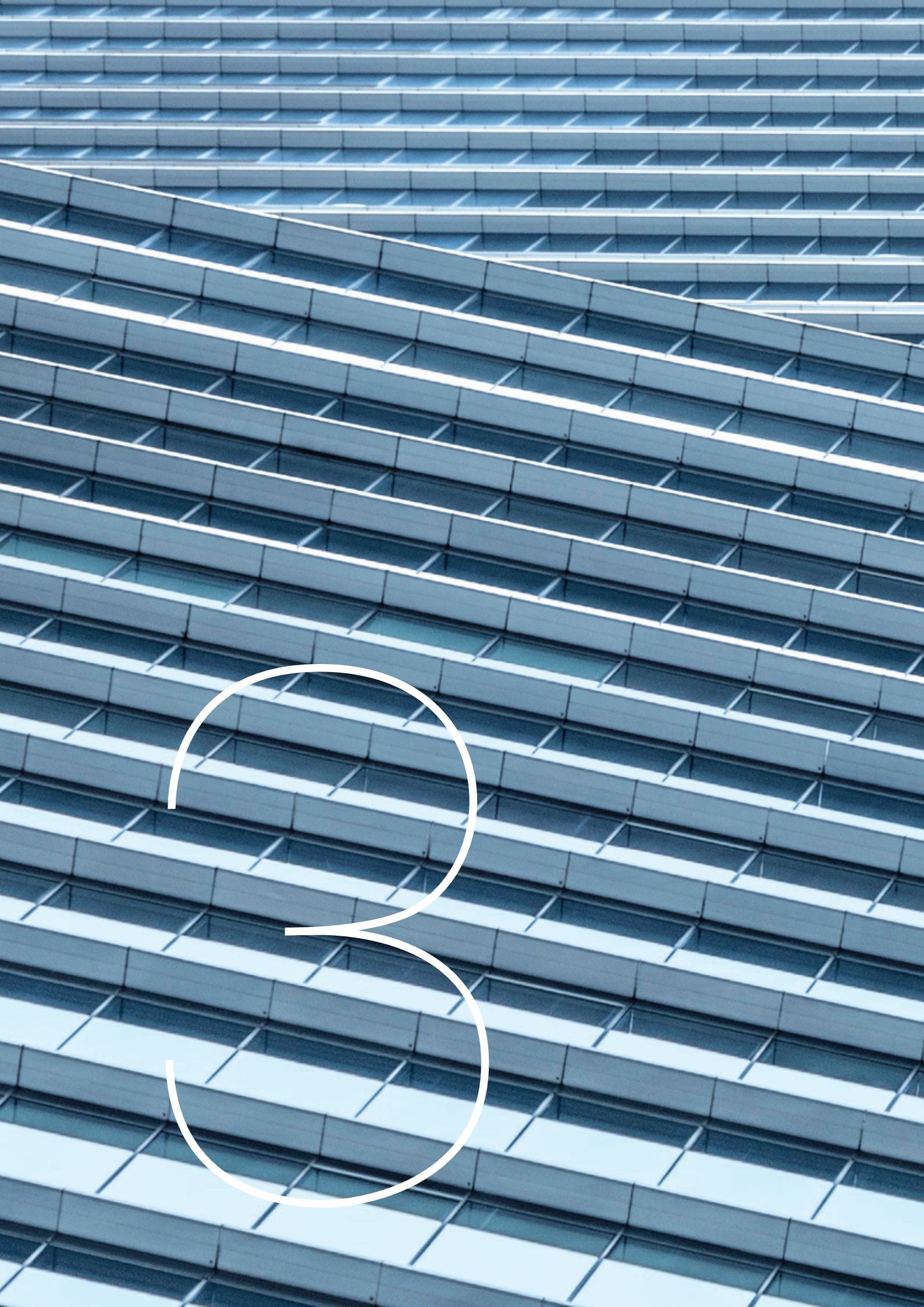
## SUSTAINABLE FINANCE INITIATIVES

The Group continued to expand its sustainable finance activities in 2022. On 25 January 2022, the Group has executed a HK\$12,951 million 5-year green loan facility with six leading banks for our Caroline Hill Road project financing, the largest ever green loan in Hong Kong. The facility has received a Green Finance Certificate (pre-issuance stage) from the Hong Kong Quality Assurance Agency in December 2021.

During the year, the Group has executed HK\$2,500 million sustainability-linked loans with several financial institutions, with financing arrangements directly linked to Hysan's sustainability targets. Upon achieving mutually agreed sustainability performance targets, Hysan will receive an interest savings on the loan interest rate per year.

The sustainable finance transactions at year-end were approximately HK\$19,300 million, representing around 49% of the Group's total debts and facilities. We aim to increase gradually of the sustainable finance portion of the Group's total debts and facilities portfolio.







## Corporate Governance

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# Corporate Governance Report

## Our Corporate Culture Framework

Hysan's corporate culture is the way we express and implement our values. As a business rooted in Hong Kong for a hundred years, we strive to achieve the highest standards in Citizenship, Leadership, Sustainability and Accountability through strong teamwork and effective governance. We excel in areas where we operate and create unique values that mutually benefit the Company and our stakeholders ("Stakeholders"), including the communities we serve.

### Our Role

#### Board

Provide stewardship of the Group. Define our Vision, Mission, Values ("VMVs") and Strategy and ensure their alignment with corporate culture. Set the tone from top, lead by example and influence changes. Ensure the effectiveness and adequacy of the corporate governance system.

#### Management

Convey the Board's messages and desired culture to all levels of staff through effective engagement and clear communication of the Group's strategy, business developments and expected behaviors.

#### All Staff

Work together to build the Group's culture. Act with integrity, be responsible and honest. Open in giving feedback and contribute to the continual refinement of the Group's culture.

## Defining Our Purpose

### Vision

To be the premier property company in our market of choice

### Mission

To provide our Stakeholders with sustainable and outstanding returns from a property portfolio that is strategically planned and managed by passionate, responsible and forward-looking professionals

### Values

<b>L</b> eadership	<ul style="list-style-type: none"> <li>Take Initiative, Challenge Conventional Wisdom, Think Independently</li> </ul>
<b>E</b> xcellence	<ul style="list-style-type: none"> <li>Aim to be the Best, Excel in What We Do</li> </ul>
<b>E</b> mpowerment	<ul style="list-style-type: none"> <li>To Empower &amp; Be Empowered</li> </ul>
<b>G</b> ood Citizenship	<ul style="list-style-type: none"> <li>High Integrity, Be Honest and Open, Give Back to the Community</li> </ul>
<b>A</b> ccountability	<ul style="list-style-type: none"> <li>Understand Roles and Responsibilities, Keep Promises and Deliver, Be Responsible for your Actions and Inactions, Transparency</li> </ul>
<b>R</b> espect	<ul style="list-style-type: none"> <li>Show Respect, Earn Respect</li> </ul>
<b>D</b> riving / Driven	<ul style="list-style-type: none"> <li>Be a High Achiever, Do Not Accept Complacency, Meet and Exceed Expectations</li> </ul>
<b>E</b> ntrepreneurship	<ul style="list-style-type: none"> <li>Seek New Opportunities, Take Action</li> </ul>
<b>N</b> etworking	<ul style="list-style-type: none"> <li>Break Silos, Help Each Other, Share Information, Knowledge and Time, Build Internal and External Networks</li> </ul>
<b>S</b> ustainability	<ul style="list-style-type: none"> <li>Think Long-Term</li> <li>Preserve and Reuse Resources, Continuous Delivery of High Quality Services</li> </ul>

**How our core values, strategy and business model help guide us towards achieving our Vision and Mission.**

### Strategy & Business Model

Hysan strives to create value and provide stable and progressive returns for our shareholders from our core investment portfolio, which is predominantly located in Hong Kong's prime Causeway Bay district.

Our Core and Pillars Strategy seeks to complement our core business by investing in strategic growth pillars which drive geographic diversification and target opportunities that complement and reinforce our core business.

We have adopted a **Community Business Model** which sets forth our directions towards sustainability at Hysan, curating sustainable communities that are agile and resilient towards changes; striving to make positive impacts towards inclusivity, economy, social wellbeing, climate change preparedness and liveability within the communities we serve. Further details are set out in the Group's 2022 Sustainability Report.

### Core: Lee Gardens – Our centre of excellence and a tangible brand

- **Caroline Hill Road Project** – Strategic expansion of our core footprint for up to 30%, adding lifestyle elements & 60,000 sq.ft. of green community space.
- **Lee Gardens Rejuvenation** – Full-scale revamp of Lee Gardens and Hysan Place to retain our leadership as the home of luxury and trend-setter respectively.
- **Connectivity** – Area connectivity scheme to offer a pleasant weatherproof walking journey connecting Causeway Bay MTR station and the Lee Gardens area.

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### Pillars: Building a balanced, diversified and complementary portfolio

- **Shanghai Investment Property – Lee Gardens Shanghai**  
Bringing our Lee Gardens business philosophy and unique smart community business model to China's most populous city.
- **Residential Developments & Sales – VILLA LUCCA & To Kwa Wan Residential Project**  
Establishing vintages of quality residential development projects to broaden our income sources.
- **Great Bay Area Flex – Joint Venture with IWG**  
Keeping abreast with the fast-evolving workspace ecosystem. Tapping into the economic growth potential of the Greater Bay Area.
- **Medical & Health – New Frontier Group**  
Providing strategic exposure for the Group in Mainland China's fast-growing healthcare sector and meeting the demand for premium healthcare services.

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## Aligning Our Culture

### Tone from Top

The Board has adopted a Corporate Culture Statement that codifies Hysan's culture developed over the years for better alignment with our VMVs and strategy. The Board will review the Corporate Culture Statement regularly to ensure its continued relevance as the Group's strategy and business model evolve. In its Board Meeting in November 2022, the Board considered and was satisfied that Hysan's VMVs and strategy remained in alignment with its corporate culture.

The Board will continue to promote the desired corporate culture, maintain visibility and insight into culture initiatives and instill Hysan's core values across all levels of the Group. The culture audit conducted in 2021 had assisted the Board in reviewing and reflecting on the shared understanding of Hysan's culture and core values.

### Governance

Hysan believes that embracing strong governance is the foundation for delivering on its strategic objective of consistent and sustainable performance over the long term. At the heart of Hysan's governance structure is an effective Board and management who are committed to reinforcing Hysan's well-established VMVs and deeply engrained culture of Citizenship, Leadership, Sustainability and Accountability and corporate governance tradition. We are committed to building risk management and internal control into our corporate culture.

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We exercise ethics beyond the narrow sense of legal compliance. Our Code of Ethics covers a wide range of areas, including conflict of interest, anti-bribery, competition and antitrust, privacy compliance, and equal opportunities which sets out our values and standards, as well as procedures and measures to maintain a high standard of accountability and integrity.

The Code of Ethics, together with the Anti-Bribery and Corruption Policy, Anti-fraud Policy, our long-maintained Whistleblowing Policy and our Policy of Compliance (which sets out clear procedures for ensuring compliance and reporting of non-compliance) provide a comprehensive compliance framework. No regulatory breaches or whistleblowing cases were reported in 2022.

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**Aligning Our Culture** (continued)

**Effective Communication**

New joiners are introduced to Hysan’s tradition, corporate culture and VMVs during the on-board orientation on their first day with Hysan. Aiming to develop the essential skills to embed our core values across our business, our staff also receives regular training on topics from leadership, personal capabilities, industry knowledge to compliance via our e-learning platform. Hysan Forum is also held regularly to share Hysan’s strategy, business development and initiatives.

Promoting a culture of open communication and proactive engagement among Hysan staff, Hysan Pulse, our staff engagement platform, is an interactive platform where corporate policies, company news, promotions and staff events are disseminated. It serves as the key day-to-day channel where our core values are communicated, understood and embraced. The “Likes” and “Comments” from our employees helped the Company understand their views and concerns. Further details on talent development and training are set out in our 2022 Sustainability Report.

Employee feedback are collected regularly from formal and informal channels including performance review meetings, exit interviews and day-to-day conversations with a view to developing initiatives and programmes that will enrich our working environment and fuel the Company’s growth in the coming years.

Our management team collaborates and draws insights into corporate culture.

**Incentives**

Performance management is an important process that allows management to share the Group’s VMVs and strategy with employees on a regular basis, driving and incentivizing the desired culture, values and behaviours.

Culture elements have long been a component of Hysan’s performance measurement with substantial weight given to behavioural performance, such as, Leadership, Professionalism, Teamwork and Resourcefulness.

Hysan’s remuneration policy aims to incentivize a proper balance between business performance and long-term sustainable growth, taking into account both quantitative and qualitative assessments of performance, in the forms of financial and operational targets and behavioral competence that align with the Group’s long-term strategy, culture and core values.



**Measuring Our Success**

**Financial & Non-Financial KPIs Driving Value Creation**

**Financial Achievements:**

- Steady and progressive total returns
- Strong balance sheet

**HK\$3,460 million**  
**Turnover**

2021: HK\$3,608 million

**HK\$2,129 million**  
**Underlying Profit**

2021: HK\$2,330 million

**HK144 cents**  
**Dividend per Share**

2021: HK144 cents

**Supported by Strong Underlying Non-Financial Achievements:**

Category	2022 Non-financial Achievements
<b>Governance</b>	<ul style="list-style-type: none"> <li>• Diversity and inclusion at Board Level: 27% female directors</li> <li>• Established gender diversity target of 33% female directors by the end of 2025</li> <li>• Zero case of cybersecurity incidents, regulatory breaches, or whistleblowing cases</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>• Reduced 38% in carbon intensity from baseline year 2005</li> <li>• Reduced 21% in purchased electricity intensity use from baseline year 2005</li> <li>• Completed energy audit for 100% of our portfolio</li> <li>• Achieved &gt;40% debt financed by sustainable finance</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>• 40 impact partners (NGOs) engaged</li> <li>• 4,287 beneficiaries supported</li> </ul>
<b>People</b>	<ul style="list-style-type: none"> <li>• Workplace injury rate at 1.41%</li> <li>• Achieved zero work-related fatalities of employee</li> <li>• Increased number of training hours by 65% from baseline year 2020</li> </ul>

## Evaluate and Refine

The 2022 Board Evaluation received a 100% response rate.

### Summary:

- The overall response is positive, and there were no material issues to report.
- The Board and its Board Committees continued to operate effectively and to a high standard.
- Recognized that the culture and values of the Company are clear from the top.
- Recognized that the Board's culture of accountability, integrity, openness and transparency encourages open and candid exchange of opinions.
- Considerable time and effort is spent on long-term thinking, sustainability and strategy, which are particularly valuable for a company with a long history.

### Key Actions:

- The Board continues to foster the desired corporate culture, monitor and evaluate its continued relevance and alignment with the Company's VMVs and strategy
- Company will devote more resources to shape, nurture and communicate its corporate cultures and values

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## Environmental, Social and Governance Recognitions

Attain recognitions from key and relevant ESG benchmarks and indices

**GRESB**  
★★★★☆ 2022  
Rated "A" for public disclosure for the fourth year running

**HKQAA**  
SUSTAINABILITY  
2022-2023

**Hang Seng Corporate Sustainability Index**  
Series Member 2022-2023

**MSCI ESG RATINGS**  
A  
CCC | B | BB | BBB | A | AA | AAA

**SUSTAINALYTICS**  
a Morgan Stanley company  
**RATED**  
Rated "Low Risk" in Sustainalytics ESG Risk Rating

**FTSE4Good**  
Constituent member of the FTSE4GOOD Index Series

## Culture Assessment and Monitoring

Certain measures are in place to ensure desired culture and expected behaviors are communicated to all employees. Specific indicators, both quantitative and qualitative, have also been used for assessing and monitoring corporate culture:

Staff turnover rate
Whistleblowing data
Board evaluation
Breaches of code of conduct
Regulatory breaches

## Corporate Governance Highlights

Hysan Development Company Limited (the “Company”) and its subsidiaries (the “Group” or “Hysan”) believe that embracing strong governance is the foundation for delivering its strategic objective of consistent and sustainable performance over the long term.

We are committed to achieving best practices in all aspects of corporate governance, going above and beyond regulatory compliance with the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Throughout 2022, Hysan continued to implement and uphold the principles of good corporate governance as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules. Hysan has fully complied with the code provisions of the CG Code, as well as all applicable requirements and provisions of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules.

FOCUS OF THE YEAR		
Corporate Culture	Board Diversity	Board and Board Committees Refreshment
<p><b>New Corporate Culture Statement</b></p> <ul style="list-style-type: none"> <li>Codify the long-nurtured Hysan culture</li> <li>Articulate how our “LEE GARDENS” values and “Core and Pillar” strategy and business model help guide us towards achieving our Vision and Mission</li> </ul> <p><b>Promote Alignment</b></p> <ul style="list-style-type: none"> <li>Set tone from top and lead by example</li> <li>Communicate and reinforce culture via our Code of Ethics, corporate governance policies, orientation, online forum, e-learning and employee town halls</li> <li>Implement financial &amp; non-financial incentives to incentivize desired culture and behaviours</li> </ul> <p><b>Measure and enhance</b></p> <ul style="list-style-type: none"> <li>Key performance indicators in terms of turnover, underlying profit and dividend per share to measure the Company’s success in delivering returns</li> <li>Indicators in terms of staff turnover rate, whistleblowing data, policy and regulatory breaches and Board evaluation for continual assessment of our culture</li> </ul>	<p><b>Gender</b></p> <ul style="list-style-type: none"> <li>Female board representation increased from 20% to 27% in 2022, exceeding the average of 16% for companies listed in Hong Kong</li> <li>We pledge to increase female board representation to 33% by the end of 2025 with the ultimate goal of gender parity</li> </ul> <p><b>INED ratio and tenure</b></p> <ul style="list-style-type: none"> <li>INED ratio increased from 40% to 46% in 2022</li> <li>Average tenure of INED refreshed by appointment of new INED in March 2022 providing a balance between experience in the Company’s operation and fresh perspective from a diversified business and professional background</li> </ul>	<ul style="list-style-type: none"> <li>Established / updated comprehensive and transparent policies and procedures for the nomination and appointment of Board and Board Committees members to balance experiences, expertise, diversity, independence and tenure</li> <li>Established long-term succession planning to ensure smooth transition, continuity in culture and strategy as well as to address regulatory concern on INEDs’ tenure</li> <li>Considered and approved the reshuffling of Board Committees’ composition for fresh perspectives while maintaining continuity (The Remuneration Committee shall comprise of 100% INEDs on the proposed changes taking effect.)</li> </ul>

This section highlights the corporate governance practices Hysan has adopted over the years which remain best practices exceeding the relevant CG Code and/or the Listing Rules requirements.

<p><b>GOVERNANCE STRUCTURE</b></p>	<ul style="list-style-type: none"> <li>• Our board of directors (“Board”) comprises 11 directors (“Directors”), of which five are independent non-executive Directors (“INEDs”), exceeding the independence requirements under the Listing Rules.</li> <li>• An effective and thorough evaluation of the Board and its committees (“Board Committees”) is conducted digitally on an annual basis, followed by timely and meaningful analysis and discussion of the Directors’ feedback and action plans.</li> <li>• Directors are appointed through formal letters of appointment setting out formal criteria and requirements, including expected time commitments, for their appointment.</li> <li>• A Board of Directors Mandate* and detailed Schedule of Corporate Matters Reserved for the Board* adopted to provide a clear division of roles between the Board and the Company’s management.</li> <li>• Comprehensive Onboarding Guidelines for Directors* have been established to familiarize new Directors with Hysan’s business, strategy, VMVs, culture and governance.</li> <li>• The terms of reference of the Nomination Committee require that the majority of members be INEDs, exceeding the Listing Rules requirements.</li> <li>• Separate meetings among NEDs and INEDs are held without the presence of Executive Directors and Board members related to the founding family.</li> </ul>
<p><b>STAKEHOLDER ENGAGEMENT</b></p>	<ul style="list-style-type: none"> <li>• Limits have been placed on the issuance of additional shares under a general mandate since 2018: such issuances 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%.</li> <li>• More than 20 business days’ notice is given for AGMs.</li> <li>• Early announcements of audited financial results and publication of Annual Reports (within two months and three months after the financial year-end respectively).</li> </ul>
<p><b>INTERNAL CONTROL AND COMPLIANCE</b></p>	<ul style="list-style-type: none"> <li>• A Risk Appetite Statement* adopted in 2021 articulates Hysan’s principle towards 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.</li> <li>• A Tax Governance Policy* adopted in 2021, along with the supporting tax compliance policy and procedures, provides a tax governance framework on compliance and risk management.</li> <li>• An Anti-Fraud Policy* adopted in 2021, along with a supporting fraud handling policy and procedures and controls, is in place to enable the prevention, detection and reporting of fraud.</li> <li>• A Human Rights Policy* was adopted in 2020, and a Code of Ethics* applicable to all staff and Directors was adopted in 2005 and last reviewed in 2022. The policy and code are designed to promote a healthy corporate culture of accountability, transparency, integrity and ethical behaviour. Joint venture partners, contractors and suppliers are encouraged and expected to comply.</li> <li>• A separate Whistleblowing Policy* has been established since 2016 allowing reporting to be made in confidence, to an independent third party, who reports directly to the Audit and Risk Management Committee. The Whistleblowing Policy, together with the Anti-Bribery and Corruption Policy adopted in 2022, reinforce and expand Hysan’s existing anti-corruption system and procedures.</li> </ul>

<b>INTERNAL CONTROL AND COMPLIANCE (CONTINUED)</b>	<ul style="list-style-type: none"> <li>• Corporate Governance Guidelines* formulated in 2004 are reviewed regularly and were updated in 2022 and February 2023 to provide guidelines on important governance issues.</li> <li>• An Auditor Services Policy* has been adopted since 2012 to set the parameters within which auditors may be engaged for audit, non-audit or tax work that is consistent with applicable laws and Hysan's corporate governance principles.</li> <li>• A formal Code for Securities Dealing by Restricted Employees, which sets out clearance and approval procedures for securities dealings, has been adopted to extend the relevant Listing Rules requirements to our employees, who because of their office are likely to have access to confidential or inside information of the Group.</li> <li>• Connected transactions and continuing connected transactions are approved by the full Board, with a requirement that transactions exempt under the Listing Rules be reported to and confirmed by the full Board after obtaining the Executive Committee's approval.</li> <li>• Additional assurance with regard to the review of continuing connected transactions is provided by Internal Audit.</li> <li>• Confirmation from senior management to the Audit and Risk Management Committee and the Board to verify the effectiveness and adequacy of the Group's risk management and internal control system.</li> </ul>
<b>SUSTAINABILITY</b>	<ul style="list-style-type: none"> <li>• Sustainability Committee established in 2020 with a clear governance structure and terms of reference to support the Board in overseeing and providing direction on the Group's sustainability development and management of ESG-related risks and issues.</li> <li>• In support of Hysan's sustainability strategy and vision, a sustainable Finance Framework*, established in 2021, that expands the scope of the Company's existing Green Finance Framework* to include not only green projects but also social projects and initiatives that have a positive impact on society and our Stakeholders.</li> <li>• Financing transactions entered into under the Green Finance Framework and Sustainable Finance Framework include the first green bond in 2019, the first sustainability-linked loan in 2021, and the new ESG-linked loan facility in 2022.</li> <li>• A Sustainable Procurement Policy* adopted in 2021, provides guidelines for making sustainable procurement decisions with the lowest environmental impact and most positive social results.</li> </ul>
<b>DISCLOSURE AND OTHERS</b>	<ul style="list-style-type: none"> <li>• A Corporate Culture Statement adopted in 2022 to codify Hysan's culture for better alignment with Hysan's well-established VMVs and strategy.</li> <li>• Individual reports for each Board Committee are published in the Annual Report to enhance transparency.</li> <li>• A Corporate Disclosure Policy* formulated in 2013 promotes disclosure of information in a timely, accurate and broadly disseminated manner.</li> <li>• The Disclosure Committee conducts regular assessments of inside information and communications.</li> </ul>

\* Detailed policies and terms of reference are available on the Company's website: [www.hysan.com.hk/governance](http://www.hysan.com.hk/governance).



## Our Leadership Team

### BOARD OF DIRECTORS

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

#### Executive Directors



### Lee Irene Yun-Lien

Chairman of the Board



**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 69.

**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 and is an independent non-executive director of The Hongkong and Shanghai Banking Corporation Limited. She is also an independent director of Alibaba Group Holding Limited. She is a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority. Previously, Ms. Lee held senior positions in investment banking and funds management in a number of international financial institutions, including Citibank in New York, London and Sydney, and she was the global head of corporate finance at Commonwealth Bank of Australia. She was also on the boards of many listed and unlisted companies, including ING Bank (Australia) Limited and QBE Insurance Group Limited. She was also an independent non-executive director of CLP Holdings Limited, Cathay Pacific Airways Limited, Noble Group Limited and HSBC Holdings plc, and a member of the Advisory Council of JP Morgan Australia. She was also formerly a member of the Australian Government Takeovers Panel.

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

**Qualifications** Ms. Lee holds a Bachelor of Arts 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. She was awarded the degree of Doctor of Social Science, *honoris causa* from The Chinese University of Hong Kong in November 2022.

**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 57.

**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 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 from the University of Warwick, the United Kingdom. He is also a Fellow of the Royal Institution of Chartered Surveyors.

### Independent 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 73.

**Competencies and Experience** Mr. Churchouse has been involved in Asian securities and property investment markets for more than 30 years. Currently, he is a private investor and has 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 the 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. He will be appointed as a member of the Remuneration Committee with effect from 1 March 2023.

## Independent Non-Executive Directors (continued)



### 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 73.

**Competencies and Experience** Mr. Fan is an independent non-executive director of China Everbright Environment Group Limited, First Pacific Company Limited and China Aircraft Leasing Group Holdings Limited, and an external director of Sumida Corporation (listed on the Tokyo Stock Exchange). He was previously an independent non-executive director of PFC Device Inc. and 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. He will cease to be a member of the Sustainability Committee with effect from 1 March 2023.



### 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 68.

**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, and managing director and deputy chief executive of Hang Seng Bank Limited, and also held senior management posts in HSBC Group and a number of internationally-renowned financial institutions. Mr. Poon was the former chairman of the 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, Hong Kong.

**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.



### Independent 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 51.

**Competencies and Experience** Ms. Wong is currently the chairman and Chief Executive Officer 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 the Starbucks group in 2000, Ms. Wong was the marketing manager of McDonald's China Development Company. She is currently an independent director of Canada Goose Holdings Inc. (listed on the New York Stock Exchange and Toronto Stock Exchange) and an independent non-executive director of Television Broadcasts Limited. She also 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.



#### Young Elaine Carole

Independent Non-Executive Director



**Board Appointment** Ms. Young was appointed as an Independent Non-Executive Director in March 2022. She is aged 58.

**Competencies and Experience** Ms. Young has extensive experience in both real estate and hospitality across Asia. She is the co-founder of the boutique serviced apartment brand, Shama. After Shama was acquired by ONYX Hospitality Group in 2010, Ms. Young founded her own real estate and hospitality consultancy firm. In 2017, Ms. Young co-founded TULU, a Shanghai based Co-Living brand. Ms. Young is a special advisor to one of Warburg Pincus' joint ventures in China, NOVA Property Investment Co. Ltd., and sits on its board. She was awarded "Entrepreneur of the Year" at the prestigious RBS Coutts / Financial Times Woman in Asia Awards in 2009. Ms. Young served as an independent non-executive director of Link Asset Management Limited (as manager of Link Real Estate Investment Trust) for nine years until 31 January 2022 and was a member of its Finance and Investment Committee and Remuneration Committee. She was an independent non-executive director of Ascott Residence Trust Management Limited and the manager of Ascott Residence Trust listed on The Singapore Exchange Securities Trading Limited, as well as a member of its Audit Committee.

**Committees** Ms. Young is a member of the Sustainability Committee.

## Non-Executive Directors



### Jebsen Hans Michael B.B.S.

Non-Executive Director



**Board Appointment** Mr. Jebsen was appointed as a Non-Executive Director in 1994 and is aged 66.

**Competencies and Experience** Mr. Jebsen is the chairman of Jebsen and Company Limited as well as the director of other Jebsen Group companies worldwide. He is also an independent non-executive director of The Wharf (Holdings) Limited. Mr. Jebsen currently holds a number of public offices, namely, chairman of the Asian Cultural Council Hong Kong, chairman of the School Advisory Council of the Business School of The Hong Kong University of Science and Technology, a trustee of World Wide Fund for Nature Hong Kong, a member of the Board of Asia Society Hong Kong Center, and the Hong Kong-Europe Business Council of the Hong Kong Trade Development Council. Mr. Jebsen 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 of 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. Jebsen received the title of Kammerherre by H.M. The Queen of Denmark in 2020. In 2021, Mr. Jebsen was conferred the title of Guangzhou Honorary Citizen. Mr. Jebsen previously served as a member of the Operations Review Committee of the Independent Commission Against Corruption and the Advisory Board of the 70th Anniversary Signature Event Committee of the Hong Kong Red Cross.

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

**Committees** Mr. Jebsen is the Chairman of the Sustainability Committee.



### Lee Anthony Hsien Pin

Non-Executive Director



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

**Competencies and Experience** Mr. Lee is a non-executive director of Television Broadcasts Limited and a member of the Board of Trustees of Princeton University. He was previously 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. 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, the executive 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.



Audit and Risk Management Committee



Remuneration Committee



Nomination Committee



Sustainability Committee



Committee Chairman

## Non-Executive Directors (continued)



### Lee Chien

Non-Executive Director



**Board Appointment** Mr. Lee was appointed as a Non-Executive Director in 1988 and is aged 69.

**Competencies and Experience** Mr. Lee is an independent non-executive director of Swire Pacific Limited. 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 member of the Council of The Chinese University of Hong Kong and chairman of CUHK Medical Centre. He is also Supervisor of St. Paul's Co-educational College and its Primary School, a Trustee Emeritus of Stanford University and past director of Stanford Healthcare.

**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.



### Lee Tze Hau Michael

Non-Executive Director



**Board Appointment** Mr. Lee joined the Board in January 2010, having previously served as a Director from 1990 to 2007. He is aged 61.

**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 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. He will be appointed as a member of the Sustainability Committee and will cease to be a member of the Remuneration Committee both with effect from 1 March 2023.



Audit and Risk Management Committee



Remuneration Committee



Nomination Committee



Sustainability Committee



Committee Chairman

## 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 57.



### 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 50.



### 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 46.

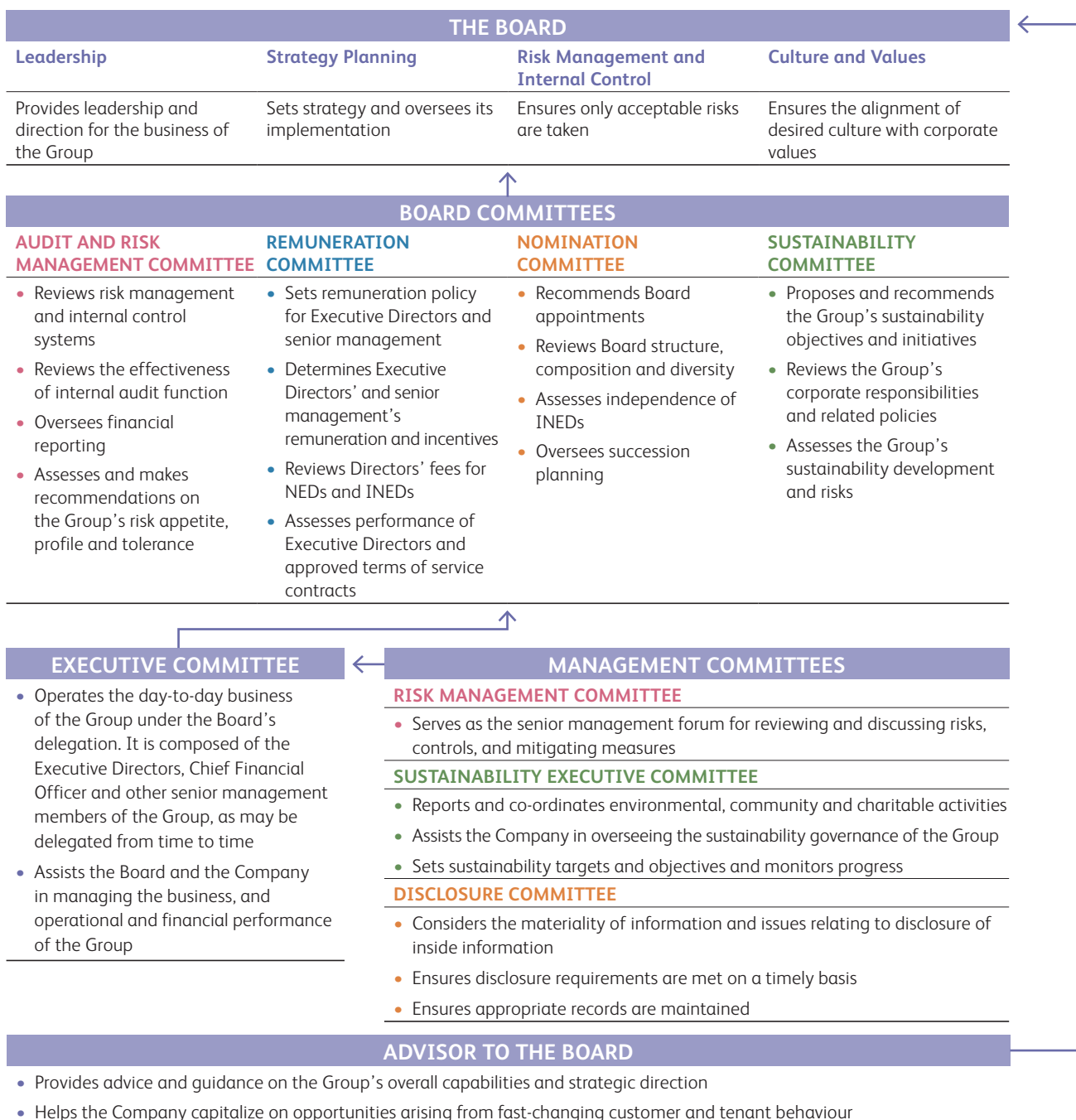
## Our Governance Framework

We embrace good corporate governance as one of our core values and as the foundation of achieving consistent and sustainable performance. We operate within a strong, clear and effective governance framework which allows the Group to enhance business efficacy with precision and in turn support Hysan’s strategic objective of optimizing sustainable financial returns for its shareholders (“Shareholders”). It comprises, inter alia, the **Corporate Governance Framework** and the **Risk Management and Internal Control Framework**.

### OUR CORPORATE GOVERNANCE FRAMEWORK

#### Corporate Governance Structure

Our Group’s business operations and affairs are effectively managed and carried out through a chain of delegated authority, within defined limits and effective internal controls, under the corporate governance structure.





## Corporate Governance Policies and Guidelines

Our corporate governance framework is underpinned by a wide range of corporate policies and guidelines that embedded our corporate culture and core values as well as our long-established corporate governance tradition in key aspects of our operations. Such policies and guidelines are subject to regular review by the Board and/or the relevant Board Committees, and are updated from time to time in accordance with applicable legal and regulatory requirements and market and/or international best practices.

We recognize the importance of achieving good corporate governance, not only at Board level but throughout the Group. The Corporate Governance Guidelines (subject to regular review by the Board and last updated in January 2023) 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. Directors and employees are expected to strictly follow these corporate governance policies and guidelines of the Company:

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

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



Our culture and values are clear from the top.

Directors' comments received in Board Evaluation 2022

## OUR CORPORATE GOVERNANCE PRINCIPLES

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

### Our Corporate governance principles



## Leadership

### BOARD GOVERNANCE

#### Main Roles and Responsibilities of the Board

The Board is responsible for the stewardship of the Group and ensuring the effectiveness and adequacy of the Group's governance framework. The Board is committed to high standards of integrity and ethics and is governed by a formal **Board of Directors Mandate**. Its main roles and responsibilities are as follows:

- Setting business goals and strategies in the best interests of the Group and overseeing their implementation;
- Determining the Group's risk appetite and evaluating the risks that the Group is willing to take in pursuit of its strategic missions and business objectives;
- Overseeing and ensuring the adequacy and effectiveness of the Group's internal controls and risk management system;
- Supervising the corporate governance and financial performance of the Group;
- Defining, evaluating and refining the Group's VMVs and strategies and ensuring their alignment with the corporate culture; and
- Fostering the desired corporate culture and core values to be espoused.

To retain control of key decisions and ensure a clear division of responsibilities between the Board and management regarding the daily operations of the Group, the Board has identified specific matters reserved for the Board's consideration and approval. The **Schedule of Corporate Matters Reserved for the Board** which sets out the Board's reserved matters in detail, is subject to annual review by the Board. Other matters, responsibilities and authorities have been effectively delegated as described therein.

## Delegation Between the Board and the Board Committees

The Board is the governing body of the Group and has 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 from time to time.

The Board has four Board Committees, namely the Audit and Risk Management Committee, Remuneration Committee, Nomination Committee and Sustainability Committee. Each Board Committee operates under specific written terms of reference and reports to the Board on their decisions and recommendations on a regular basis.

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

Each Board Committee has access to independent professional advice as and when required and is supported by the company secretary of the Company (“Company Secretary”). The procedures for seeking independent professional advice have also been enhanced to facilitate Board access to such advice.

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

- “Audit and Risk Management Committee Report” on pages 90 to 95
- “Remuneration Committee Report” on pages 96 to 103
- “Nomination Committee Report” on pages 104 to 107
- “Sustainability Committee Report” on pages 108 to 110

The terms of reference for each Board Committee were reviewed in 2022, with terms of reference for Remuneration Committee updated in February 2023. The latest versions of the terms of references are available on the websites of the Company ([www.hysan.com.hk/governance](http://www.hysan.com.hk/governance)) and/or the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

## Division of Duties between the Board and the Management

### The Board and the Management

Day-to-day operation of the business of the Group is delegated to the management, which is led by the Executive Committee.

The Executive Committee is entrusted with the task of implementing and executing business goals and strategies as determined by the Board.

The Executive Committee members include the executive Chairman (“Chairman”), the Executive Director and Chief Operating Officer (“ED&COO”), the Chief Financial Officer and Company Secretary (“CFO&CS”) and other members of the Company as may be appointed by the Board from time to time. The terms of reference for the Executive Committee were reviewed in 2022.

To support Hysan’s strong governance framework and the business and operational needs of the Group, three governance-related management level committees have also been established, namely,

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

### BOARD SIZE, COMPOSITION AND APPOINTMENT

As at 31 December 2022, there were 11 Directors on the Board: the Chairman, the ED&COO, four NEDs and five INEDs. The Board considers that this composition is well balanced in terms of experience, competencies, expertise, diversity and skills, with a strong independent element ensuring the impartiality of the Board's decision-making process and oversight of the management. Biographies of the Directors, including relationships among them, are set out from pages 47 to 52, and are also available on the Company's website: [www.hysan.com.hk/about/leadership](http://www.hysan.com.hk/about/leadership).

Young Elaine Carole was appointed as an INED and a member of the Sustainability Committee pursuant to the Company's Diversity Policy and Nomination Policy with effect from 9 March 2022. In accordance with the articles of association of the Company (the "Articles"), Young Elaine Carole was re-elected by the Shareholders at the first annual general meeting of the Company (the "AGM") held on 19 May 2022 following her appointment.

Lee Irene Yun-Lien, Churchouse Frederick Peter, Jebesen Hans Michael, Lee Chien, and Lee Tze Hau Michael will retire at the forthcoming AGM to be held on 16 May 2023. Jebesen Hans Michael has informed the Board that he will not stand for re-election and accordingly will retire as a NED after the conclusion of the forthcoming AGM. The other retiring Directors, being eligible for re-election, will offer themselves for re-election at the AGM in accordance with Article 114 of the Articles. Details of the candidates standing for re-election are set out in the AGM circular to the 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). Their proposed re-election will be considered by separate resolutions.

The Board, in accordance with the recommendation of the Nomination Committee, has determined that the size of the Board is adequate and effective for discharging its duties and responsibilities, and recommends the re-election of Lee Irene Yun-Lien, Churchouse Frederick Peter, Lee Chien and Lee Tze Hau Michael, as Directors at the forthcoming AGM.

### DIVERSITY

#### Board Diversity

Hysan recognizes the importance of diversity as a contributor to Board effectiveness and the long-term success of the Group. Diversity and inclusiveness provide the Board with a wider knowledge base and bring in new insights and perspectives, which improve decision-making and ability to adapt to new business challenges. In accordance with the Diversity Policy, which sets out our approach to achieving diversity at Board level and across the senior management team, the Nomination Committee annually reviews and reports to the Board on the following:

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

The Nomination Committee will also consider Board diversity as part of its annual evaluation of the performance and effectiveness of the Board.

During the year, the Diversity Policy was updated to include measurable objectives for implementing the policy and progress on achieving those objectives (in particular, gender diversity at Board level and across the workforce) in accordance with the CG Code.

In considering the appointment of Young Elaine Carole as an INED in March 2022, the Nomination Committee and the Board had, in accordance with the Nomination Policy, considered a variety of factors including, in particular, diversity pursuant to the Diversity Policy. The Nomination Committee and the Board formed the view that, with Young Elaine Carole's extensive experience in both real estate and hospitality across Asia, she would be a valuable addition to the Board and would further enrich the spectrum of skills, experience and diversity of perspectives of the Board, thereby enhancing the diversity and effectiveness of the Board.

### Gender Diversity

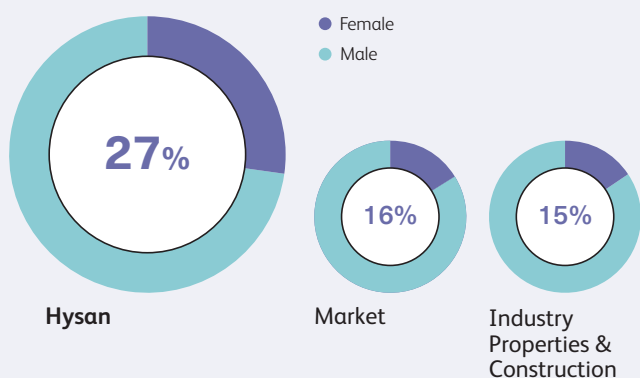
The Board recognizes that gender-diverse leadership encourages better governance, provides broader range of perspectives to the decision-making process and ultimately increases corporate performance and competitiveness. With female Directors accounting for 27% of our Board, Hysan maintains a high level of female board representation among Hong Kong listed companies.

### Gender Diversity Target

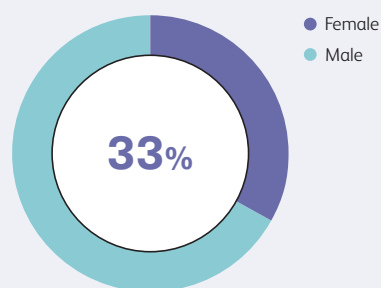
To reinforce our commitment to gender diversity, Hysan pledges to increase the percentage of female representation at board level to 33% by the end of 2025, with the ultimate goal of achieving gender parity at Board level. This target will formally be made a factor to consider in our Board refreshment and succession planning.

To develop a pipeline of potential successors for achieving the aforementioned 33% target, the Nomination Committee and the Board will consider the ability of each potential candidate to contribute towards the Board’s responsibilities and, in particular, Hysan’s diversity agenda. The Nomination Committee will also review Hysan’s progress on gender diversity and its inclusion goal on annual basis, as well as the opportunity to make further improvements or accelerate progress.

Female directorship across HKEX issuers

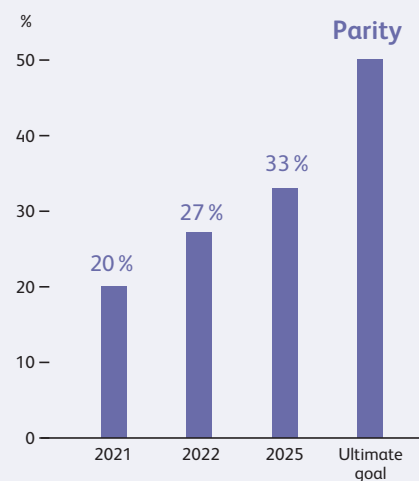


Hysan’s Gender Diversity Target by the end of 2025



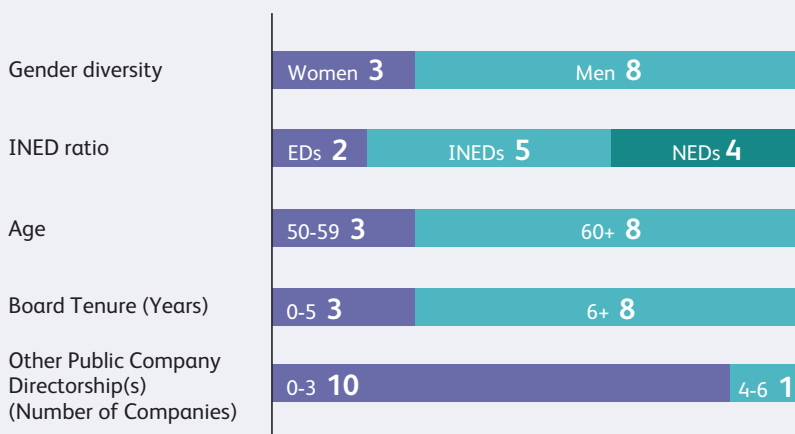
Source: HKEx Board Diversity Repository as at the date of this report (<https://www.hkex.com.hk/eng/BoardDiversity/index.htm>)

### Our Gender Diversity Progress



### Our Board composition and diversity:











Key highlights: Female representation of 27% / INED representation of 46%



## Board Expertise

To ensure the Board continues to possess the necessary diversity of skills and attributes required in the dynamic operating environment, an analysis of the skill set mix is considered by the Nomination Committee annually.

Our Directors are from diverse and complementary backgrounds. The table below highlights the skill set mix of our Directors and the valuable experience and expertise they bring to our business and the sustainable growth of the Group.

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

● Extensive   ● Moderate

To enhance the Group's strategy and overall capabilities in addressing new business trends and emerging generational shifts, the Board has also invited Li Xinzhe Jennifer as an advisor to the Board since 2018.

## Workforce Diversity

Hysan believes that workforce diversity helps us create a dynamic environment that leads to higher performance and improved well-being.

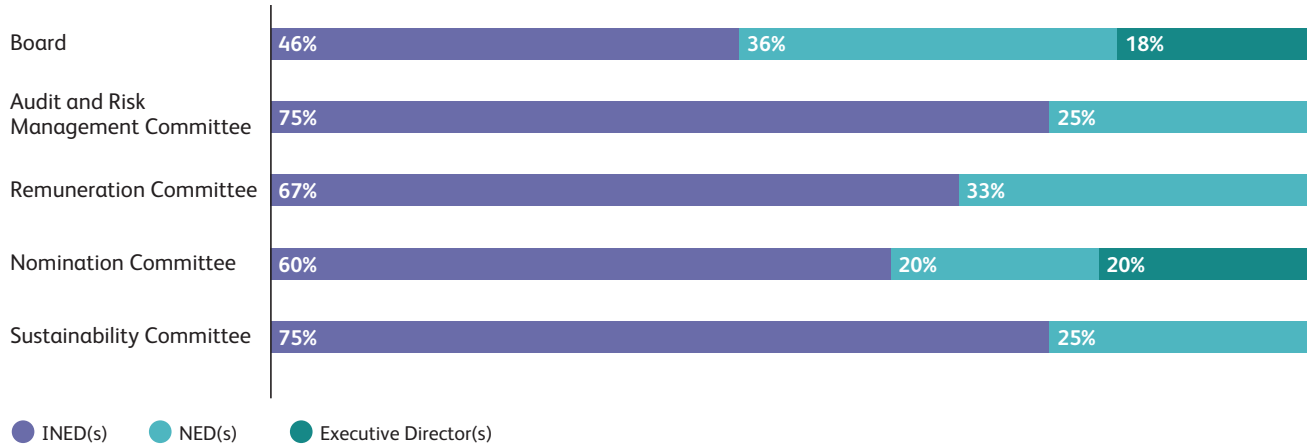
We are committed to upholding diversity of gender, background, skills and experience across our workforce, maintaining an appropriate level of female staff and ensuring strong female representation at the management level. As at 31 December 2022, (i) 47% of management positions were held by women, and (ii) we had a 39:61 female-to-male ratio in the workforce (including senior management), which was largely in line with the industry norm. The Company will strive to maintain its current level of female management and female employees. In order to attract and retain candidates from the widest possible pool of available talent, the Diversity Policy will be applied in the recruitment and promotion processes of the Group. The Group has also implemented programmes that assist employees in their personal growth and skills to prepare them for potential promotions to senior management positions.

Please refer to our 2022 Sustainability Report for further details on Diversity and Inclusion.

## BOARD INDEPENDENCE

As at 31 December 2022, five out of our 11 Directors were INEDs, exceeding the Listing Rules requirement that at least one-third of the Board (and not less than three Directors) shall be INEDs.

### Independence Weighting



### Independence

As required under the Listing Rules, the Company received written confirmations from all INEDs regarding their independence and that of their immediate family members for the year ended 31 December 2022. The Nomination Committee has carried out a detailed review of the Directors' independence and considers each of the five INEDs to have been independent throughout the year under review.

Name	Management	Independent	Not Independent	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		✓		
Young Elaine Carole		✓		

The Nomination Committee also considered the INEDs' tenure, noting that Churchouse Frederick Peter, Fan Yan Hok Philip and Poon Chung Yin Joseph have served as INEDs for more than nine years and their re-appointments are subject to a separate resolution to be approved by the Shareholders at the AGM. After considering the relevant independence assessment requirements set out in Rule 3.13 of the Listing Rules, the Nomination Committee formed the view that, notwithstanding that they have served on the Board for over nine years, they remain independent, taking into account their impartial views and comments expressed during the Board and Board Committee meetings, their positive and significant contributions, deep insights and guidance in the Company's strategies and business development. In addition, their unique expertise in environmental, social and governance ("ESG"), risk management, finance, people and culture as well as technology, all of which are relevant to the Group's business, enables them to provide valuable and objective guidance for 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 exercised independent judgement and consistently demonstrated a healthy level of professional scepticism, where appropriate, and have not refrained from asking probing questions and challenging management's views and recommendations. There is no evidence to suggest that their tenure has had any impact on their independence.

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 believes that this cross-directorship would not undermine the

independence of Wong Ching Ying Belinda with respect to her directorship in the Company. The Board and the Nomination Committee have assessed her independence in light of these circumstances, including (i) her background, experience, achievements and character, and (ii) the nature of the Company's relationship with the Starbucks group <sup>notes</sup> and her roles, as well as the respective mitigating actions, 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 outweigh any risk of conflict. In addition, the mitigation principles and actions are adequate and appropriate to deal with any such issues.

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, the 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 2022) to the Group.
2. During her term as INED, Wong Ching Ying Belinda will abstain from voting on any Board resolution in relation to any business dealings with 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.
3. Wong Ching Ying Belinda has ceased to be director of certain entities of Starbucks Coffee Company (including Shanghai Starbucks Coffee Enterprise Co., Ltd.).

### 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.

### Independence Assessment

Assessments of the independence of INEDs are carried out in advance of their appointment, annually, and at any time when necessary or appropriate, including through:

- INED nominations and the appointment process;
- Annual review of the structure, composition and balance of the Board in terms of its independence ratio;
- Disclosure of the number and nature of offices held in listed public companies and organizations or other significant commitments;
- Annual independence confirmation from each INED as required by the Listing Rules;
- Full disclosure in annual reports of cross-directorships or other business relationships that may interfere with Directors' independence;
- Potential conflicts of interest reviewed by the Nomination Committee annually with recommendations on appropriate actions to take; and
- Confirmation by each Director and alternate Director on his/her other directorships, major appointments, and interests to the Company twice a year.

### Mechanism to Ensure Independence

Apart from the aforementioned independence assessment, the following measures have also been taken to ensure all decisions and actions are in the best interests of the Company and its Shareholders as a whole:

- Strict compliance with our Code of Ethics, which aims to avoid conflicts of interest;
- Declaration of potential conflict of interest;
- Voluntary abstention by Directors from discussions and voting on matters related to them (regardless of the absence of any potential conflicts on appropriate assessment) after due declaration of interest in accordance with the Companies Ordinance;
- Separate meetings among NEDs and INEDs, without the presence of Executive Directors or Board members related to the founding Lee family;
- Full Board approval of connected transactions, with transactions exempt under the Listing Rules required to be reported to and confirmed by the full Board each quarter after obtaining the Executive Committee's approval;



- Reminders to the Directors from the Company Secretary twice a year on compliance with the relevant Listing Rules requirements on connected transactions; and
- Independent professional advice, as and when required by individual Directors.

Please also refer to the “Directors’ Disclosure on Conflicts of Interest” section below for further details.

### Mechanisms for Ensuring Independent Views and Input are Available to the Board

Apart from the INED nomination and appointment process as well as independence assessments mentioned above, the Company has established mechanisms to ensure that Directors will be given adequate opportunities and channels (formal or informal) to communicate their independent views and inputs in an open and candid manner and, where necessary, in a confidential manner. Such mechanisms have been incorporated in the following aspects of our corporate governance framework and are subject to regular review by the Board:

- Proper meeting arrangements and procedures to facilitate open, constructive, informed discussions and thorough consideration of relevant issues;
- A Board culture that encourages Directors with different views to raise their concerns and to exercise independent judgement;
- Board’s full access to senior management, management’s updates and availability of all material information on performance and key activities and projects;
- Communication outside of the boardroom, including separate meetings with Chairman and/or senior management, interaction with management and other Board members;
- Utilization of the digital board portal to foster timely communication among Directors and senior management;
- Board evaluation on an annual basis; and
- Board access to independent professional advice.

## BOARD REFRESHMENT

### Nomination

Hysan believes that a proper and detailed nomination process ensures the appointment of Directors who are suitable for the best interests of the Group and provides for a smooth transition in respect of the continual refreshment of the Board, whereas the reshuffling of Board Committee composition would provide a balance between continuity and fresh perspectives.

We have established 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, among others:

- Reputation for integrity;
- Accomplishments, experience and reputation in the real estate industry and other relevant sectors;
- Commitment 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, 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 INEDs); and
- Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

During the year, the Nomination Committee, taking into consideration the gender diversity agenda of the Company and against the criteria above, identified and interviewed a pool of shortlisted candidates. Following this process, the Nomination Committee recommended the appointment of Young Elaine Carole as an INED and member of the Sustainability Committee for the Board’s consideration and approval.

### Appointment and Induction

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 order to ensure that the Directors are committed to allocating sufficient time and attention to the affairs of the Group, all Directors are engaged by formal letters of appointment, which set out clearly the terms and conditions of their appointments. Directors (including all NEDs and INEDs) serve for a term of three years and are subject to rotation under the Articles.

The Board has adopted comprehensive Onboarding Guidelines for Directors, which set out a tailored induction programme that gives new Directors an understanding of the Group, its businesses and operations (including the major risks it faces), corporate culture and Board governance, 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 Chairman, chairmen of the Board Committees, Directors and senior management, portfolio visits, and meetings with the Company's external advisers. Individual briefings are also arranged on specific topics such as Directors' responsibilities and overview of the Group's business.

The Company has provided Young Elaine Carole, the INED appointed during the year, with a full and comprehensive induction upon her appointment.

### Priorities of our induction programme

#### To provide an overview of

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

#### To familiarize new Directors with the Board and senior management

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

### Re-election

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 and the Diversity 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 the AGM.

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 Articles. Retiring Directors are eligible for re-election at the AGM in which they retire. There is no cumulative voting in Directors' elections. The election of each Director is executed through a separate resolution.

### Ongoing Review by the Nomination Committee

The Nomination Committee reviews the Board's structure, size, composition, commitment, independence and diversity from time to time, and undertakes a comprehensive review, considering the gender, age, tenure, cultural, educational and professional background, skills, knowledge and experience of each Director. The last review was conducted in November 2022.

The Nomination Committee was of the view that the existing Board was satisfactory and effective in terms of its structure, size, composition, commitment, independence and diversity.

While diversity in terms of length of service with the Board would in fact provide a proper balance between an understanding of the Group's practices and fresh perspectives and despite the conclusion of the Nomination Committee that tenure would not affect our INEDs' independence, the Nomination Committee noted that INEDs' tenure is an increasing regulatory and governance concern to be addressed and considered the pathway for succession planning.

To maintain a balance between continuity and fresh perspectives while paving the way for board succession, the Nomination Committee and the Board also considered and proposed changes to the composition of certain Board Committees. The proposed changes, as approved by the Board, shall take effect on the 1st of March 2023:

- Churchouse Frederick Peter will be appointed as a member of the Remuneration Committee;
- Fan Yan Hok Philip will cease to be a member of the Sustainability Committee; and
- Lee Tse Hau Michael will be appointed as a member of the Sustainability Committee and will cease to be a member of the Remuneration Committee.

The Remuneration Committee shall comprise of 100% INEDs on the above-mentioned changes taking effect.

The Nomination Committee concluded that, for succession planning and long-term growth, the Board would require expertise in finance and accounting, risk management, real estate, ESG matters and technology. It also recommended that Board refreshment and succession planning should take into account diversity of perspectives and Hysan's target on gender diversity.

## Effectiveness

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

### BOARD COMMITMENT

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

#### Time Engagement

Our Directors, in particular our INEDs, have demonstrated a strong and sufficient time commitment to the Company's affairs throughout the year.

#### Other Offices and Commitments

Directors disclose to the Company the number and nature of offices held in listed public companies and organizations and other significant commitments, together with the respective time engagement involved, twice a year. They also inform the Company promptly whenever there are changes regarding their other offices and commitments.

#### Other Directorships

None of our Directors, individually, held directorships in more than four public companies (excluding Hysan) as of 31 December 2022, and all of them have confirmed that he/she has given sufficient time to the affairs of the Company.

## BOARD PROCESSES

### Meetings of the Board and Board Committees

The Board held five meetings in 2022, exceeding the minimum number of board meeting required under the CG Code. The Board Committees also met regularly during the year under review.

- To facilitate Directors’ participation and engagement, we typically schedule our Board and Board Committee meetings six months before commencement of the calendar year, allowing Directors to plan their schedule ahead of time.
- Notice of at least 14 days is given to all Directors for the regular Board and Board Committee meetings.
- Draft agendas for the Board and Board Committee meetings are circulated to all Directors at least 3 weeks before each meeting to provide an opportunity for the Directors to include any other matters in the agenda.
- Agendas and meeting papers are uploaded to a private and secure digital board portal at least 5 days in advance of the intended date for regular meetings and at a time as agreed for ad hoc meetings for sufficient preparation.
- Draft minutes of meetings of the Board and Board Committees are circulated for comment as soon as practicable post meetings.
- All signed Board and Board Committee minutes and resolutions are uploaded to the digital board portal for easy reference thereafter.
- Management and other department heads are invited to make presentations to the Board on operational topics during the year and to engage in open and in-depth discussions with the Board.
- Senior representatives from the valuer and the external auditor are invited to attend the Audit and Risk Management Committee meetings for approval of the portfolio valuation and the interim and final results.
- The Audit and Risk Management Committee also holds a closed session with the external auditor and internal auditor, in the absence of the senior management, twice a year.

During the year, the Directors also participated in the consideration and approval of matters of the Company by way of written resolutions circulated to them. A thorough analysis and supporting materials were posted on the digital board portal, followed by management’s elaborations and discussions, also mainly via the digital board portal.

Due to the COVID-19 pandemic, efficient hybrid (physical and virtual) Board and Board Committee meetings were arranged by telephone and/or video conference to facilitate full participation, after giving due weight and consideration to the health and safety of Board members and employees. This technological connectivity continues to promote a high level of involvement and engagement at different levels of the business.

The use of the digital board portal also enables timely and secured distribution of information to Directors and facilitates communication and interactions among Directors and senior management in a sustainable manner.



## Board and Board Committee meetings in 2022

January	February	March	April	May	June	July	August	September	October	November	December
	B ARC SC			B ARC AGM			B ARC			B ARC NC	

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

## Directors' Attendance at Meetings

As reflected in their high attendance in the Board and Board Committee meetings during the year, the Directors continued to participate extensively in the Board's discussions and decisions and Company's affairs in 2022. The INEDs also held separate meetings with the Chairman to discuss Board and relevant matters.

The following table shows Directors' attendance at meetings.

Directors	Board <sup>1</sup>	Audit & Risk Management Committee	Remuneration Committee	Nomination Committee	Sustainability Committee	2022 AGM <sup>2</sup>
Lee Irene Yun-Lien	5/5	4/4 <sup>2</sup>	1/1 <sup>2</sup>	1/1	1/1 <sup>2</sup>	1/1
Lui Kon Wai	5/5	4/4 <sup>2</sup>	–	–	1/1 <sup>2</sup>	1/1
Churchouse Frederick Peter	5/5	4/4	–	1/1	–	1/1
Fan Yan Hok Philip	5/5	4/4	1/1	1/1	1/1	1/1
Poon Chung Yin Joseph	5/5	4/4	1/1	1/1	–	1/1
Wong Ching Ying Belinda	5/5	–	–	–	1/1	1/1
Young Elaine Carole <sup>3</sup>	5/5 <sup>4</sup>	–	–	–	1/1	1/1
Jebsen Hans Michael	4/5 <sup>5</sup>	–	–	–	1/1	1/1 <sup>5</sup>
Lee Anthony Hsien Pin	5/5	4/4	–	–	–	1/1
Lee Chien	5/5	–	–	1/1	–	1/1
Lee Tze Hau Michael	5/5	–	1/1	–	–	1/1

Notes:

1. Included a dedicated half-day Board meeting held in November 2022 to discuss the Group's business plans and long-term directional strategy.
2. 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.
3. Young Elaine Carole was appointed as an INED on 9 March 2022.
4. Young Elaine Carole was invited to join the Board meeting on 24 February 2022 as an observer before her appointment as an INED.
5. Jebsen Hans Michael attended the Board meeting and 2022 AGM held on 19 May 2022 through his alternate.



All Directors are engaged, passionate and well informed.

Directors' comments received in Board Evaluation 2022

### Continuous Professional Development

Directors undertake continuous professional development and training programmes to keep abreast of the latest industry trends, knowledge and skills concerning their respective areas of expertise and professions.

During the year, all Directors received regular legal and regulatory updates to the Listing Rules and applicable requirements and had access to a comprehensive online board portal containing memoranda on Directors' Duties and Responsibilities and other training materials to discharge their duties. Directors also attended various seminars/talks organized by professional bodies and industry associations to develop and refresh their skills and knowledge on industry-related updates, including but not limited to anti-corruption, risk management, ESG, finance and taxation. The training records, with details undertaken by the Directors maintained by the Company during the year, are as follows:

Directors	Attending seminars/ training courses/talks/other professional development	Perusing regulatory and compliance updates/updates given at Board meetings
Lee Irene Yun-Lien	✓	✓
Lui Kon Wai	✓	✓
Churchouse Frederick Peter	✓	✓
Fan Yan Hok Philip	✓	✓
Poon Chung Yin Joseph	✓	✓
Wong Ching Ying Belinda	✓	✓
Young Elaine Carole <sup>Note</sup>	✓	✓
Jebsen Hans Michael	✓	✓
Lee Anthony Hsien Pin	✓	✓
Lee Chien	✓	✓
Lee Tze Hau Michael	✓	✓

Note: Young Elaine Carole was appointed as an INED on 9 March 2022.

In 2022, comprehensive training activities, including seminars, workshops and conferences, as well as regulatory updates relevant to the Company's business and their duties, were also provided to the senior management and the Company Secretary. During the year, the Company Secretary took no less than 15 hours of relevant professional training. Such internal and external trainings have equipped them with the skill and knowledge necessary for fulfilling their roles and supporting the sustainable growth of the Company, as well as an understanding of their duties and responsibilities when acting as directors of subsidiaries.

### BOARD EVALUATION

Hysan's Board evaluation is an ongoing and continual process and is regarded as an important component of the mechanism to ensure independent views and inputs are available to the Board. In line with the best practice of the CG Code, Board evaluations in the form of a questionnaire are conducted on annual basis. In addition to the ongoing review by the Nomination Committee, the Directors play an important role in evaluating the performance of the Board and its four Board Committees (namely, the Audit and Risk Management Committee, the Nomination Committee, the Remuneration Committee, and the Sustainability Committee) to ensure the effectiveness of the Board.

## Board Evaluation Process

Our Board evaluation process consists of an anonymous online questionnaire covering a broad range of topics, including performance, dynamics and processes, proceedings of meetings, composition and diversity of the Board and Board Committees, risk management, cyber security and ESG, for completion by each Director. Being anonymous, Directors are encouraged to share comments, provide suggestions and raise any concerns.

## 2022 Board Evaluation

Consisting of both ratings and open-ended questions, the Board evaluation for the year ended 31 December 2022 (“2022 Board Evaluation”) was structured to solicit Director’s views on:

- the effectiveness and performance of the Board;
- areas for improvement; and
- future challenges and priorities of the Group.

The 2022 Board Evaluation focused on, inter alia, the following areas:

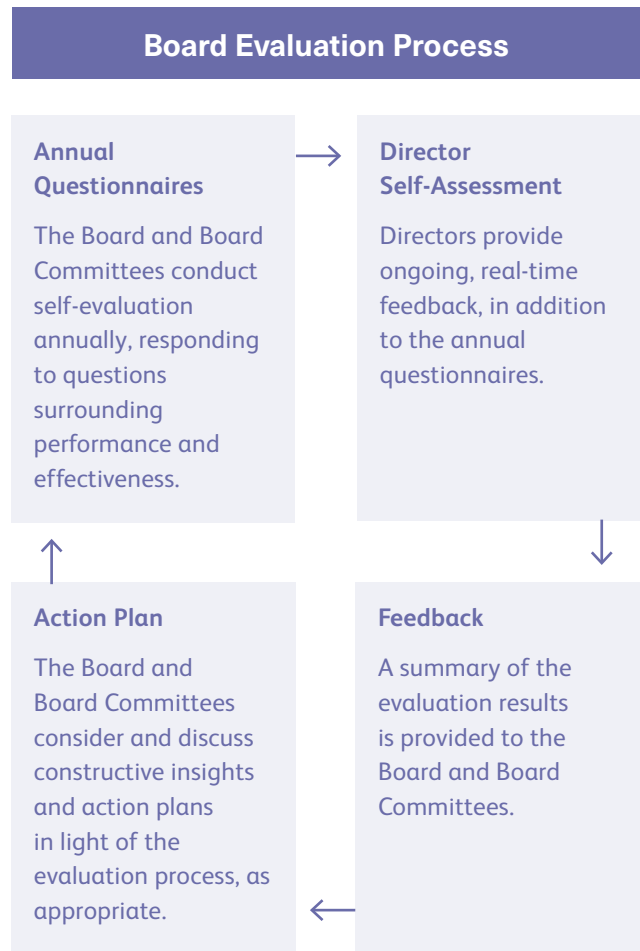
- **Leadership:** the roles of Directors, functions and effectiveness of the Board and Board Committees.
- **Composition:** Board structure, size, composition, commitment, independence and diversity.
- **Meetings and Processes:** proceedings of meetings, the integrity of financial statements and accounts, the corporate governance framework, the ESG governance framework and risk management process.
- **Decision Making and Accountability – The Board in Action:** performance effectiveness, supply of and access to information, the appropriateness of strategy, and levels of remuneration.
- **Training:** the quality of training, recommendations for future training events.

The 2022 Board Evaluation received a 100% response rate. A detailed report for the 2022 Board Evaluation (“Evaluation Report”) was prepared based on the collective comments of all Directors, which was further submitted to, considered and discussed by the Board with constructive feedback received.

The overall response was positive and there were no material issues to report. Constructive qualitative feedback was received, particularly on open-ended questions. All Directors are of the view that this evaluation process is a timely opportunity to identify ways to improve performance.

The Evaluation Report concluded that the Board and its Board 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.

Positive and significant contributions by each Director, an open environment for the candid and constructive exchange of opinions and the exercise of independent judgement were widely cited as positive achievements of the Board. Directors also indicated they were satisfied in terms of the diversity and balanced composition of the Board, the proceedings of meetings and access to information.



Directors further agreed that (i) the Company may take the opportunity to further improve Board diversity in terms of perspective, gender and length of service with the Board, and (ii) the Board shall continue to focus on the establishment of quantitative and qualitative goals for sustainability, as well as risks associated with cyber security, ESG and climate change-related compliance.

Based on the findings of the 2022 Board Evaluation, coupled with ongoing reviews by the Nomination Committee, the Board considered that Board effectiveness was ensured and maintained at all times during the year. The Board will continue to enhance its effectiveness in line with international best practices and in its sustained pursuit of excellent corporate governance.

## Accountability

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### DEFINING CLEAR LINES OF ACCOUNTABILITY

Our corporate governance structure provides clear lines of accountability.

The Board is accountable for ensuring that the Group is managed in such a way to safeguard Shareholders' interests. Governed by the **Board of Directors Mandate**, Directors are required to act within their defined and clear authorities and powers. The **Schedule of Corporate Matters Reserved for the Board** further specifies the matters that would affect the Company's overall strategic policies, corporate governance, finances and Shareholders interest, which are reserved for decision and approval by the Board, whereas the roles and responsibilities of each Board Committees are set out under their respective written **Terms of Reference**. Authority for managing the Group's daily operations and other decisions is clearly delegated to the Executive Committee and supported by various Management Committees. Management of the Group is accountable for ensuring that a similar process of delegation is in place within his/her department or area of responsibility.


The Board is regularly kept up to date on the key events, material transactions, business outlook and financials of the Group through management reports and monthly financial reports. Allowing comprehensive and balanced interim assessments between Board meetings, 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 Board Committee meetings to make presentations and answer any questions that Board and Board Committee members may have.

### Board Accountability

The Board and 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 disclosure of their cross-directorships and other commitments in the Group's annual reports;
- All Directors are required to make full disclosure of their associates and any potential connected transactions;
- Significant connected transactions must be approved by Shareholders in accordance with the Listing Rules and/or the full Board in accordance with Hysan's compliance policy, with connected transactions exempt under the Listing Rules requiring to be reported to and confirmed by the full Board after obtaining the Executive Committee's approval;
- 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, Schedule of Corporate Matters Reserved for the Board and the Terms of Reference of each Board Committee;
- NEDs are additionally subject to the relevant corporate governance policy on the "**Roles and Requirements of Non-Executive Directors**";





A great deal of time and effort is spent by management and the Board on long-term strategy, but not at the expense of continuing to ensure near term business interests and tactics roll forward.

Directors' comments received in Board Evaluation 2022

- 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 Code of Ethics, Anti-Fraud Policy, Anti-Bribery and Corruption Policy and Whistleblowing Policy (which allows an individual to report any irregularity directly to an independent third party, in confidence);
- All Directors are required to review annual reports, interim reports, announcements and circulars for publication in a timely manner and in accordance with applicable laws and regulations, e.g. the Companies Ordinance and the Listing Rules; and
- Financial statements of the Group are verified and audited by an independent external auditor.

### Executives Accountability

The Executive Committee, Management Committees, and senior management of the Company (collectively the “Executives”) are held accountable and responsible to the Board by various means:

- Executives are required to make full disclosure of their other commitments;
- Executives are required to make full disclosure of their associates and any potential connected transactions, which may require full Board approval and/or the full Board's review in accordance with Hysan's compliance policy;
- Executives 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;
- Executives are required to attend relevant sections of Board and Board Committees meetings to answer any questions that the Board and Board Committee members may have;
- Because of their office and duties, Executives 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 the Company's securities; and
- Each Executive is required to declare semi-annually that they have complied with the Code for Securities Dealing by Restricted Employees throughout the relevant period. Each Executive has made such declarations for the year ended 31 December 2022.

### 2022 BOARD ACTIVITIES

An outline of the key areas of Board activities during the year is provided below.

#### Strategy

- Discussed the Group's strategic objectives, with a focus on strategic plans for reaffirming Hysan's strong conviction for Hong Kong and China by strengthening the core of Lee Gardens Hong Kong and continuing to deliver the pillars;
- Discussed business strategy and opportunities for the 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, ESG compliance and cyber security; and
- Considered and approved the Group's investment and development strategy, including rejuvenation and curation of the Lee Gardens area.

#### Leadership

- Approved the appointment of Young Elaine Carole as an INED;
- Considered and adopted a target for Board gender diversity;
- Reviewed the Board structure, size, composition, diversity, commitment of the Directors, and the independence of the INEDs;
- Considered the pathway for succession planning to address regulatory concern on INED's tenure;
- Considered and approved the reshuffling of Board Committees' composition for fresh perspectives while maintaining continuity;
- Reviewed and evaluated Directors' fees;
- Reviewed compensation for the senior management;
- Reviewed and monitored the training and continuous professional development of Directors and senior management; and
- Reviewed staff development plans and long-term incentive scheme to retain and motivate high-performing individuals.

#### Governance and Accountability

- Reviewed, developed, enhanced and approved key governance-related reports and policies to enhance our corporate governance practices and to align them with the latest developments and changes to the Listing Rules, the CG code and other relevant regulatory requirements. This included:
  - Schedule of Corporate Matters Reserved for the Board
  - Anti-Bribery and Corruption Policy
  - Corporate Governance Guidelines
  - Diversity Policy
  - Shareholder Communication Policy
- Adopted the Corporate Culture Statement, which sets the tone and defines the VMVs and strategy of the Company, and articulated the corporate culture to support the Company's pursuit of success;
- Reviewed operational compliance of legal and regulatory requirements and related policies;
- Reviewed and updated the terms of reference of Board Committees;
- Discussed the outcome of the Board evaluation and effectiveness review and agreed on improvement opportunities; and
- The chairs of all Board Committees updated the Board on the proceedings of their meetings, including the key discussion points and areas of concern.

### Sustainability

- Reviewed and considered the quarterly sustainability progress of the Group;
- Considered and approved the Sustainability Report; and
- Considered and adopted the Climate Change Policy
- Reviewed the adequacy of resources of the Group's ESG functions and ESG-related risk areas.

### Financial, Operational and Business Performance

- Considered the 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;
- Approved and declared the payment of the first and second interim dividend;
- Reviewed and discussed financial forecasts and capital structure management; and
- Reviewed operating results and regular updates of the Group's core businesses (i.e. 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;
- 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 including, but not limited to, the risks related to the COVID-19 pandemic, cyber-security and ESG (climate change); and
- Reviewed and considered the Group's cyber-security framework.

The Board has a good mix of expertise combined with a forward looking and transparent leadership with a strong focus on risks and long-term growth.

Directors' comments received in Board Evaluation 2022

## DIRECTORS' INTERESTS IN SHARES

As at 31 December 2022, 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	–	2,534,300	0.246
			(Note b)			
Lee Chien	970,000	–	–	–	970,000	0.094
Lee Irene Yun-Lien	449,000	–	–	–	449,000	0.043

Notes:

(a) The percentages were computed based on the total number of issued shares of the Company as at 31 December 2022 (i.e. 1,027,008,223 ordinary shares).

(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 have been granted share options under the Company's share option scheme adopted on 10 May 2005 (the "2005 Scheme") and/or the scheme that was adopted on 15 May 2015 (the "New Scheme"), details of which are set out in the section "Long-term Incentives: Share Option Schemes" on page 102. 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			% of the total no. of issued shares
	Corporate interests	Other interests	Total	
Jebsen Hans Michael	1,000	–	1,000	10
				(Note)

Note:

Jebsen and Company Limited ("Jebsen and Company") holds a 10% interest in Barrowgate indirectly through its 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, as at 31 December 2022, no other interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations as defined in the SFO 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 the securities transactions of the Directors. 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 ended 31 December 2022.

## DIRECTORS' DISCLOSURE ON CONFLICTS OF INTEREST

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

To ensure compliance with disclosure requirements on potential conflicts of interests, all Directors are required to disclose to the Board the following information in relation to their interests upon appointment and on an annual basis:

- The number and nature of offices they hold in public companies or organisations and other significant commitments (if any) and their time engagements (and immediately if there is any change);
- Their interests in contracts with the Group; and
- Whether he or she has an interest in any business that competes with the Group.

In addition, all Directors are required to declare the nature and extent of their interests, if any, in any transaction, arrangement or other proposal to be considered by the Board.

In 2022, all Directors fulfilled the above disclosure requirements. No potential conflict of interest was determined by the Board to be material, except for the continuing connected transactions and connected transactions as disclosed in the Directors' Report on page 116, which was reviewed in the Board meeting in February 2023.

### 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, continuing connected transactions, connected transactions or contracts of significance under applicable accounting or regulatory rules (details are disclosed in the "Directors' Report").

### Directors' Interests in a 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 INEDs 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:

- Jebsen Hans Michael and his alternate, Yang Chi Hsin Trevor, are directors of Jebsen and Company and certain of its subsidiaries (the "Jebsen Group"). Business activities of the Jebsen Group include investment holding and property investment in both Hong Kong and the People's Republic of China. Jebsen Hans Michael is also a substantial shareholder of the Jebsen Group.

Jebsen 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 Hong Kong and the People's Republic of China.

- Lee Chien is an independent non-executive director of Swire Pacific Limited whose business includes, inter alia, property investment and trading in Hong Kong, the People's Republic of 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 hold 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 INEDs 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.

## OUR RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

### Risk Management and Internal Control

Our risk management and internal control framework forms an essential part of our Governance Framework.

The Board has the overall responsibility of maintaining an effective and robust risk management and internal control system, determining the Group's risk appetite, and putting controls in place to mitigate risks in line with our long-term and strategic goals and targets.

## Corporate Governance Report

With the support of the Audit and Risk Management Committee and the Internal Audit Functions, the Board oversees and reviews the Group's risk management and internal control system on an on-going basis, adopts appropriate policies and reviews the effectiveness of the systems at least annually in respect of the relevant financial year. The roles and responsibilities of each function/business unit are underpinned by the "Three Lines of Defence" model, with the first line to identify and manage risks, second line to oversee the management of risks, and third line to assess and advise on risk controls.

Details of our Risk Management and Internal Control Framework and activities during the year are set out in the "Risk Management and Internal Control Report" on pages 82 to 89.

### Internal Audit

The internal audit function is carried out by the Group Internal Audit Department ("GIA"), which serves as the third line of defence independent of management and directly reports to the Audit and Risk Management Committee.

The GIA plays a major role in providing independent and objective assurance on risk management, internal controls and also practices and procedures of the Group in conducting business, including the leasing business, accounting and financial reporting, and corporate communications processes, from time to time. The GIA is responsible for ensuring that our business affairs are conducted in full compliance with our corporate policies and guidelines. The GIA also examines and suggests areas of improvement for our corporate policies and guidelines.

Details of our internal audit activities during the year are set out in the "Risk Management and Internal Control Report" on page 89.

### Operation Control

Our business is operated through a clear chain of delegation of authority and responsibility, from the Board to the Executive Committee and from the Executive Committee to the responsible business units.

To set out clear lines of accountability and maintain effective control, the Group has adopted comprehensive corporate policies and guidelines detailing our practices and procedures in carrying out our business. Key policies, guidelines and procedures are reviewed annually to ensure they are up to date and able to address the latest business development and risks that the Group's operation faces.

Heads of business and supporting units are the Risk managers and the first line of defence to ensure full compliance with all applicable corporate policies and guidelines in their day-to-day operations. Heads of control functions, as the second line of defence, are responsible to enforce and monitor the effectiveness of internal controls and ensure risks are effectively managed in accordance with risk monitoring and assessment process.

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 risks and potential loss. Each business unit, support unit and control function are required to report any irregularity or non-compliance immediately to the compliance team and submit a full compliance report twice a year, which will then be reported to the Audit and Risk Management Committee for confirmation.

The Group's reporting process and financial management are also 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-year 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.

In addition, our Legal and Secretarial Department issues quarterly legal and regulatory updates to the Board and reviews our corporate policies and guidelines regularly to ensure compliance with the latest legal and regulatory requirements and international best practices as well as suggestions from the GIA.

Through these means, we are able to effectively monitor compliance, prioritize each case identified, and ensure accurate reporting and timely follow-up.

### Financial Reporting

The Board acknowledges its responsibilities for:

- preparing financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of their respective profit or loss for the year then ended, in accordance with Hong Kong Financial Reporting Standards, the Listing Rules and the Hong Kong Companies Ordinance;

- selecting suitable accounting policies and applying them on a consistent basis, making judgments and estimates that are prudent, fair and reasonable;
- stating the reasons for any significant departure from accounting standards;
- preparing the financial statements on a going concern basis, unless it is not appropriate to presume the Company and the Group will continue in business for the foreseeable future; and
- keeping proper accounting records for safeguarding the assets of the Company and of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Inside Information

The Group has adopted the Corporate Disclosure Policy, which sets out the procedures and controls for handling and disseminating inside information, with a particular focus on the disclosure of material information to investors, analysts and media. This policy also 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](http://www.hysan.com.hk/governance).

Hysan has also established the Disclosure Committee, which promotes consistent disclosure practices with the aim of ensuring the timely, accurate, complete and fair dissemination and disclosure of inside information of the Group in accordance with applicable laws, regulatory requirements and the Corporate Disclosure Policy.

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 will assess the materiality and nature of the information and advise the Board promptly whether such information constitutes inside information and the necessary disclosures and/or appropriate follow-up actions. All discussions are recorded in the formal meeting minutes of the Disclosure Committee for the Board's inspection upon request.

### Whistleblowing, Anti-Bribery and Corruption, and Other Key Group Policies

Hysan is committed to high standards of integrity, ethics, openness, accountability and good corporate governance. Our internal control framework requires that we operate in compliance with all applicable laws and regulations, and we have in place policies and procedures that embed our values and commitments in key aspects of our operation, including anti-fraud, taxation and human rights. Details of our policies are available on the Company's website: [www.hysan.com.hk/governance](http://www.hysan.com.hk/governance).

Hysan has put in place a Whistle-blowing Policy to provide a clear procedure for the reporting and handling of whistleblowing cases, which enables anyone (employees or third parties) who becomes aware of any existing or potential misconduct, malpractice or irregularities related to the Group to directly report to the Group's designated independent third party in confidence and with anonymity. The cases will be reported to the Audit and Risk Management Committee and investigated in a confidential and timely manner, and the designated investigator will report the results of the investigations to the Audit and Risk Management Committee, copying the GIA.

To promote a culture of integrity and honesty within the Group, the Anti-bribery and Corruption Policy was also adopted by the Board in 2022 to further reinforce our existing anti-corruption system and practices embedded in our Code of Ethics.

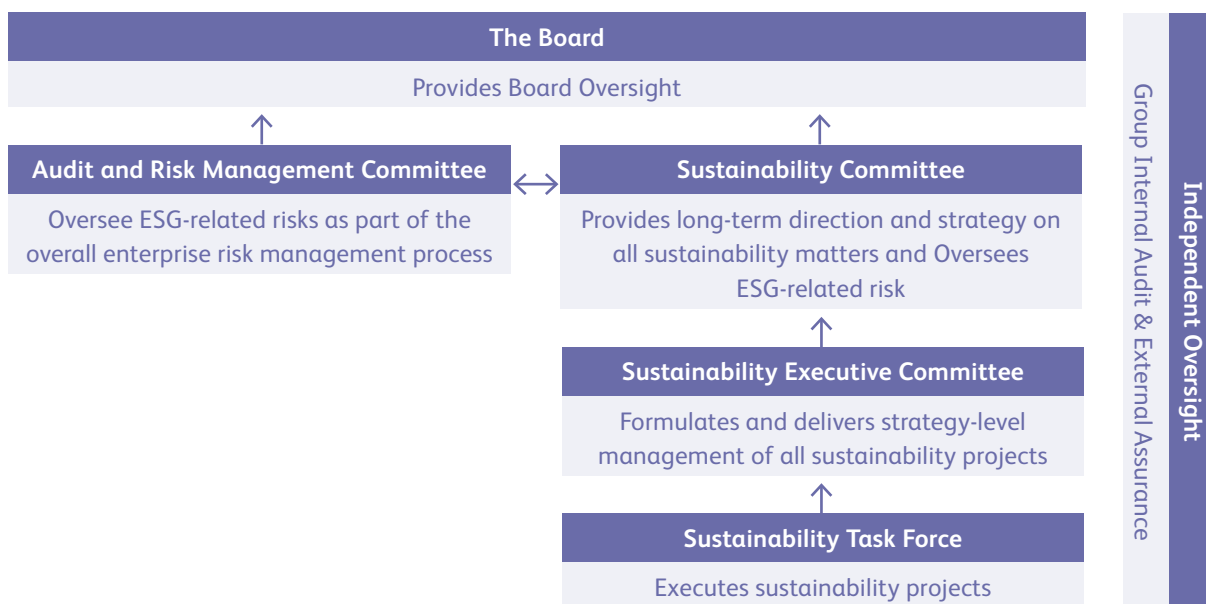
We consider that our Code of Ethics, Anti-Fraud Policy, the Anti-bribery and Corruption Policy, together with our Whistle-blowing Policy, form key elements of our internal control framework. To ensure integrity in our business practices and promote Hysan's core values and desired culture, all staff receive regular training on our Code of Ethics.

No regulatory breaches or whistleblowing cases were reported in 2022.

## SUSTAINABILITY

### Sustainability Governance

A governance framework is crucial for the successful delivery of our sustainability strategy. The Board has the overall responsibilities for sustainability matters and established the Sustainability Committee in 2020 to support the Board in overseeing the Group's corporate responsibility, sustainable development and climate change positions.



The Sustainability Committee is primarily responsible for overseeing, managing and bringing any ESG related risks and issues to the attention of the Board and the Audit and Risk Management Committee as part of its oversight of the Group’s overall risk management process, thereby integrating the identification, assessment and management of ESG related risks into our overall enterprise risk management process with the same set of risk assessment criteria adopted.

The management level Sustainability Executive Committee and the operational level Sustainability Task Force ensure that the sustainability strategies and practices are integrated into the Group’s operations. They are also responsible for assisting the Board and the Sustainability Committee with identifying targets, exploring new initiatives, and identifying and managing any ESG-related risks.

## Sustainability Performance

During the year, the Board continued to further our sustainability strategy with a community model, 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.

Details of Hysan’s sustainability framework and activities during the year are set out in:

- The 2022 Sustainability Report on Hysan’s website: [www.hysan.com.hk](http://www.hysan.com.hk).
- The “Sustainability Committee Report” on pages 108 to 110.
- A summary of the Sustainability Report on pages 111 to 112.

The Sustainability Report are distributed electronically to reduce resource consumed for printing and distribution of hard copies. It is available for public viewing on Hysan’s website ([www.hysan.com.hk](http://www.hysan.com.hk)) and Stock Exchange’s website ([www.hkexnews.hk](http://www.hkexnews.hk)). Limited copies are printed and distributed primarily to our Shareholders.

## Engagement

Hysan believes continued engagement and communication are keys to build trust and understanding between the Company and its Stakeholders. We attach great importance to engaging our Stakeholders, including Shareholders, employees and investors, as well as the wider community, through effective channels to articulate our VMVs, to keep our Stakeholders informed about our business strategies and outlook, to understand their views and to address their concerns.

### SHAREHOLDER ENGAGEMENT

Hysan maintains open and constructive dialogue with its Shareholders and provides them with the information necessary to make sound investment decisions.



The importance of communication with Shareholders and investors of the Company has been recognized with the adoption of 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 2022 to emphasize our commitment to enhancing communication with Stakeholders in a sustainable manner and to ensure its continued effectiveness.

With the following measures in place, the Shareholder Communication Policy is considered to have been effectively implemented throughout the year ended 31 December 2022:

- Interim and annual results, the interim and annual reports and other corporate communications of the Company (“Corporate Communications”)<sup>Note</sup> are published in a timely manner on the Stock Exchange and Company’s websites in accordance with the Listing Rules;
- The 2022 AGM was held in a hybrid format to encourage Shareholder participation during COVID-19. Shareholders were given opportunities to meet the Directors and senior management and to raise questions via a real-time online portal. Details are set out in the “General Meetings” section below;
- On-going engagement has been maintained with the media, analysts and institutional investors through various communication channels, despite the COVID-19 situation, e.g. news conferences and analyst briefings were held following the announcement of the 2021 final results and the 2022 interim results by live webcast. Questions were raised to the senior management through the online portal;
- Press releases and presentation materials were posted on the Company’s website to facilitate Stakeholders’ understanding of the Group’s latest developments and to promote transparency;
- Shareholders with at least 5% of the total voting rights of all Shareholders can convene extraordinary general meetings;
- Shareholders’ enquiries are promptly addressed by the appropriate Board Committees or the Board, if necessary;
- For the purpose of enhancing communication, all Shareholders are welcome to provide their feedback and views on various matters affecting the Company to the Directors or senior management through the Company Secretary;
- Shareholders are encouraged to access our Corporate Communications electronically via the Company’s website as an effective and more environmentally friendly communication channel;
- Major nominee companies are invited to forward communication materials to Shareholders at our expense; and
- Proxy advisors are proactively engaged on the latest corporate governance trends.

Note:

“Corporate Communications” refers to any document issued or to be issued by Hysan for the information or action of holders of Hysan’s securities including, but not limited to, annual and interim reports, notices of meetings, circulars, or other publications of the Company (including any “corporate communication” as defined in the Listing Rules).

## REPORTING AND TRANSPARENCY

Hysan commits to maintaining a high standard of transparency and keeps Shareholders and other Stakeholders abreast of the Company’s financial and non-financial performances as well as strategy and outlook. The Group ensures these reporting and communication are provided in a timely, transparent and accessible manner by publishing:

- its interim and annual report within three months of the financial period/year end;
- announcements (and circulars, where required) on material information or developments as required by the Listing Rules and/or the SFC, or voluntarily as the Board considers appropriate;
- all Corporate Communications on the Company’s website in accordance with the requirements of the Listing Rules, biographies of the Directors and the senior management, and business and sustainability developments, the governance structure, financial calendar and other news and developments at Hysan; and
- press releases, presentation materials and webcasts on the Company’s website, in conjunction with the Company’s AGM and results announcement.

Corporate Communications will be provided to Shareholders in plain language and in both English and Chinese for Shareholders’ ease of understanding. Shareholders have the right to choose their preferred language (English or Chinese) or means of receipt (print or electronic) free of charge, at any time, with reasonable notice in writing, to the Company or the Company’s Registrar or by e-mail to [hysan14-ecom@hk.tricorglobal.com](mailto:hysan14-ecom@hk.tricorglobal.com) or [cossec@hysan.com.hk](mailto:cossec@hysan.com.hk), respectively.

### DIVIDEND POLICY

The Company is committed to providing our Shareholders with sustainable and outstanding returns. 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.

The financial calendar and the dividend-related dates for the year ended 31 December 2022 are set out in "Shareholder Information" on page 202.

### SHAREHOLDERS' RIGHTS

The Board is committed to treating all Shareholders equitably and fairly. The rights of our Shareholders are well recognised and effectively protected by

- the right to receive declared dividends and to vote and attend general meetings
- the right to convene general meetings and to put forward proposals

Shareholders may put forward proposals for consideration at general meetings. 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. The Group's Procedures for Shareholders to Convene General Meetings/Put Forward Proposals are available on the Company's website.

### GENERAL MEETINGS

Hysan's AGMs are usually held in the month of May each year as a means of communication with our Shareholders and an opportunity for Shareholders to understand the business performance of the Company. Our Board members, in particular, the INEDs as well as the chairmen of Board Committees or their delegates, management executives and external auditors attend AGMs and engage with our Shareholders to understand their feedback, and address their questions.

To ensure our Shareholders have sufficient time to consider the AGM notices, annual reports, financial statements, along with documents setting out details of each proposed resolution and other relevant information, are dispatched to Shareholders more than 30 days prior to the AGMs. 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 the poll. Poll results and Directors' attendance at the AGM are announced and posted on the websites of both the Stock Exchange and the Company.

### 2022 Hybrid AGM

In accordance with the Hong Kong Government's social distancing laws and regulations concerning shareholders' meetings during COVID-19, the 2022 AGM was held in a hybrid format on 19 May 2022 at 50/F, Lee Garden One, 33 Hysan Avenue, Hong Kong and as an online virtual meeting for the first time.

Overcoming the COVID-19 related restrictions, we adopted a live webcast system ("e-Meeting System") which enabled our Shareholders to participate in the 2022 AGM from anywhere with an internet connection and meet with our Board members, management executives and auditors as in past years. The arrangement also provided flexibility to our Shareholders to comment or enquire about the proposed 2022 AGM resolutions, either by post or email before the AGM, or through text message when viewing and listening live to the 2022 AGM using the e-Meeting System.

Holding hybrid AGMs promotes inclusivity, engagement and transparency, facilitates Shareholders' participation by providing convenient access for all Shareholders overcoming geographical constraints and space limitations, protects Shareholders' right to attend general meetings while at the same time eliminating public health concerns.

Key matters resolved at the 2022 AGM included:

- Receipt of the Statement of Accounts for the year ended 31 December 2021 and the Reports of the Directors and Auditor thereon;
- Re-election of Fan Yan Hok Philip as Director;

- Re-election of Jebesen Hans Michael as Director;
- Re-election of Lee Anthony Hsien Pin as Director;
- Re-election of Wong Ching Ying Belinda as Director;
- Re-election of Lui Kon Wai as Director;
- Re-election of Young Elaine Carole 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%); and
- Granting of a general mandate to repurchase shares in the Company (not exceeding 10% of the number of its issued shares).

All resolutions proposed at the 2022 AGM were passed by the Shareholders.

## 2023 AGM

The 2023 AGM will be held on 16 May 2023. Details of the meeting are set out in the notice of the 2023 AGM, which constitutes part of the circular to Shareholders sent together with this annual report. Notice of the 2023 AGM and the proxy form are also available on the websites of both the Stock Exchange and the Company.

## INVESTOR RELATIONS

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

We provide regular updates on Hysan's operating and financial performances through a variety of channels to keep our Stakeholders informed about the business environment and how the Company responded to risks and challenges. This has become particularly important during the COVID-19 pandemic. Regular virtual meetings and conference calls with institutional investors as well as live webcasts for our post-results briefing were hosted by our senior management.

A dedicated Investor section to provide timely update on the Company's business performance and key developments, is also available on the Company's website: [www.hysan.com.hk/investor](http://www.hysan.com.hk/investor).

### Calendar of our Main Investor Relations Events

2022 1st Half	2022 2nd Half
<ul style="list-style-type: none"> <li>• Annual results announcement               <ul style="list-style-type: none"> <li>– Press conference</li> <li>– Analyst briefing (live webcasts were also available)</li> </ul> </li> <li>• Post-results roadshows in Hong Kong</li> <li>• Annual General Meeting</li> <li>• Investor conferences in Hong Kong</li> </ul>	<ul style="list-style-type: none"> <li>• Interim results announcement               <ul style="list-style-type: none"> <li>– Press conference</li> <li>– Analyst briefing (live webcasts were also available)</li> </ul> </li> <li>• Post-results roadshows in Hong Kong</li> </ul>

## CONSTITUTIONAL DOCUMENTS

The Company did not make any changes to its constitutional documents during the year ended 31 December 2022. The up-to-date consolidated version of the Company's constitutional documents is available on the websites of both the Stock Exchange and the Company.

By Order of the Board

**Lee Irene Yun-Lien**

*Chairman*

Hong Kong, 17 February 2023

# Risk Management and Internal Control Report

## RESPONSIBILITY

Responsibility for risk management is shared between the Board and the management of the Group. The Board has overall responsibility for reviewing and maintaining sound and effective risk management and internal control systems, while 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 crucial to achieve the Group's business objectives.

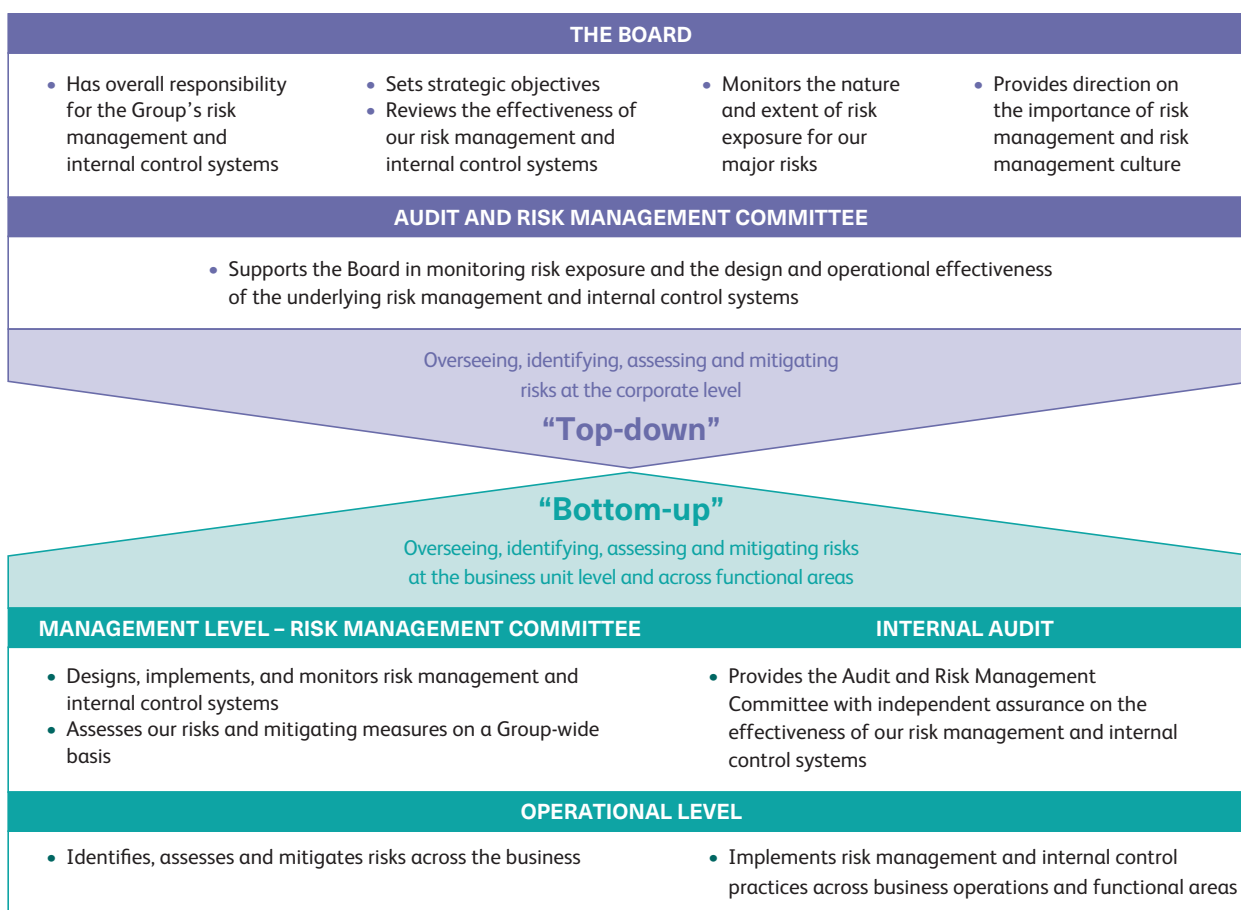
## OUR RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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 Audit and Risk Management 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 the GIA 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



## 2022 REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS

In respect of the year ended 31 December 2022, the Board, with confirmation from the ED&COO, CFO&CS, Head of Internal Audit and General 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 promote an ethical culture and emphasize our "zero tolerance" attitude to fraud. In November 2022, we further adopted a separate Anti-Bribery and Corruption Policy to further promote a healthy corporate culture and high standards of integrity and ethics. 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.

- **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 strategic development) and functional areas (including finance, human resources and administration, business technology, legal and secretarial, corporate communications and sustainability departments).

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, ED&COO, CFO&CS, 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 prevailing economic conditions 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.

## Risk Management and Internal Control Report

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, ED&COO, CFO&CS, 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, sensitivity analysis as well as life cycle 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 updated reports to the Audit and Risk Management Committee on major risks and appropriate mitigating measures on a regular basis. In 2022, the Audit and Risk Management Committee held four meetings (2021: 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

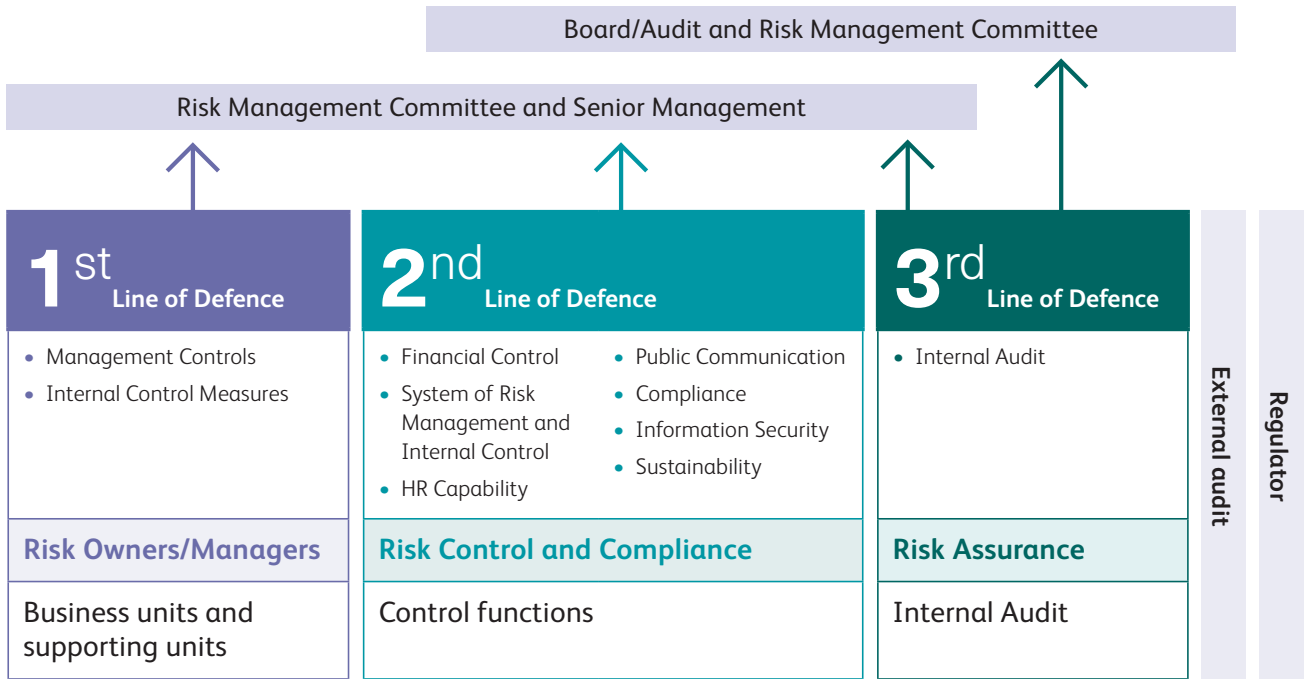
- Collate the residual risk status (after risk treatment) with the risk tolerance level for each key risk
- Determine any further actions needed to close any risk gap

##### 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" 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:

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

## 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 2022	Description of risk change	Our mitigating measures
Overall business environment	↑	<ul style="list-style-type: none"> <li>Inflation, geopolitical conflict, energy, supply chains and food crisis continue to impact global trade, the economy, and financial markets.</li> <li>Continuation of rate hikes and tightening by central banks in the U.S. and in Europe risk economic recession.</li> <li>Relaxation of COVID-19 restrictions in Hong Kong and Mainland since late 2022 signalled a gradual return to normality.</li> </ul>	<ul style="list-style-type: none"> <li>Fine-tune our strategy execution programme with a focus on financial discipline; preserve liquidity in order to navigate the short-term shocks.</li> <li>Continue to improve operation efficiency and productivity and prioritize resources to capture and support business recovery.</li> <li>Focus on core portfolio curation to defend asset value and tap into new growth pillars for new sources of growth.</li> </ul>
Office sector	↑	<ul style="list-style-type: none"> <li>Slowdown in demand due to unclear economic recovery prospects. Hong Kong's real GDP fell by 3.3% year-on-year for the first three quarters of 2022.</li> <li>Average rents for Grade A offices in Hong Kong decreased in 2022 and may continue to decline with overhang vacancy and new upcoming supply.</li> <li>Co-working and work-from-home models continued to disrupt the traditional office leasing business.</li> </ul>	<ul style="list-style-type: none"> <li>Diverse and flexible leasing efforts and maintaining a diversified tenant mix to ensure a more resilient tenant portfolio.</li> <li>Offer tailored solutions to increase marketability of office units.</li> <li>Embrace the co-working trend by collaborating with strong and leading co-working brands.</li> <li>Aim for mutual empowerment with our Retail portfolio.</li> </ul>
Retail sector	↔	<ul style="list-style-type: none"> <li>The fifth COVID-19 wave disrupted businesses in early 2022.</li> <li>Disbursement of consumption vouchers by the Hong Kong Government and relaxation of COVID-19 restrictions in Hong Kong in the later part of 2022 rendered support to private consumption.</li> <li>Hong Kong retail sales value decreased by 1.1% for the first 11 months of 2022.</li> </ul>	<ul style="list-style-type: none"> <li>Diverse and flexible leasing efforts as well as active curation of tenant mix to ensure a more resilient and sustainable tenant portfolio.</li> <li>Strengthen our long-term partnerships with strategic tenants.</li> <li>Achieve appropriate balance of customer profile for the local resident and tourist market segments.</li> <li>Use mobile and business technology to drive loyalty programmes as well as shopping experiences that distinguish our offerings.</li> <li>Focus on marketing efforts to target relevant existing and potential new shoppers.</li> <li>Holistic plan to rejuvenate our Lee Gardens portfolio to reinforce our position as a home of luxury flagships and also as a trendsetter.</li> </ul>
Residential sector	↑	<ul style="list-style-type: none"> <li>Uncertainties in the economy affected demand for luxury residential units from expatriates, as well as rent levels due to their tighter budgets.</li> </ul>	<ul style="list-style-type: none"> <li>Flexible leasing efforts to meet customer needs.</li> <li>Continue to invest in the renovation of residential units and common areas to attract new tenants and improve rents.</li> </ul>
Tai Po Residential Development Project	↔	<ul style="list-style-type: none"> <li>Travel restrictions limited the number of potential mainland buyers.</li> <li>Rising borrowing costs and uncertainties in the economy affected buyers' appetite.</li> </ul>	<ul style="list-style-type: none"> <li>Fine-tune our sales programme and incentives to capture market demand at the right moment.</li> </ul>



Risk area	Risk level changes during 2022	Description of risk change	Our mitigating measures
Caroline Hill Road Commercial Development Project	↔	<ul style="list-style-type: none"> <li>• Clouded outlook for commercial properties as uncertainties in local and global economies remain.</li> <li>• Global inflation and supply chain disruption may lead to uncertainties in construction costs and progress delay.</li> <li>• Foundation works commenced in 2022, and project progress was satisfactory.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure the project is carefully and professionally designed to fit up-and-coming market demand and be competitive.</li> <li>• Develop with best-in-class green building standards and impactful yet practical sustainability features.</li> <li>• Management committee closely monitors the tender process and construction programme to manage construction costs and progress.</li> </ul>
To Kwa Wan Residential Development Project	✖	<ul style="list-style-type: none"> <li>• Clouded outlook for residential development properties as uncertainties in local and global economies remain.</li> <li>• Global inflation and supply chain disruption may lead to uncertainties in construction costs and delay progress.</li> <li>• Project progress was satisfactory.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure the project is carefully and professionally designed to fit up-and-coming market demand and be competitive.</li> <li>• Approach the market at the right moment.</li> <li>• Management committee closely monitors the tender process and construction programme to manage construction costs and progress.</li> </ul>
Shanghai Investment Property – Lee Gardens Shanghai	↑	<ul style="list-style-type: none"> <li>• The commercial property was handed over by the vendor in January 2022.</li> <li>• Progress of minor asset enhancement work was satisfactory, and leasing activities commenced in the fourth quarter of 2022.</li> </ul>	<ul style="list-style-type: none"> <li>• Asset management plan, financial and operation controls and compliance procedures are clearly formulated and implemented according to local operation needs.</li> <li>• Strong and experienced local team is formed with support from Hong Kong Head Office.</li> </ul>
Human Resources	↑	<ul style="list-style-type: none"> <li>• Continuous labour market changes contribute to labour shortages.</li> <li>• Increased competition for skilled personnel to support our growth strategy, including both frontline operations and management positions.</li> <li>• COVID-19 pandemic threatens the health and safety of the workforce and disrupts business operations.</li> </ul>	<ul style="list-style-type: none"> <li>• Improve working environment and benefits with an emphasis on wellbeing, to help recruit new employees and retain talented people more effectively.</li> <li>• Enhance staff productivity with technology and process automation.</li> <li>• Grow and develop talent via Mobile Learning, Hysan Forum and our Leadership Programme.</li> <li>• Attract or retain talent via Management Trainee Program, Agile Leader Program and so on.</li> <li>• Strengthen our employer brand.</li> <li>• Strongly encouraged universal vaccination among the workforce to minimize risk. As at 31 December 2022, 100% of Hysan employees had been vaccinated.</li> </ul>
Cyber Security	↔	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Business disruption due to cyber-security risks can be significant and costly to rectify.</li> </ul>	<ul style="list-style-type: none"> <li>• Regular cyber-security reviews and upgrades to mitigate risks.</li> <li>• Release a new security awareness programme to all company staff to raise awareness of cyber security.</li> <li>• Engage external professionals to perform a technical review of corporate infrastructure.</li> <li>• Put in place cyber-security policies and procedures, as well as insurance for cyber risk.</li> <li>• Information on cyber-security risk and protection guidelines are available to all staff.</li> <li>• Ongoing monitoring of key risk indicators.</li> </ul>

## Risk Management and Internal Control Report

Risk area	Risk level changes during 2022	Description of risk change	Our mitigating measures
ESG (including climate change)	↑	<ul style="list-style-type: none"> <li>Increasing attention from investors and the general public on public companies' ESG performance, including their management of climate risks.</li> <li>New requirements on compliance.</li> </ul>	<ul style="list-style-type: none"> <li>Set up a Sustainability Department in September 2022 in light of the increasing requirements on ESG compliance and the expectations on sustainability performance from internal and external Stakeholders.</li> <li>Established Climate Change Policy and updated other sustainability-related policies such as Environmental Policy and Health &amp; Safety Policy.</li> <li>Engage professional independent consultant(s) to conduct gap assessment towards the objective on net zero carbon.</li> <li>Devise a climate action roadmap, including both short- and long-term initiatives.</li> <li>Plan for scenario analyses on physical and transition risk assessment, as per recommendations of TCFD.</li> <li>Adopt further technology and innovative solutions in support of Hysan's decarbonization journey.</li> <li>Increase use of sustainable financing on green and social initiatives.</li> </ul>
Environmental Management regarding Climate Change	↔	<ul style="list-style-type: none"> <li>Climate change impacts Hysan's strategies and investments as society shifts to a low-carbon future.</li> <li>Climate change impacts the operations and management of buildings in our portfolio.</li> </ul>	<ul style="list-style-type: none"> <li>Regularly review transitional risks and physical risks in relation to climate change.</li> <li>Regularly update contingency plans.</li> <li>Monitor emissions from existing buildings and new development projects.</li> <li>Put in place ISO 14001 Environmental Management System, ISO 50001 Energy Management System and building analytics systems for daily operational risk management.</li> <li>Support in renewable energy.</li> <li>Apply new technologies to mitigate operational risk.</li> <li>Assess and enhance indoor air quality in relation to the COVID-19 pandemic situation.</li> </ul>
Customer Data Protection and Privacy Protection	↔	<ul style="list-style-type: none"> <li>Given rapid developments in business technology, personal data might be collected through digital platforms and other channels.</li> </ul>	<ul style="list-style-type: none"> <li>Continuously build a holistic approach to managing and protecting data and privacy through the implementation of a variety of processes, roles and controls.</li> <li>Established Data Privacy Management Group to oversee the privacy risks and control system and introduced new measures for personal information management.</li> <li>Conducted comprehensive privacy compliance review.</li> <li>Adopted stringent privacy policies and procedures, with strict compliance by all employees and service providers.</li> <li>A centralized data privacy inventory is in place to track the risks and controls on personal data privacy.</li> <li>No customer data loss cases and customer privacy breaches reported in the last three years.</li> </ul>
Anti-Fraud and Anti-corruption	↑	<ul style="list-style-type: none"> <li>External service providers and third parties are often engaged to provide business and technological solutions.</li> <li>Hysan continues to plan for business diversification across the Group.</li> </ul>	<ul style="list-style-type: none"> <li>Adopted an Anti-Fraud Policy as a framework, supported by comprehensive anti-fraud procedures and guidelines.</li> <li>Adopted a separate Anti-Bribery and Corruption Policy to promote a healthy corporate culture and high standards of integrity and ethics.</li> <li>Put in place and regularly review our Code of Ethics and Whistleblowing Policy.</li> <li>Established an independent whistleblowing channel.</li> <li>Identified potential fraud risks across the Group; no related cases reported in the last three years.</li> </ul>

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 2022

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.

<b>Control Environment – compliance policies</b>	<ul style="list-style-type: none"> <li>Adopted a new Anti-Bribery and Corruption Policy in 2022. Updated corporate governance policies including the Corporate Governance Guidelines, Diversity Policy and Shareholder Communication Policy in 2022.</li> <li>We strengthened and set out clear guideline for policy owners for the establishment and ongoing review of corporate policies and procedures, in order to ensure these policies and procedures adequately address the business and strategic developments and mitigate the relevant emerging risks.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing review and refinement of processes and structures to enhance compliance.</li> </ul>
<b>Control Environment – Data Privacy</b>	<ul style="list-style-type: none"> <li>Established the Data Privacy Management Group, overseeing the data privacy risks and control system of the Group.</li> <li>Enhanced the Group’s data privacy management procedures, setting out clear guidelines on data collection, access, data inventory maintenance, internal and external communication, and incident response protocols.</li> <li>A new Data Privacy Handbook was circulated to all employees to build awareness of proper handling of personal information and ensure data privacy management procedures are followed in all functional areas.</li> </ul>	<ul style="list-style-type: none"> <li>Providing a consistent and systematic approach to risk management in data privacy.</li> </ul>
<b>Control Activities – internal controls and policies</b>	<ul style="list-style-type: none"> <li>We strengthened our risk management approach for the procurement process in development projects as the Group continues to execute several strategic developments, such as the Caroline Hill Road Site Project and major asset enhancement projects.</li> <li>Reviews were conducted to strengthen the procurement control procedure of selected functions. Procurement policies were updated to address specific functional needs, with a fraud-risk focus. With the acquisition of Lee Gardens Shanghai, the Group extended and implemented our corporate policies, financial and operational controls to our Shanghai office to ensure it complies with the Group’s policies on corporate governance, risk management and internal controls, while also addressing risks specific to the local operations in Shanghai.</li> <li>Ongoing monitoring and enhancement of internal controls in accordance with the Listing Rules’ requirements.</li> <li>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.</li> <li>Regular training and education were 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 included data protection, Directors’ duties, connected transactions, anti-corruption, anti-competition law, corporate disclosure, privacy and cyber-security awareness.</li> </ul>	<ul style="list-style-type: none"> <li>Continual review and refinement of policies and procedures and trainings to support the essential task of keeping risk management and internal controls aligned with fast-changing external and internal business environments.</li> </ul>
<b>Monitoring Activities – data management procedures</b>	<ul style="list-style-type: none"> <li>Conducted Personal Data Privacy Compliance Review to review and evaluate our compliance with the relevant privacy laws in respect of the personal data collected through the Group’s operations.</li> <li>Developed an approval mechanism for launching a new personal data collection item and granting user access with personal data exposure.</li> <li>Updated data breach response procedures in handling privacy incidents in future.</li> <li>Built an interactive process between Data Privacy Management Group and business units for in-time clarification of privacy matters.</li> </ul>	<ul style="list-style-type: none"> <li>Facilitating the monitoring of data privacy risks in the Group.</li> </ul>

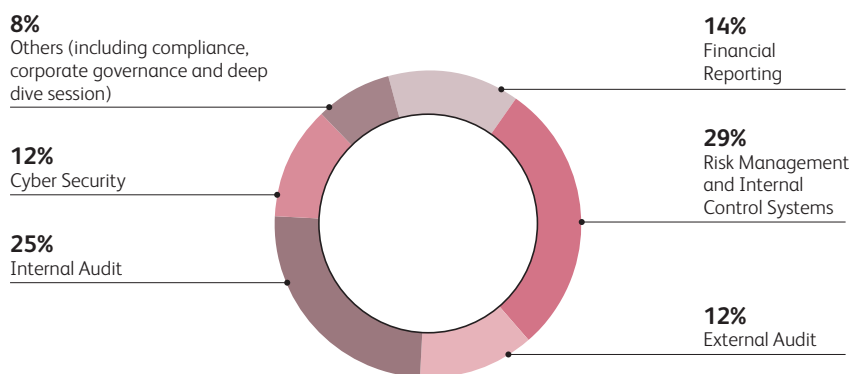
# Audit and Risk Management Committee Report

## Dear Shareholders,

We are pleased to present the report of the Audit and Risk Management Committee for 2022, which provides an overview of the works undertaken by the Committee during the year.

In 2022, 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 Committee further provided independent and impartial oversight in relation to the overall risk approach of the Group through consideration of significant topics that included rigorous assessment of the Group's enhanced risk management and internal control systems to meet the needs of new projects and operations, risks relating to COVID-19, cyber security and data privacy. Recommendations were also made on the Group's risk appetite, profile and tolerance.

## Committee activities and agenda time during the year



<b>Composition in 2022</b>	<p>Poon Chung Yin Joseph* (Chairman)</p> <p>Churchouse Frederick Peter*</p> <p>Fan Yan Hok Philip*</p> <p>Lee Anthony Hsien Pin</p> <p>* INED</p>
<b>Independence Weighting</b>	75 %
<b>Meeting Schedule</b>	<ul style="list-style-type: none"> <li>• Four meetings were held during the year, with two of those meetings specifically focused on addressing dynamic risks (including cyber security) and enhancing the risk management oversight function.</li> <li>• Two pre-meeting sessions were held with external and internal auditors, without the presence of the management, to further facilitate open dialogue and assurance.</li> </ul>
<b>Highlights in 2022 and 2023</b>	<ul style="list-style-type: none"> <li>• Strengthened corporate policies and procedures for risk management.</li> <li>• Conducted a procurement control review on development projects and major asset enhancement projects.</li> <li>• Enhanced the Group's data privacy management.</li> <li>• Ongoing monitoring and enhancement of internal controls in accordance with the Listing Rules' requirements.</li> <li>• Conducted a technical infrastructure security review.</li> <li>• Reviewed media policy and practices.</li> </ul>

## 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;
- Review the Company's risk management and internal control systems;
- Assess and review the risk appetite of the Group;
- Review reports on major risks faced by the Group;
- Review resource adequacy and staff qualifications, skillsets and experience in the Group's internal audit, accounting, and financial reporting functions, as well as their training programmes and budget;
- Review and ensure adequacy of corporate policies and procedures and effectiveness of the Group's compliance framework;
- Review the effectiveness of the Company's internal audit function; and
- Oversee the Company's relationship with the external auditor and provision of non-audit services.

## ACTIVITIES

Details of the meeting held in February 2022 were set out in the 2021 Annual Report.

From March 2022 to February 2023, the Audit and Risk Management Committee held four meetings. The Board Chairman and management members (including the ED&COO, CFO&CS and Group Financial Controller), internal auditor, external auditor and independent professional valuer (as appropriate) presented updates and answered relevant questions to facilitate the Committee's decision-making process. Details of matters discussed in the meetings are given below.

### The Audit and Risk Management Committee Over the Past 12 Months

May 2022 meeting	August 2022 meeting	November 2022 meeting	February 2023 meeting
<ul style="list-style-type: none"> <li>• Internal Audit Report</li> <li>• Proposed Data Privacy Management Procedures</li> <li>• Property Valuations</li> <li>• Legal and Regulatory Update</li> </ul>	<ul style="list-style-type: none"> <li>• Interim Results</li> <li>• Internal Audit Report</li> <li>• External Auditor Report</li> <li>• Cyber Security</li> <li>• Legal and Regulatory Update</li> </ul>	<ul style="list-style-type: none"> <li>• External Audit Progress Report</li> <li>• Internal Audit Report</li> <li>• Review of Annual Risk Management Result</li> <li>• Cyber Security</li> <li>• Annual Review of Adequacy of Resources</li> <li>• Legal and Regulatory Update</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Results</li> <li>• Internal Audit Report</li> <li>• Property Valuations</li> <li>• Annual Review of Risk Management and Internal Control Effectiveness</li> <li>• Effectiveness and Independence of External Auditor</li> <li>• External Audit Completion Report</li> <li>• External Audit Plan For 2023</li> <li>• Annual Review of Continuing Connected Transactions</li> <li>• Legal and Regulatory Update</li> </ul>

### 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 2022, the audited financial statements for the year ended 31 December 2022, and the Independent Auditor's Report for the year ended 31 December 2022, prior to their publication.

Within this process, the management is responsible for the preparation of the Group's financial statements, including the selection and application of appropriate 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 "Corporate Governance Report" of this Annual Report.

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 2022 and 31 December 2022 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 2022.

### 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:

#### Corporate Policies and Procedures

We strengthened and set out clear guideline for policy owners for the establishment and ongoing review of corporate policies and procedures, in order to ensure these policies and procedures adequately address the business and strategic developments and mitigate the relevant emerging risks.

We adopted the Anti-Bribery and Corruption Policy, a new and separate policy to reinforce and expand Hysan's existing anti-corruption system and practices.

We reviewed 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.

We reviewed the Anti-Fraud Policy. This is a separate policy to further promote an ethical culture and emphasize our "zero tolerance" attitude to fraud.

#### Procurement Control Review

We strengthened the risk management approach for the procurement process of development projects as the Group continues to execute several strategic developments such as the Caroline Hill Road Site Project and major asset enhancement projects.

Reviews were conducted to strengthen the procurement control process of selected functions. Procurement policies were updated to address specific functional needs and with a fraud-risk focus.

#### Data Privacy

We established a Data Privacy Management Group to oversee the data privacy risks and control system of the Group.

We also enhanced the Group's data privacy management procedures, setting out clear guidelines on data collection, access, data inventory maintenance, internal and external communication, and incident response protocols.

A newly developed *Data Privacy Handbook* was circulated to all employees in order to build awareness of handling personal information and ensure data privacy management procedures are followed in all functional areas.

We conducted a Personal Data Privacy Compliance Review to evaluate our compliance with relevant privacy laws in respect of the personal data collected through the Group's operations.

### Internal Controls

With the acquisition of Lee Gardens Shanghai, the Group extended and implemented our corporate policies and financial and operational controls in our Shanghai office to ensure it complies with the Group's policies on corporate governance, risk management and internal controls, while also addressing risks specific to the local operations in Shanghai.

We continued our ongoing monitoring and enhancement of internal controls in accordance with Listing Rules' requirements.

### Technical Infrastructure Security Review

We engaged a professional service provider to conduct an in-depth security review and penetration tests of the Group's technical infrastructure. Potential vulnerability issues were highlighted to guide the strengthening of network protections.

### Media Policy and Practices

We reviewed the Group's Corporate Communications operation, strengthening awareness and practices with regard to dissemination of information to the public via traditional and social media.

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, with the overall approach 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 valuer;
- 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 2022, based on the following:
  - Reports from the GIA on the review of the Company's continuing connected transactions for the year ended 31 December 2022, as well as the adequacy and effectiveness of the related internal control procedures;
  - Regular reports from management regarding major risks, movements in risk levels and mitigating actions, as well as special reports on major risk items identified (as detailed above);
  - Regular reports from the GIA, 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.

## CYBER SECURITY

The Audit and Risk Management Committee recognizes the importance of cyber security and was particularly focused on understanding and monitoring the progress of various initiatives, including the key enhancement, gap analysis and effectiveness of measures during the year.

The topic of cyber security has been a regular item on the Committee's meeting agenda, and the Committee dedicated substantial time in numerous discussions on this issue in the August and November Committee meetings. After considering the update from management, the Committee was satisfied that the current cyber security system is adequate and fit for purpose as assessed by external professional experts. It also emphasized the importance of raising staff awareness and alertness of cyber security with more targeted training.

## 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, cyber security, internal audit, risk management or internal control were identified.

### THE FOLLOWING MEASURES ARE IN PLACE TO ENSURE THE INDEPENDENCE OF EXTERNAL AUDITORS:

- Detailed assessment of the external auditor's independence, service quality and remuneration level;
- Annual confirmation of the auditor's independence issued by the external auditor;
- A rotation arrangement for the lead audit partner was established and implemented by the external auditor;
- The lead audit partner is required to comply with professional ethical standards and independence policies and requirements applicable to the work performed;
- All non-audit 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. The external auditor confirmed its independence with regard to the non-audit services provided.

A summary of external auditor's services and fees for the years ended 31 December 2022 and 2021 is as follows:

	2022 HK\$ million	2021 HK\$ million
Audit Services	3.1	2.8
Non-audit Services		
– Recurring (Note a)	1.0	1.0
– One-time transactional		
• Technology services (Note b)	6.2	–
• Other services (Note c)	0.4	0.9
Total	10.7	4.7

Notes:

(a) Recurring services include review, statutory compliance, regulatory or government procedures required to comply with financial, accounting or regulatory report matters.

(b) Technology services include system integration and application management services for the customer relationship management platform.

(c) Other services include major transaction compliance and compliance of proposed offering of guaranteed note.

### EXTERNAL AUDITOR

The Group engages Deloitte Touche Tohmatsu as the external auditor of the Company and regards their independence as crucial to the effectiveness of our corporate governance. In overseeing the Group's relationship with the external auditor and ensuring its independence, the Audit and Risk Management Committee:

- Reviewed and considered the terms of engagement of the external auditor in respect of the Group's 2022 results (including the 2022 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;
- Reviewed the annual assessment of the auditor's independence, qualifications, expertise, and services, and remained satisfied with the same.



- Reviewed and considered the 2023 audit service plan of the external auditor and the terms of its engagement in respect of the 2023 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 2023.

The Audit and Risk Management Committee and the Group were satisfied that the auditor's independence and objectivity were not in any way impaired by the provision of non-audit services.

## 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 presented via audit reports, including management responses regarding the status of subsequent follow-up and implementation.

## 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 2022. For details, please refer to the "Board Evaluation" section of the Corporate Governance Report (pages 68 to 70).

Members' attendance records are disclosed in the table on page 67.

Members of the Audit and Risk Management Committee

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

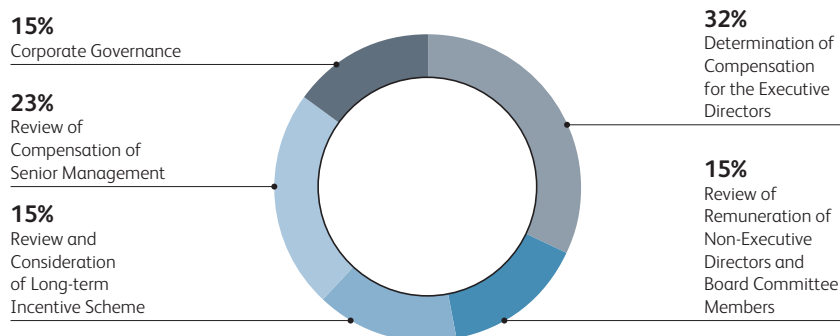
Hong Kong, 17 February 2023

# Remuneration Committee Report

**Dear Shareholders,**

We are pleased to present the Remuneration Committee Report for 2022. The primary roles of the Remuneration Committee are to advise the Board on the formulation of remuneration policy, 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 in the best interests of the Company and its Shareholders.

## Committee activities and agenda time during the year



<b>Composition in 2022</b>	Fan Yan Hok Philip* (Chairman) Poon Chung Yin Joseph* Lee Tze Hau Michael * INED
<b>Independence Weighting</b>	66.7%
<b>Meeting Schedule</b>	<ul style="list-style-type: none"> <li>• At least one meeting every year</li> <li>• One meeting in 2022</li> </ul>
<b>Highlights in 2022 and 2023</b>	<ul style="list-style-type: none"> <li>• Considered remuneration for Directors and senior management</li> <li>• Considered the Company's compensation structure and long-term incentive scheme</li> <li>• Reviewed its terms of reference</li> </ul>

## 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 ("EDs") and members of senior management and make recommendations to the Board;
- Review and determine the remuneration of EDs and senior management as recommended by management;
- Review and make recommendations to the Board on the fees of NEDs, INEDs and Board Committee members prior to Shareholders' approval at the AGM; and
- Review matters related to share incentive plans (including matters related to share schemes under Chapter 17 of the Listing Rules), 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.

## ACTIVITIES

The EDs 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.

In January 2022, the Remuneration Committee met to:

- Approve the EDs' 2022 compensation package and 2021 performance-based bonuses;
- Review the fees for NEDs, INEDs and Board Committee members;
- Review and determine the compensation of senior management; and
- Review and consider the long-term incentive scheme (including matters related to share schemes under Chapter 17 of the Listing Rules).

In February 2023, the Remuneration Committee also held a meeting to

- Approve the EDs' 2023 compensation packages and 2022 performance-based bonuses;
- Review the fees for NEDs, INEDs and Board Committee members;
- Review and determine the compensation packages of senior management;
- Review and consider the long-term incentive scheme (including matters related to share schemes under Chapter 17 of the Listing Rules); and
- Review and update the terms of reference of the Remuneration Committee.

Members' attendance records are disclosed in the table on page 67.

## REMUNERATION POLICY

Our remuneration policy aims to maintain a proper balance between business performance and long-term sustainable growth, while being market competitive and in alignment with the Company's strategy, corporate culture and core values, performance as well as Shareholders' interests.

We recognise the importance of a transparent remuneration policy and practice, which is underpinned by three cornerstones:

### 1. Effective Corporate Governance

- No Director is involved in deciding their own remuneration;
- Compensation packages of EDs are reviewed and approved by the Remuneration Committee;
- Remuneration of NEDs and INEDs are approved by the Board upon the recommendation of the Remuneration Committee and subject to Shareholders' approval;
- Compensation packages of senior management and department heads are reviewed and approved by the Remuneration Committee; and
- Independent professional advice is to be sought where appropriate.

## Remuneration Committee Report

### 2. Market Benchmarking

- Hong Kong property developers and companies listed on the main board of the Stock Exchange with property-related businesses were selected as comparators for benchmarking Director's fees and remuneration of EDs and senior management.

### 3. Performance-linked

- Remuneration packages and structures of EDs and senior management shall reflect a fair reward system for all participants, taking into account both quantitative and qualitative assessments of performance in the forms of financial and operational targets and behavioural competencies that align with the Group's long-term strategy, corporate culture and core values.

## REMUNERATION POLICY FOR EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT

Our approach is to provide a fair market level of remuneration to attract, retain and motivate high-quality EDs, senior management and employees. At the same time, rewards must be aligned with the Company's strategy, corporate culture and core values, performance as well as Shareholders' interests.

The following principles of remuneration for EDs and senior management have been established:

- Remuneration must be based on a fair reward system with an emphasis on performance according to the above-mentioned components;
- 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 and behavioural competencies that align with the Group's long-term strategy, corporate culture and core values;
- Remuneration policy and practices shall be as transparent as possible and reviewed regularly, independent of executive management;
- Share option grantees shall develop significant personal shareholdings through executive share option schemes, in order to align their interests with those of the Shareholders; and
- Pay and employment conditions elsewhere in the Group shall be taken into account.

In reviewing and determining remuneration for EDs and senior management, the Remuneration Committee will take into account the following determining factors:

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

In February 2023, 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 2023 annual fixed base salaries shall be HK\$8,240,000 and HK\$5,600,000 respectively.

Details of Directors' remuneration, including individual EDs and senior management's emoluments for 2022, as well as changes in share options for EDs during the year, are set out in notes 10, 11 and 36, respectively, to the consolidated financial statements.

### Remuneration Policy for NEDs and INEDs

These are the key guiding principles of the remuneration for our NEDs and INEDs:

- Remuneration shall be set at an appropriate level to attract and retain first-class non-executive talent;
- Remuneration of NEDs and INEDs 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 the remuneration of the NEDs and INEDs;
- Remuneration shall be in the form of cash, payable semi-annually; and
- NEDs and INEDs shall not receive share options from the Company.

In 2022, NEDs and INEDs received no compensation from the Group other than the Directors fees disclosed below. None of the NEDs and INEDs received any pension benefits from the Company, nor did they participate in any bonus or incentive schemes.

NEDs and INEDs received fees totalling HK\$3,392,000 during 2022.

### Director Fee Levels

Director fees are subject to Shareholders' approval at general meetings. In February 2023, 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 talent and agreed that the Director fees shall be maintained at the same level.

The current fees for the NEDs, INEDs and Board Committee members are set out below. EDs do not receive any Director fees.

	Current Fee Per annum HK\$	
<b>Board of Directors</b>		
NED and INED	280,000	(Note 1)
<b>Audit and Risk Management Committee</b>		
Chairman	180,000	(Note 1)
Member	108,000	(Note 1)
<b>Remuneration Committee</b>		
Chairman	75,000	(Note 1)
Member	45,000	(Note 1)
<b>Nomination Committee</b>		
Chairman	50,000	(Note 1)
Member	30,000	(Note 1)
<b>Sustainability Committee</b>		
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.

## Remuneration Committee Report

### Human Resources Practices

The Group aims to attract, retain and develop high-calibre individuals who are committed to attaining our objectives and adhering to Hysan's corporate culture and core values. The total number of employees as at 31 December 2022 was 486 (2021: 467). The Group's human resources practices are aligned with our corporate objectives in order to maximize Shareholder value and achieve sustainable growth. Details of our human resources programmes, training and development are set out in our 2022 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 EDs is vested in the Remuneration Committee, with endorsement by all INEDs being required under the Listing Rules. The Chairman may grant options to management staff below the ED 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 EDs), 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, representing approximately 10% of the total number of issued shares of the Company as at the date of this Annual 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 higher 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 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 EDs), 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, representing approximately 10% of the total number of issued shares of the Company as at the date of this Annual Report). 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 higher 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 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**

Since the 2005 Scheme had expired on 9 May 2015, no option was available for grant under the 2005 Scheme as at 1 January 2022 and 31 December 2022 respectively. No option was granted under the 2005 Scheme during the year.

The number of options available for grant under the New Scheme as at 1 January 2022 and 31 December 2022 were 100,121,673 and 98,048,673 respectively.

The number of ordinary shares of the Company that may be issued in respect of options granted under the New Scheme during the year is 2,084,000 (representing approximately 0.20% of the weighted average number of ordinary shares of the Company in issue during the year).

As at 31 December 2022:

- share options exercisable into a total of 1,082,000 ordinary shares of the Company granted and fully-vested under the 2005 Scheme remained outstanding, representing approximately 0.11% of the total number of issued shares of the Company;
- share options exercisable into a total of 7,917,067 ordinary shares of the Company (including fully-vested share options exercisable into 4,342,381 ordinary shares of the Company) granted under the New Scheme remained outstanding, representing approximately 0.77% of the total number of issued shares of the Company; and
- 98,048,673 shares remained issuable under the New Scheme, representing approximately 9.55% of the total number of issued shares of the Company.

## Remuneration Committee Report

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 1.1.2022	Changes during the year			Balance as at 31.12.2022
					Granted	Exercised	Cancelled/ lapsed (Note b)	
<b>2005 Scheme</b>								
<b>Executive Director</b>								
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
<b>Other employee participants</b>								
	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	61,000	–	–	–	61,000
				1,239,000	–	–	(157,000)	1,082,000

Name	Date of Grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2022	Changes during the year			Balance as at 31.12.2022
					Granted	Exercised	Cancelled/ lapsed (Note b)	
<b>New Scheme</b>								
<b>Executive Directors</b>								
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	26.2.2022 – 25.2.2031	664,000	–	–	–	664,000
	28.2.2022	23.25	28.2.2023 – 27.2.2032	–	819,000	–	–	819,000
		(Note c)						
Lui Kon Wai	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	31.3.2022 – 30.3.2031	267,000	–	–	–	267,000
	28.2.2022	23.25	28.2.2023 – 27.2.2032	–	400,000	–	–	400,000
		(Note c)						
<b>Other employee participants</b>								
	31.3.2016	33.05	31.3.2017 – 30.3.2026	106,000	–	–	–	106,000
	31.3.2017	35.33	31.3.2018 – 30.3.2027	208,667	–	–	–	208,667
	29.3.2018	41.50	29.3.2019 – 28.3.2028	260,000	–	–	–	260,000
	29.3.2019	42.05	29.3.2020 – 28.3.2029	393,000	–	–	–	393,000
	31.3.2020	25.20	31.3.2021 – 30.3.2030	498,000	–	–	–	498,000
	31.3.2021	30.40	31.3.2022 – 30.3.2031	611,000	–	–	(6,000)	605,000
	31.3.2022	23.36	31.3.2023 – 30.3.2032	–	865,000	–	(5,000)	860,000
		(Note d)						
				5,844,067	2,084,000	–	(11,000)	7,917,067

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. “Exercise period” accordingly begins with the first anniversary of the date of grant.

(b) Options lapsed during the year in accordance with the rules of the Schemes.

(c) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 25 February 2022) was HK\$23.10.

(d) The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2022) was HK\$23.30.



During the year, a total of 1,609,000 share options were granted to Directors and senior managers (as defined under Chapter 17 of the Listing Rules and disclosed on page 53 in this Annual Report) (“Senior Managers”) of the Company under the New Scheme.

In considering the grant of such share options, the Remuneration Committee took into account various factors, including the Group’s satisfactory performance during the previous financial year, each grantee’s experience and potential, length of service, performance during the previous financial year and past contribution to the Group. The vesting of such share options is not subject to any performance target and/or clawback mechanism.

The Remuneration Committee was of the view that the grants were appropriate and no performance target and/or clawback mechanism was necessary as (i) the main purpose of the grants were to recognize the satisfactory performance and contributions made by the grantees before the grant, (ii) the exercise price of the share options represents a certain premium over the market price of the Shares preceding the date of grant, (iii) the share options would have a vesting period of three years in equal proportions, and (iv) it was the Company’s customary practice to grant share options without any performance target and/or clawback mechanism.

The Remuneration Committee was also of the view the grants aligned with the purpose of the New Scheme. The grantees, as Directors and Senior Managers, had contributed directly and significantly to the overall operations and long-term and sustainable growth of the Group by their leadership and management experience. The grants could align the interests of the grantees with that of the Company and its Shareholders and encourage the grantees to continue to contribute to the future development of the Group to enhance the value of the Company and its shares.

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 36 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	31.3.2022	28.2.2022
Closing share price at the date of grant	HK\$22.900	HK\$23.000
Exercise price	HK\$23.360	HK\$23.250
Risk-free rate (Note a)	2.010 %	1.451 %
Expected life of option (Note b)	5 years	5 years
Expected volatility (Note c)	27.636 %	27.722 %
Expected dividend per annum (Note d)	HK\$1.426	HK\$1.426
Estimated fair values per share option	HK\$3.400	HK\$3.370

Notes:

- 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.
- 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.
- 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.
- 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)  
**Poon Chung Yin Joseph**  
**Lee Tze Hau Michael**

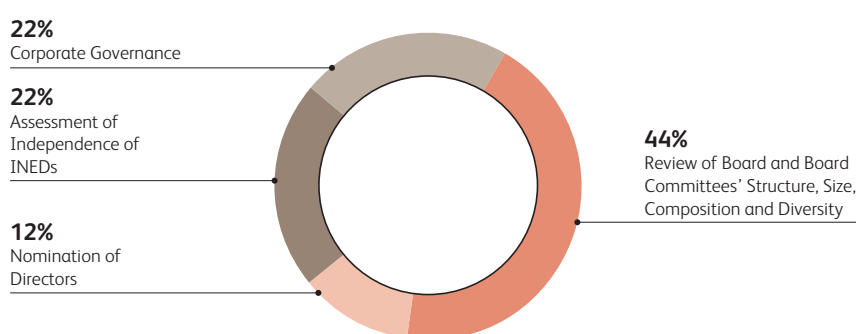
Hong Kong, 17 February 2023

# Nomination Committee Report

## Dear Shareholders,

We are pleased to present the Nomination Committee Report for 2022. The primary roles of the Nomination Committee are to review the Board's structure, size, composition and diversity, and to recommend Board appointments. The roles of the 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 Directors have the skills and experience required to drive the highest standards of performance. During the year, we were pleased to welcome Young Elaine Carole to the Board.

### Committee activities and agenda time during the year

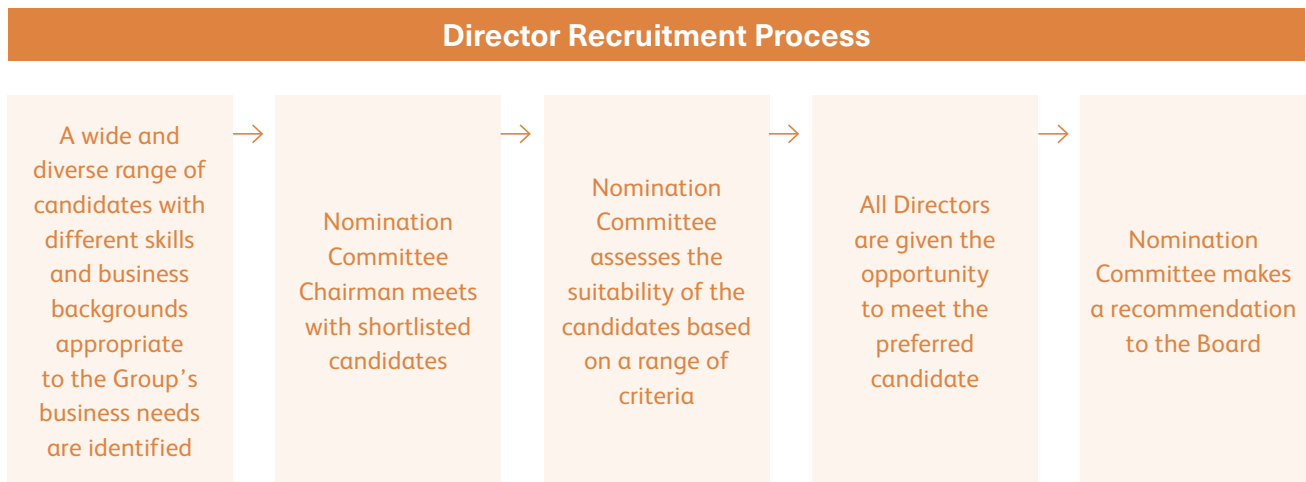


<b>Composition in 2022</b>	<p>Lee Irene Yun-Lien (Chairman)</p> <p>Churchouse Frederick Peter*</p> <p>Fan Yan Hok Philip*</p> <p>Poon Chung Yin Joseph*</p> <p>Lee Chien</p> <p>* INED</p>
<b>Independence Weighting</b>	60%
<b>Meeting Schedule</b>	<ul style="list-style-type: none"> <li>• At least one meeting every year</li> <li>• One meeting in 2022</li> </ul>
<b>Highlights in 2022</b>	<ul style="list-style-type: none"> <li>• Nominated Young Elaine Carole as an INED and a member of the Sustainability Committee.</li> <li>• Considered Hysan's diversity agenda and set the numerical target on achieving gender diversity at Board level.</li> <li>• Considered the pathway for succession planning and the reshuffling of Board Committee's composition for fresh perspectives while maintaining continuity.</li> <li>• Considered the re-appointment of Directors and independence of INEDs.</li> <li>• Reviewed the Diversity Policy.</li> </ul>

## 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 our corporate strategies;
- Review the Diversity Policy;
- Review the independence of INEDs 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) and our diversity agenda with due regard to the benefits of diversity, as set out under the Diversity Policy.



Senior management has taken steps to broaden the gender inclusiveness of the Board.

Directors' comments received in Board Evaluation 2022

## Nomination Committee Report

### ACTIVITIES

During 2022, the Remuneration Committee held one meeting. The Board Chairman attended the Committee meeting to present updates and answer relevant questions and to facilitate the Committee's decision-making process. Details of matters discussed in the Committee meeting are given below.

### BOARD COMPOSITION

Regarding the Board composition, the Committee:

- Considered the nomination of Young Elaine Carole as an INED and a member of the Sustainability Committee on the basis of her extensive experience in both real estate and hospitality across Asia, in accordance with the Company's Nomination Policy and Diversity Policy. The appointment of Young Elaine Carole reflects the Group's commitment to enhancing the diversity and effectiveness of the Board;
- Considered Hysan's diversity agenda and set the numerical target to increase the percentage of female representation at board level to 33% by the end of 2025, with the ultimate goal of achieving gender parity at Board level;
- Considered the pathway for succession planning taking into account Hysan's diversity agenda and the increasing regulatory and governance concern on INEDs' tenure;
- Considered proposed changes to and reshuffling the Board Committees' composition to take effect in year 2023 for fresh perspectives while maintaining continuity;
- 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 support its strategic decision-making;
- Assessed the structure, size, composition and diversity of the Board and Board Committees, 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;
- The Nomination Committee was satisfied that the current composition and size of the Board are appropriate for the time being;
- Reviewed the time commitment of Directors. As reflected in Directors' high rates of attendance, 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 (please also refer to the table on page 67 for Directors' attendance record);
- Reviewed the contributions of those Directors who are due to retire and are subject to re-election at the forthcoming AGM with the support of the Board;
- Recommended the re-appointment of Directors to the Board; and
- Reviewed the training of the Directors and senior management.

### INDEPENDENCE OF INEDS

The Committee assessed the independence and commitment of each of the INEDs during the year. Details of Board Independence, including the Process of Independence Assessment, are set out on pages 61 to 63.

The Committee and the Board were thus satisfied that, notwithstanding the length of service of each INED, 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 and updated the Diversity Policy during the year (available on the Company's website) to include measurable objectives for implementing the policy and progress on achieving those objectives in accordance with the CG Code.

## 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**  
**Poon Chung Yin Joseph**  
**Lee Chien**

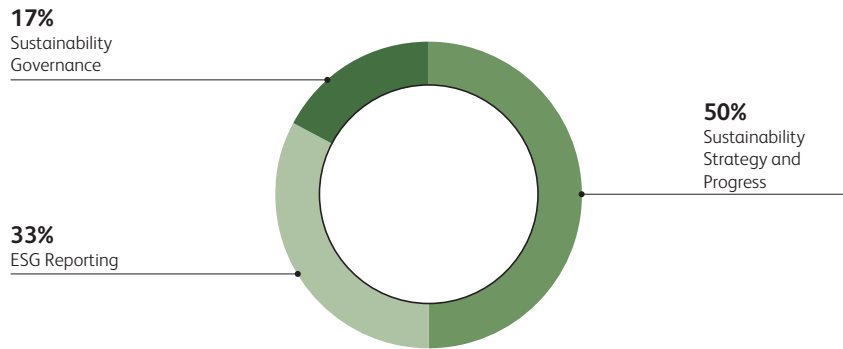
Hong Kong, 17 February 2023

# Sustainability Committee Report

## Dear Shareholders,

We are pleased to present the Sustainability Committee Report for 2022. The primary roles of the Sustainability Committee are to review and oversee the Group's overall vision and action plans for corporate responsibility, sustainability development and related policies. The Committee is tasked with bringing any ESG related risks and 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 year



<b>Composition in 2022</b>	<p>Jebsen Hans Michael B.B.S. (Chairman)</p> <p>Fan Yan Hok Philip*</p> <p>Wong Ching Ying Belinda*</p> <p>Young Elaine Carole* (appointed on 9 March 2022)</p> <p>* INED</p>
<b>Independence Weighting</b>	75 %
<b>Meeting Schedule</b>	<ul style="list-style-type: none"> <li>• At least one meeting every year</li> <li>• One meeting in 2022</li> </ul>
<b>Highlights in 2022 and 2023</b>	<ul style="list-style-type: none"> <li>• Reviewed and endorsed the Group's sustainability strategy</li> <li>• Considered the progress of ESG initiatives on a quarterly basis</li> <li>• Adopted the Climate Change Policy</li> <li>• Considered the Group's commitment and actions to engage employees and society during the COVID-19 pandemic</li> <li>• Reviewed sustainability finance framework and initiatives</li> <li>• Assessed sustainability risks and issues</li> <li>• Reviewed the Sustainability Report</li> </ul>

## 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, assess, bring any ESG related risks and issue to the attention of the Board and the Audit and Risk Management Committee as part of its oversight of the Group's overall risk management process;
- Monitor and review existing and/or emerging issues, trends and investments related to corporate responsibility and sustainability priorities of the Group;
- 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 Environmental, Social and Governance Reporting Guide issued by the Stock Exchange 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 2022 were set out in the 2021 Annual Report.

From March 2022 to February 2023, the Sustainability Committee held one meeting and received quarterly updates on the Sustainability Progress of the Group from the management. Management attended the meeting to present updates and answer relevant questions and facilitate the Committee's decision-making process. Details of matters discussed and/or considered during the year are given below.

### The Sustainability Committee Over the Past 12 Months

May Quarterly Update	August Quarterly Update	November Quarterly Update	February 2023 Meeting
<ul style="list-style-type: none"> <li>• Sustainability Progress Update – Q1 2022</li> <li>• Hysan's support for the government to set up vaccination centres</li> <li>• Community engagement in To Kwa Wan and Causeway Bay</li> <li>• Urban farmers market</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability Progress Update – Q2 2022</li> <li>• Hysan's ESG pathways</li> <li>• Environmental initiatives update</li> <li>• Social initiatives update</li> <li>• Talent engagement and well being; talent development</li> <li>• Governance: Benchmarks and indices; green and sustainable finance; data protection and cybersecurity</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability Progress Update – Q3 2022</li> <li>• Trends in sustainability</li> <li>• Hysan's sustainability performance update</li> <li>• Hysan's way forward in 2023 and beyond</li> <li>• Updates on community initiatives</li> <li>• New structure of Hysan's sustainability operations</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability Progress Update – Q4 2022</li> <li>• Sustainability Report</li> <li>• Annual review of adequacy of resources for ESG functions</li> <li>• Annual review of ESG risks</li> <li>• Adoption of Climate Change Policy</li> </ul>

## REVIEW OF 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.

### DISCUSSION OF 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

With regard to sustainability governance, the Committee:

- Reviewed, endorsed and reported to the Board and the Audit and Risk Management Committee (as part of its oversight of the Group's overall risk management process) on the major ESG risks that are integrated into the Group's risk assessment process, including risks related to the COVID-19 pandemic, ESG compliance and environmental management related to climate change, and 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;
- Reviewed its terms of reference to enhance the Group's sustainability governance structure; and
- Established the Climate Change Policy to identify, assess, monitor and report on climate-related issues.

More details are set out in the 2022 Sustainability Report.

Members of the Sustainability Committee

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

**Fan Yan Hok Philip**

**Wong Ching Ying Belinda**

**Young Elaine Carole**

Hong Kong, 17 February 2023



# Sustainability Report 2022 – Summary

This section provides a summary of Hysan’s sustainability strategy and 2022 performance. The reporting period is from 1 January 2022 to 31 December 2022, unless otherwise specified. This year, the Sustainability Report not only complies 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 (the “Hong Kong Stock Exchange” or “HKEX”), it has also taken a step further to take reference to the Global Reporting Initiative (“GRI”) Standards 2021. Please refer to our standalone Sustainability Report for further details of the Group’s sustainable development efforts and progress.

2022 was a significant year for Hysan’s sustainable development. In the Sustainability Report, we highlight Hysan’s Community Business Model and how it leads our direction of sustainable development. This should give our stakeholders a much clearer understanding as to why we do and what we do, in our quest to curate a portfolio not just for today, but for generations to come.

## COMMUNITY BUSINESS MODEL

At Hysan, we strive to create a high-quality property portfolio and make positive impact on the community. The Community Business Model provides the overarching strategy towards sustainability at Hysan. We are aspired to address key elements of the community including social well-being, inclusivity, liveability, environmental stewardship and positive economic impacts, with innovations and partnerships as key enablers to support us in achieving our goals.

## OUR SUSTAINABILITY COMMITMENT


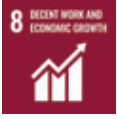


At Hysan, sustainability is embedded in all things we do, above and beyond mandatory requirements. Even when we were under the shadow of the pandemic, we continued to drive our sustainability journey forward. Our team was always on the lookout for opportunities to demonstrate our support to society, in alignment with the government’s measures to combat the pandemic. Sustainability drives the way we work with our stakeholders – from our tenants and customers to investors and employees – as well as the programmes we initiate to make our community a unique place to live, work and enjoy for generations to come.

We regularly review our existing sustainability strategy to integrate the latest developments in business, community and the overall environment in which we operate. We also identify, assess and manage material sustainability-related risks and opportunities relevant to the Group. These practices strengthen and bolster Hysan’s journey towards a brighter and more sustainable future.

## Sustainability Report 2022 – Summary

We focus on achieving the four key United Nations Sustainable Development Goals (“UNSDGs”), which are most relevant to our businesses, as illustrated below and are committed to contribute to ESG in our operations.

### United Nations Sustainable Development Goals (“UNSDGs”)

UNSDG	Hysan’s contribution towards achieving the respective UNSDGs
 <p>3 – Good Health and Well-being</p>	<ul style="list-style-type: none"> <li>Promote community wellness and resilience, health &amp; safety via various programmes and activities to stakeholders of the community.</li> <li>Set out and maintain comprehensive management measures to provide a safe and healthy environment for our staff at work and our community to live.</li> </ul>
 <p>8 – Decent Work and Economic Growth</p>	<ul style="list-style-type: none"> <li>Promote sustainable economic growth.</li> <li>Drive tenants’ business growth.</li> <li>Nurture entrepreneurs and incubate innovations.</li> <li>Provide an inclusive environment of decent work.</li> </ul>
 <p>11 – Sustainable cities and communities</p>	<ul style="list-style-type: none"> <li>Make cities and communities inclusive, safe, resilient, and sustainable.</li> <li>Apply climate actions and develop green and WELL buildings to optimize impacts.</li> <li>Conduct activities with focus contributing to community health and wellness, family and children, art and culture, environmental sustainability, diversity and inclusion.</li> </ul>
 <p>17 – Partnerships for the goals</p>	<ul style="list-style-type: none"> <li>Mobilize multiple resources including support from project partners, NGOs, and the government, making positive social impacts particularly in the area of our operations</li> <li>Enhance the use of innovation and technology.</li> </ul>

### Our Targets

In 2022, we achieved positive performance, with some targets achieved ahead of time. Although the worst of the pandemic may be over, we will nevertheless maintain a close watch on any lingering impacts it might have on our future performance as business resumes to normal levels. In 2023, we expect to further review our sustainability targets in line with a comprehensive stakeholder engagement during the year, as well as the results of the science-based targets (“SBTs”) gap assessment. We will also continue our Caroline Hill Road project at full speed with comprehensive sustainability considerations incorporated. We will make adjustments to our sustainability strategy accordingly as new ESG trends may arise.

Category	Targets / Indicators	2022 Status
<b>Governance</b>	<ul style="list-style-type: none"> <li>Diversity and inclusion at Board Level: to achieve one-third of female directors by 2025</li> <li>Zero case of cybersecurity incidents</li> </ul>	<ul style="list-style-type: none"> <li>On track</li> <li>Achieved</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>Reduce 20% carbon intensity by 2024 (Baseline: 2005)</li> <li>Reduce 20% purchased electricity intensity by 2024 (Baseline: 2005)</li> <li>Complete energy audit for 75% of our portfolio by 2025</li> <li>Achieve 40% debt financed by sustainable finance by 2030</li> </ul>	<ul style="list-style-type: none"> <li>Achieved</li> <li>Achieved</li> <li>Achieved</li> <li>Achieved</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>Number of social impact partners (NGOs) engaged</li> <li>Number of beneficiaries</li> </ul>	<ul style="list-style-type: none"> <li>40 NGOs</li> <li>4,287 beneficiaries</li> </ul>
<b>People</b>	<ul style="list-style-type: none"> <li>Achieve workplace injury rate to &lt;0.5% by 2030</li> <li>Zero work-related fatalities of employee</li> <li>Increase number of training hours by 30% by 2030 (Baseline: 2020)</li> </ul>	<ul style="list-style-type: none"> <li>On track</li> <li>Achieved</li> <li>Achieved</li> </ul>

# Directors' Report

The Directors submitted their report together with the audited consolidated financial statements for the year ended 31 December 2022, which were approved by the Board on 17 February 2023.

## PRINCIPAL ACTIVITIES

The principal activities of the Group continued throughout 2022 to be property investment, management, and development. Details of the Group's principal subsidiaries, associates and joint ventures as at 31 December 2022 are set out in notes 16 to 18 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 2022 are set out in the consolidated statement of profit or loss on page 127.

The first interim dividend of HK27 cents per share, amounting to approximately HK\$277 million, was paid to Shareholders during the year.

The Board declared a second interim dividend of HK117 cents per share which will be payable in cash to the Shareholders on the register of members on 6 March 2023, totalling approximately HK\$1,202 million. The dividends declared and paid for ordinary shares in respect of the full year 2022 will total approximately HK\$1,479 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 2022 – "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 2022 – 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 2022 – 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 2022 – 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 2022, which is available on the websites of both the Stock Exchange and the Company.

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 130 and 131 and note 30 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 2022 using the fair value model. Details of movements during the year in the investment properties of the Group are set out in note 14 to the consolidated financial statements.

Details of the major investment properties of the Group as at 31 December 2022 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 15 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 29 to the consolidated financial statements.

## CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and fully complied with the code provision of the CG Code throughout the year.

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

- (a) "Corporate Governance Report" (pages 40 to 81) – this gives detailed information on the Group's compliance with the CG 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 82 to 89) – 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 90 to 95) – 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 96 to 103) – this gives detailed information on Directors' remuneration and interests (including information on Directors' compensation);
- (e) "Nomination Committee Report" (pages 104 to 107) – this sets out the terms of reference, work performed and findings of the Nomination Committee for the year; and
- (f) "Sustainability Committee Report" (pages 108 to 110) – this sets out the terms of reference, work performed and findings of the Sustainability Committee for the year.

Further information on the Group's sustainability policies and practices is contained in the separate Sustainability Report 2022, which is available on the websites of both the Stock Exchange and the Company.

## THE BOARD

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

Lee Irene Yun-Lien (*Chairman*)

Lui Kon Wai (*Executive Director and Chief Operating Officer*)

Churchouse Frederick Peter\*\*

Fan Yan Hok Philip\*\*

Poon Chung Yin Joseph\*\*

Wong Ching Ying Belinda\*\*

Young Elaine Carole\*\*

Jebsen Hans Michael B.B.S.\*

(*Yang Chi Hsin Trevor as his alternate*)

Lee Anthony Hsien Pin\*

(*Lee Irene Yun-Lien as his alternate*)

Lee Chien\*

Lee Tze Hau Michael\*

\* Non-Executive Director

\*\* Independent Non-Executive Director

Young Elaine Carole was appointed as an INED and a member of the Sustainability Committee with effect from 9 March 2022.

The biographical details of the Directors are set out on pages 47 to 52. Details of their remuneration are set out in Note 10 to the Financial Statements.

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 INED 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 2022 (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](http://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 40 to 81.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 December 2022, 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	42.17
Silchester International Investors LLP	Investment manager	83,647,000	8.14
First Eagle Investment Management, LLC	Investment manager	52,460,214	5.10

Note:

The percentages were computed based on the total number of issued shares of the Company as at 31 December 2022 (i.e. 1,027,008,223 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 2022.

## 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 35 to the consolidated financial statements.

Some of these transactions also constituted "Continuing Connected Transactions" and "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 announcement, reporting and annual review requirements but exempt from the circular and Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules during the year (the "Continuing Connected Transactions"). Details of the Continuing Connected Transactions required to be disclosed are set out as follows:

### I. Lease granted by the Group

The following lease arrangement ("Hysan Place Lease Agreement") was entered into by Earn Extra Investments Limited ("Earn Extra"), a wholly-owned subsidiary of the Company and the property owner of Hysan Place, 500 Hennessy Road, Hong Kong ("Hysan Place"), as landlord, with the following connected person:

Connected person	Date of agreement	Term	Premises	Annual Caps
Jebsen and Company	19 March 2021	3 years commencing from 1 November 2021 to 31 October 2024	Office units on the 20th, 21st and 22nd Floors	2021: HK\$9,600,000 (on pro-rata basis) 2022: HK\$58,000,000 2023: HK\$58,500,000 2024: HK\$49,300,000 (on pro-rata basis)

Jebsen and Company is a connected person of the Company under the Listing Rules by virtue of it being (i) a substantial shareholder of Barrowgate holding 10% legal and beneficial interest in Barrowgate and (ii) an associate of Jebsen Hans Michael, a NED of the Company. The Hysan Place Lease Agreement and the transactions contemplated thereunder hence constitute continuing connected transaction of the Company under the Listing Rules. The aggregate contract amounts for transactions entered into under the Hysan Place Lease Agreement for the financial year ended 31 December 2022 is HK\$52,491,961, which was calculated based on prevailing rates of rental, operating charges and licence fees.

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

- (a) The following management agreements (“Leasing Services Agreements”) were 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 agreements	Terms	Premises	Annual Caps
Barrowgate	(i) 20 March 2019	3 years commencing from 1 April 2019 to 31 March 2022	Whole premises of Lee Garden Two	HK\$40,000,000
	(ii) 31 March 2022	3 years commencing from 1 April 2022 to 31 March 2025		HK\$45,000,000

- (b) The following management agreements (“Property Management Services Agreements”) were 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 agreements	Terms	Premises	Annual Caps
Barrowgate	(i) 20 March 2019	3 years commencing from 1 April 2019 to 31 March 2022	Whole premises of Lee Garden Two	HK\$5,000,000
	(ii) 31 March 2022	3 years commencing from 1 April 2022 to 31 March 2025		HK\$6,500,000

Barrowgate is a connected subsidiary of the Company under the Listing Rules by virtue of it (i) being a non wholly-owned subsidiary of the Company, and (ii) having a substantial shareholder, namely Jebesen and Company, which is an associate of Jebesen Hans Michael, a NED of the Company. The Leasing Services Agreements, the Property Management Services Agreements and transactions thereunder hence constitute continuing connected transactions of the Company under the Listing Rules. The aggregate contract amounts for transactions entered into under the Leasing Services Agreements and Property Management Services Agreements for the financial year ended 31 December 2022 are HK\$24,108,064 and HK\$4,403,821, respectively, calculated on the basis of the fee schedules as prescribed in the respective agreements.

**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 with among others, the following connected person (as escrow agent) 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:

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	17 September 2021	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)

## CONTINUING CONNECTED TRANSACTIONS continued

### III. Provision of escrow services by a connected person continued

Hang Seng Bank Limited (“Hang Seng”), a substantial shareholder of Barrowgate holding 24.64% interest in Barrowgate, is a connected person of the Company at the subsidiary level under the Listing Rules. The Hongkong and Shanghai Banking Corporation Limited (“HSBC”), as the holding company of Hang Seng, is thus also a connected person of the Company. The entering into of the Escrow Agreement hence constituted a continuing connected transaction of the Company under the Listing Rules. The Escrow Agreement was terminated on 4 January 2022 in accordance with the terms of the Escrow Agreement on the release of all escrow amount.

All the Continuing Connected Transactions have been 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 Continuing Connected 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.

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 an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 116 to 118 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 Continuing Connected Transactions and the related internal control procedures, and concluded that the internal control procedures are adequate and effective. Pursuant to Rule 14A.55 of the Listing Rules, all INEDs have reviewed the Continuing Connected Transactions and the report of the auditor and confirmed that the each of the Continuing Connected 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 Shareholders as a whole.

## CONNECTED TRANSACTIONS

Certain transactions entered into by the Group constituted connected transactions (“Connected Transactions”) which were subject to the notification and announcement requirements but exempt from the circular and Shareholders' approval requirements under the Listing Rules during the year. Details of the Connected Transactions are set out as follows:

### I. Provision of financial assistance to the Group by a connected person

On 10 December 2021, Hysan (Shanghai) Properties Limited (希慎(上海)房地產有限公司) (formerly known as “Cheung Wo DaSheng Properties (Shanghai) Limited (長和達盛地產(上海)有限公司)”) (“Hysan Shanghai Properties”), an indirect wholly-owned subsidiary of the Company, entered into an entrusted loan agreement (“Entrusted Loan Agreement”) with, among others, certain entrusting parties (“Seller' Affiliates”) and HSBC Bank (China) Limited, Shanghai Branch (“HSBC (China)”) as lending agent, pursuant to which the Seller' Affiliates agreed to grant an entrusted loan (“Entrusted Loan”) with an amount up to RMB1,800 million (equivalent to approximately HK\$2,196 million) to Hysan Shanghai Properties through HSBC (China) as lending agent for a term of six months, which was to be secured by a charge over the property in Shanghai known as “City Link” (“Property”) granted by Hysan Shanghai Properties pursuant to a charge agreement (“Charge Agreement”). The interest rate under the Entrusted Loan was 6% per annum and the arrangement fee was 0.18% per annum on the drawdown sum.

HSBC, being the holding company of Hang Seng, and HSBC (China) being its group company, are connected person of the Company at the subsidiary level under the Listing Rules. None of the Directors has a material interest in the Entrusted Loan Agreement or the Charge Agreement. Lee Irene Yun-Lien, the Chairman, was also the then independent non-executive director of HSBC, and had abstained voluntarily from voting on the relevant Board resolution approving the Entrusted Loan Agreement and the Charge Agreement.



## CONNECTED TRANSACTIONS continued

### I. Provision of financial assistance to the Group by a connected person continued

The Entrusted Loan served to repay certain outstanding entrustment loans and was repaid in full in May 2022 in accordance with the terms of the Entrusted Loan Agreement. The charge over the Property was also released in June 2022.

Details of the Entrusted Loan were disclosed in the Company's announcement dated 4 January 2022.

### II. Project Financing

On 25 January 2022, Patchway Holdings (HK) Limited ("Patchway"), a 60 %-owned subsidiary of the Company, entered into a facility agreement ("Facility Agreement") with, among others, certain lenders (including Hang Seng and HSBC), pursuant to which the lenders agreed to severally provide to Patchway their respective commitment of the facility (with each of Hang Seng and HSBC providing facilities in the maximum amount of HK\$1,851 million and HK\$2,600 million respectively (collectively the "Facilities")) bearing non-refundable front end fee and commitment fee on the facility amount, and interest rate at sum of HIBOR and interest margin of 0.75 % per annum of the relevant interest period. The Facilities are repayable at the earlier of (i) the date falling 60 months from the date of the Facility Agreement, and (ii) the date falling 6 months after the issuance of certificate of compliance in respect of the property to be erected on the land to which the Facilities relates.

Hang Seng holds approximately 24.64 % equity interest in Barrowgate, an indirect non wholly-owned subsidiary of the Company, and therefore is a substantial shareholder of Barrowgate. HSBC is the holding company of Hang Seng. Accordingly, both Hang Seng and HSBC are connected persons of the Company at the subsidiary level under the Listing Rules. The Facilities under the Facility Agreement constituted connected transactions of the Company under the Listing Rules.

The Facilities serve to finance the costs of land premium, construction cost and all related costs to be incurred for developing the site situated at Caroline Hill Road, Causeway Bay, Hong Kong.

Details of the Facilities were disclosed in the Company's announcement dated 25 January 2022.

## DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

The Hysan Place Lease Agreement entered into between Jebsen and Company and Earn Extra is 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 1.53 % under the revenue test (the percentage ratios for assets ratio and consideration ratio are 0.04 % and 0.20 % respectively). Details of the transaction are set out under (I) of "Continuing Connected Transactions".

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, 26.37 % of the aggregate amount of purchases was attributable to the Group's five largest suppliers, with the largest supplier accounting for 8.08 % 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 Shareholders (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

### I. Repurchase of ordinary shares

The Directors were authorized by the Shareholders at the AGMs to effect repurchase of the Company's ordinary shares not exceeding 10% of the total number of the Company's 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 7,250,000 ordinary shares for a total consideration of approximately HK\$162 million on the Stock Exchange. All repurchased shares were cancelled during the year.

Details of the shares repurchased are as follows:–

Month of repurchase in 2022	Number of ordinary shares repurchased	Consideration per share		Aggregate Consideration paid HK\$ million
		Highest HK\$	Lowest HK\$	
February	1,050,000	23.40	22.80	24
March	950,000	23.45	20.15	21
April	1,500,000	23.55	23.00	36
May	500,000	23.25	22.70	11
June	1,400,000	23.95	22.45	33
July	350,000	23.75	23.25	8
August	500,000	23.30	22.20	11
September	600,000	22.20	19.36	10
October	400,000	20.25	17.06	8
	<u>7,250,000</u>			<u>162</u>

### II. Repurchase of senior perpetual capital securities

During the year, the Group repurchased the 4.85% senior perpetual capital securities in the nominal amount of US\$55 million (approximately HK\$425 million) on the Stock Exchange, for an aggregate consideration of approximately HK\$399 million. The senior perpetual capital securities were issued in 2020 and listed on the Stock Exchange.

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\$150 million 1.75% Fixed Rate Note (the "Fixed Rate Note") due in March 2024 was issued during the year under the Group's US\$4 billion Medium Term Note Programme ("MTN Programme"). 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 26 to the consolidated financial statements. 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, none of the ordinary shares of the Company has been issued pursuant to the exercise of share options. As at 31 December 2022, share options exercisable into a total of 8,999,067 ordinary shares of the Company (including fully-vested share options exercisable into 5,424,381 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\$2.1 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 2022 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 2023 AGM.

By Order of the Board  
**Lee Irene Yun-Lien**  
*Chairman*

Hong Kong, 17 February 2023

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# Independent Auditor's Report

# Deloitte.

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## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF HYSAN DEVELOPMENT COMPANY LIMITED

希慎興業有限公司

(incorporated in Hong Kong with limited liability)

#### Opinion

We have audited the consolidated financial statements of Hysan Development Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 127 to 195, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and financial risk management.

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

#### Basis for Opinion

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

#### Key Audit Matters

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

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### Key Audit Matters continued

We identified the valuation of investment properties as a key audit matter due to the inherent level of subjective judgements and estimates required in determining the fair values.

The Group's investment property portfolio comprises retail, office and residential properties, and is stated at fair value of HK\$96,787 million in aggregate, accounting for approximately 81 % of the Group's total assets as at 31 December 2022 with a fair value loss of HK\$3,213 million recognized in the consolidated statement of profit or loss for the year then ended.

All of the Group's investment properties are measured using the fair value model based on a valuation performed by an independent qualified professional valuer (the "Valuer"). As disclosed in note 3 of the Notes to the Consolidated Financial Statements section of the consolidated financial statements, in determining the fair values of the Group's investment properties, the Valuer has applied a market value basis which involves, inter-alia, certain estimates, including appropriate capitalization rates, reversionary income potential and redevelopment potential of the investment properties in determining the fair values. As further disclosed in note 14 of the Notes to the Consolidated Financial Statements section of the consolidated financial statements, the valuation of investment properties under development of HK\$19,640 million as at 31 December 2022 is based on the development potential of the properties as if they were completed and are also dependent upon the estimated costs of development and allowance of profit required for the development.

### Other Information

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### How our audit addressed the key audit matter

Our procedures in relation to the valuation of investment properties included:

- Evaluating the competence, capabilities, and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and their terms of engagement;
- Evaluating the appropriateness of the Valuer's valuation approaches to assess if they meet the requirements of the HKFRSs and industry norms;
- Challenging the reasonableness of the key assumptions applied based on available market data and our knowledge of the local property markets;
- Obtaining the detailed work of the Valuer on selected investment properties to evaluate the accuracy and relevance of key data inputs underpinning the valuation, such as rental income, term of existing leases by comparing them to the existing leases summary of the Group or reversionary income potential by comparing fair market rents estimated by the Valuer against recent lease renewals and evaluating whether capitalization rates adopted are comparable to the market; and
- Assessing the appropriateness of assumption made and key inputs including capitalization rate and prevailing market rent on the valuation of investment properties under development and the estimated costs to complete the development of the sites by comparing to market data and evaluating whether the allowance of profit required for the development is comparable to the market.

**Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements**

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

## Independent Auditor's Report continued

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements** continued

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

The engagement partner on the audit resulting in the independent auditor's report is Lee Wing Cheong, Wilfred.

### **Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

17 February 2023



# Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	Notes	2022 HK\$ million	2021 HK\$ million
Turnover	4	3,460	3,608
Property expenses		(567)	(499)
Gross profit		2,893	3,109
Investment income		248	92
Other gains and losses		(2)	(8)
Administrative expenses		(332)	(274)
Finance costs	6	(423)	(393)
Change in fair value of investment properties		(3,213)	(720)
Share of results of:			
associates		274	458
joint ventures		(52)	(3)
(Loss) profit before taxation		(607)	2,261
Taxation	7	(342)	(358)
<b>(Loss) profit for the year</b>	8	<b>(949)</b>	1,903
(Loss) profit for the year attributable to:			
Owners of the Company		(1,157)	1,383
Perpetual capital securities holders		450	459
Other non-controlling interests		(242)	61
		<b>(949)</b>	1,903
<b>(Loss) earnings per share</b> (expressed in HK cents)	13		
Basic		(112)	133
Diluted		(112)	133

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	2022 HK\$ million	2021 HK\$ million
<b>(Loss) profit for the year</b>		<b>(949)</b>	1,903
<b>Other comprehensive (expenses) income</b>	9		
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Loss on revaluation of properties held for own use (net of tax)		(6)	(18)
Change in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")		(42)	314
		<b>(48)</b>	296
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of subsidiaries		(311)	–
Net adjustments to hedging reserve		17	(20)
Share of translation reserve of an associate		(557)	167
		<b>(851)</b>	147
Other comprehensive (expenses) income for the year (net of tax)		<b>(899)</b>	443
<b>Total comprehensive (expenses) income for the year</b>		<b>(1,848)</b>	2,346
Total comprehensive (expenses) income attributable to:			
Owners of the Company		(2,056)	1,826
Perpetual capital securities holders		450	459
Other non-controlling interests		(242)	61
		<b>(1,848)</b>	2,346

# Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 HK\$ million	2021 HK\$ million
<b>Non-current assets</b>			
Investment properties	14	96,787	95,107
Property, plant and equipment	15	623	472
Investments in associates	17	5,491	5,995
Loans to associates	17	10	10
Investments in joint ventures	18	473	475
Loans to joint ventures	18	3,485	1,256
Other financial investments	19	2,035	1,780
Debt securities	20	992	843
Deferred tax assets	27	96	90
Other financial assets	21	383	9
Other receivables	22	442	1,835
		<b>110,817</b>	<b>107,872</b>
<b>Current assets</b>			
Accounts and other receivables	22	562	887
Debt securities	20	–	171
Other financial assets	21	15	–
Tax recoverable		–	39
Time deposits	23	5,211	1,866
Cash and cash equivalents	23	2,560	6,538
		<b>8,348</b>	<b>9,501</b>
<b>Current liabilities</b>			
Accounts payable and accruals	24	1,026	820
Deposits from tenants		387	372
Amounts due to non-controlling interests	25	214	214
Borrowings	26	3,244	531
Taxation payable		32	–
		<b>4,903</b>	<b>1,937</b>
<b>Net current assets</b>		<b>3,445</b>	<b>7,564</b>
<b>Total assets less current liabilities</b>		<b>114,262</b>	<b>115,436</b>
<b>Non-current liabilities</b>			
Amounts due to non-controlling interests	25	4,635	7,639
Borrowings	26	24,033	18,126
Other financial liabilities	21	514	149
Deposits from tenants		498	546
Deferred tax liabilities	27	1,171	1,091
		<b>30,851</b>	<b>27,551</b>
<b>Net assets</b>		<b>83,411</b>	<b>87,885</b>
<b>Capital and reserves</b>			
Share capital	29	7,723	7,723
Reserves		62,477	66,147
<b>Equity attributable to owners of the Company</b>		<b>70,200</b>	<b>73,870</b>
<b>Perpetual capital securities</b>	28	<b>10,224</b>	<b>10,657</b>
<b>Other non-controlling interests</b>		<b>2,987</b>	<b>3,358</b>
<b>Total equity</b>		<b>83,411</b>	<b>87,885</b>

Financial Statements,  
Valuation and Other Information

The consolidated financial statements on pages 127 to 195 were approved and authorized for issue by the Board of Directors on 17 February 2023 and are signed on its behalf by:

Lee Irene Y.L.  
Director

Lui Kon Wai  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company			
	Share capital HK\$ million	Share options reserve HK\$ million	General reserve HK\$ million	Investments revaluation reserve HK\$ million
As at 1 January 2022	7,723	31	96	320
(Loss) profit for the year	-	-	-	-
Exchange difference on translation of subsidiaries	-	-	-	-
Net gains arising from hedging instruments	-	-	-	-
Reclassification of net losses to profit or loss	-	-	-	-
Loss on revaluation of properties held for own use	-	-	-	-
Change in fair value of equity investments at FVTOCI	-	-	-	(42)
Share of translation reserve of an associate	-	-	-	-
Total comprehensive (expenses) income for the year	-	-	-	(42)
Recognition of equity-settled share-based payments	-	7	-	-
Forfeiture of share options	-	(2)	-	-
Repurchase of own shares	-	-	-	-
Forfeiture of unclaimed dividend	-	-	-	-
Dividends paid during the year (note 12)	-	-	-	-
Distribution to perpetual capital securities holders	-	-	-	-
Deemed contribution to a non-controlling shareholder	-	-	-	-
Repurchase of perpetual capital securities	-	-	-	-
<b>As at 31 December 2022</b>	<b>7,723</b>	<b>36</b>	<b>96</b>	<b>278</b>
As at 1 January 2021	7,722	27	96	6
Profit for the year	-	-	-	-
Net gains arising from hedging instruments	-	-	-	-
Reclassification of net losses to profit or loss	-	-	-	-
Loss on revaluation of properties held for own use	-	-	-	-
Change in fair value of equity investments at FVTOCI	-	-	-	314
Share of translation reserve of an associate	-	-	-	-
Total comprehensive income (expense) for the year	-	-	-	314
Issue of shares under share option schemes	1	-	-	-
Recognition of equity-settled share-based payments	-	5	-	-
Forfeiture of share options	-	(1)	-	-
Repurchase of own shares	-	-	-	-
Forfeiture of unclaimed dividend	-	-	-	-
Dividends paid during the year (note 12)	-	-	-	-
Distribution to perpetual capital securities holders	-	-	-	-
Deemed contribution from a non-controlling shareholder	-	-	-	-
As at 31 December 2021	7,723	31	96	320

Attributable to owners of the Company					Perpetual capital securities HK\$ million	Other non- controlling interests HK\$ million	Total HK\$ million
Hedging reserve HK\$ million	Properties revaluation reserve HK\$ million	Translation reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million			
(161)	458	530	64,873	73,870	10,657	3,358	87,885
-	-	-	(1,157)	(1,157)	450	(242)	(949)
-	-	(311)	-	(311)	-	-	(311)
51	-	-	-	51	-	-	51
(34)	-	-	-	(34)	-	-	(34)
-	(6)	-	-	(6)	-	-	(6)
-	-	-	-	(42)	-	-	(42)
-	-	(557)	-	(557)	-	-	(557)
17	(6)	(868)	(1,157)	(2,056)	450	(242)	(1,848)
-	-	-	-	7	-	-	7
-	-	-	2	-	-	-	-
-	-	-	(162)	(162)	-	-	(162)
-	-	-	1	1	-	-	1
-	-	-	(1,486)	(1,486)	-	(107)	(1,593)
-	-	-	-	-	(458)	-	(458)
-	-	-	-	-	-	(22)	(22)
-	-	-	26	26	(425)	-	(399)
(144)	452	(338)	62,097	70,200	10,224	2,987	83,411
(141)	476	363	65,131	73,680	10,657	3,112	87,449
-	-	-	1,383	1,383	459	61	1,903
42	-	-	-	42	-	-	42
(62)	-	-	-	(62)	-	-	(62)
-	(18)	-	-	(18)	-	-	(18)
-	-	-	-	314	-	-	314
-	-	167	-	167	-	-	167
(20)	(18)	167	1,383	1,826	459	61	2,346
-	-	-	-	1	-	-	1
-	-	-	-	5	-	-	5
-	-	-	1	-	-	-	-
-	-	-	(146)	(146)	-	-	(146)
-	-	-	1	1	-	-	1
-	-	-	(1,497)	(1,497)	-	(121)	(1,618)
-	-	-	-	-	(459)	-	(459)
-	-	-	-	-	-	306	306
(161)	458	530	64,873	73,870	10,657	3,358	87,885

# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 HK\$ million	2021 HK\$ million
<b>Operating activities</b>			
(Loss) profit before taxation		(607)	2,261
Adjustments for:			
Net interest income		(248)	(92)
Other gains and losses		2	11
Depreciation of property, plant and equipment		32	29
Share-based payment expenses		7	5
Finance costs		423	393
Change in fair value of investment properties		3,213	720
Share of results of associates		(274)	(458)
Share of results of joint ventures		52	3
Operating cash flows before movements in working capital		2,600	2,872
(Increase) decrease in accounts and other receivables		(91)	126
Increase (decrease) in accounts payable and accruals		115	(97)
Decrease in deposits from tenants		(33)	(56)
Cash generated from operations		2,591	2,845
Hong Kong Profits Tax paid		(196)	(369)
<b>Net cash from operating activities</b>		<b>2,395</b>	<b>2,476</b>
<b>Investing activities</b>			
Payments in respect of investment properties		(3,062)	(22,262)
Purchases of property, plant and equipment		(19)	(72)
Dividends received from an associate		221	207
Repayment from an associate		–	1
Repayment from joint ventures		819	–
Investment in joint ventures		(2)	(355)
Advance to joint ventures		(3,055)	(90)
Payment in respect of other financial investments		(292)	(682)
Purchases of debt securities		(147)	(554)
Interest received		95	73
Additions to time deposits with original maturity over three months		(10,272)	(14,302)
Proceeds upon maturity of debt securities		171	–
Proceeds upon maturity of time deposits with original maturity over three months		6,927	22,989
<b>Net cash used in investing activities</b>		<b>(8,616)</b>	<b>(15,047)</b>
<b>Financing activities</b>			
Payment of finance costs		(732)	(565)
Advance from non-controlling interest	31	–	7,911
New bank loans	31	9,142	–
Repayment of bank loans	31	(80)	(800)
Issuance of fixed rate notes	31	149	399
Repurchase of perpetual capital securities		(399)	–
Repayment of fixed rate note	31	(531)	–
Repayment to non-controlling interests of a subsidiary	31	(3,164)	(3)
Proceeds on exercise of share options		–	1
Payment on repurchase of own shares		(162)	(146)
Dividends paid		(1,486)	(1,497)
Distribution paid to perpetual capital securities holders		(458)	(459)
Dividends paid to other non-controlling interests		(107)	(121)
<b>Net cash from financing activities</b>		<b>2,172</b>	<b>4,720</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(4,049)</b>	<b>(7,851)</b>
Effect of foreign exchange rate changes		71	–
<b>Cash and cash equivalents as at 1 January</b>		<b>6,538</b>	<b>14,389</b>
<b>Cash and cash equivalents as at 31 December</b>	23	<b>2,560</b>	<b>6,538</b>

# Significant Accounting Policies

For the year ended 31 December 2022

These consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Hong Kong Companies Ordinance (“CO”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal accounting policies adopted are as follows:

## 1. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributable to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests (including perpetual capital securities holders and non-controlling interests in subsidiaries) are presented separately from the Group’s equity attributable to owners of the Company therein.

## Significant Accounting Policies continued

For the year ended 31 December 2022

### 2. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of parties sharing control.

The results, assets and liabilities of associate or joint venture are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associate or joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associate or joint venture are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less cost of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate or a joint venture of the Group, profits or losses resulting from the transactions with the associate or joint venture are recognized in the consolidated financial statements only to the extent of the interests in the associate or joint venture that are not related to the Group.

### 3. INVESTMENT PROPERTIES

Investment properties are properties held to earn rental and/or for capital appreciation including properties under redevelopment for such proposes.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value using the fair value model, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

If a property becomes an owner-occupied property because its use has been changed as evidenced by commencement of owner-occupation, the fair value of the property at the date of change in use is considered as the deemed cost for subsequent accounting.

Construction costs incurred for investment properties under redevelopment are capitalized as part of the carrying amount of the investment properties under redevelopment. Investment properties under redevelopment are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under redevelopment and their carrying amount is recognized in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognized.



#### 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

For ownership interests of properties which includes both leasehold land and building elements, the leasehold land and building elements are allocated in proportion to the relative fair values unless such allocation cannot be made reliably, in which case, the entire properties are classified as property, plant and equipment.

Any revaluation increase arising from revaluation of properties is recognized in other comprehensive income and accumulated in the properties revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of an asset is recognized in profit or loss to the extent that it exceeds the balance, if any, on the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the corresponding revaluation surplus is transferred to retained profits.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognized in other comprehensive income and accumulated in properties revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained profits.

Depreciation is recognized so as to write off the cost or fair value of items of property, plant and equipment less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

#### 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

#### 6. IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have relevant suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, except for certain properties which are carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## Significant Accounting Policies continued

For the year ended 31 December 2022

### 7. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value except for accounts receivables arising from contract with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

#### Financial assets

All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

#### (a) Classification of financial assets

Debt instruments and hybrid contracts that meet the following conditions are subsequently measured at amortized cost less impairment loss (except for debt investments that are designated as at FVTPL on initial recognition):

- the asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which HKFRS 3 “Business Combinations” applies.

#### (i) Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments measured subsequently at amortized cost and is included in the investment income as disclosed in note 8 of the Notes to the Consolidated Financial Statements section.

#### (ii) Financial assets at FVTPL

Financial assets at FVTPL include derivatives that are not designated and effective as hedging instruments, club debentures and fund investment.

Investments in equity instruments are classified as FVTPL, unless the Group designates such investment that is not held for trading as at FVTOCI.

Debt instruments that do not meet the amortized cost criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI (see (a) above) are measured at FVTPL. In addition, debt instruments that meet the amortized cost criteria may be designated as at FVTPL. A debt instruments may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

## 7. FINANCIAL INSTRUMENTS continued

### Financial assets continued

#### (a) Classification of financial assets continued

##### (ii) Financial assets at FVTPL continued

Debt instruments are reclassified from amortized cost to FVTPL when the business model is changed such that the amortized cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of the reporting period, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss excludes any dividend earned on the financial asset and is included in other gains and losses. Fair value is determined in the manner described in note 4 of the Financial Risk Management section.

##### (iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

#### (b) Impairment of financial assets

The Group performs impairment assessment under Expected Credit Losses ("ECL") model on financial assets (including loans to associates and a joint venture, debt securities, accounts and other receivables, time deposits and cash and cash equivalents) and financial guarantee contracts which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on both quantitative and qualitative information combined with current conditions and forward-looking analysis.

The Group always recognizes lifetime ECL for accounts receivables. For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition. The ECL on the financial assets and the financial guarantee contracts are assessed individually for debtors with significant balances.

#### (c) Measurement and recognition of ECL

The measurement of ECL is a function of probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected loss is the present value of the expected payment to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Interest income is calculated based on the gross carrying amount of the financial assets unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

## Significant Accounting Policies continued

For the year ended 31 December 2022

### 7. FINANCIAL INSTRUMENTS continued

#### Financial assets continued

##### (c) Measurement and recognition of ECL continued

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of accounts receivables, debt securities and loans to a joint venture and loans to associates where the corresponding adjustment is recognized through a loss allowance account.

For financial guarantee contracts, the loss allowances are recognized at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognized less, where appropriate, cumulative amount of income recognized over the guarantee period.

##### (d) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the assets to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an equity instruments which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

#### Financial liabilities and equity instruments

##### (a) Classification and measurement

Financial liabilities and equity instruments issued by a group entity are classified as financial liabilities or equity instruments according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into (i) financial liabilities at FVTPL and (ii) other financial liabilities subsequently measured at amortized cost. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

##### (i) Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis for financial liabilities, other than those financial liabilities at FVTPL, of which the interest expense is included in other gains or losses.

##### (ii) Financial liabilities at FVTPL

Financial liabilities at FVTPL, representing those as held for trading, comprise derivatives that are not designated and effective hedging instruments.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognized directly in profit or loss in the period in which they arise.

##### (iii) Financial liabilities at amortized cost

Financial liabilities (including accounts payable and accruals, amounts due to non-controlling interests, deposits from tenants and borrowings) are subsequently measured at amortized cost, using the effective interest method. Interest expense that is not capitalized as part of costs of an asset is included in finance costs as disclosed in note 6 of the Notes to the Consolidated Financial Statements section.

## 7. FINANCIAL INSTRUMENTS continued

### Financial liabilities and equity instruments continued

#### (a) Classification and measurement continued

##### (iv) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Consideration paid to repurchase the Company's own equity instruments is deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Perpetual capital securities, which includes no contractual obligation for the Group to deliver cash or other financial assets to the holders is classified as equity instrument and is initially recorded at the proceeds received.

##### (v) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognized less, where appropriate, cumulative amortisation recognized over the guarantee period.

##### (b) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligation is discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

### Derivative financial instruments and hedging

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts and cross currency swaps. Further details of derivative financial instruments are disclosed in note 21 of the Notes to the Consolidated Financial Statements section.

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair values at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

### Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges and fair value hedge.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Note 21 of the Notes to the Consolidated Financial Statements section sets out details of the fair values of the derivative instruments used for hedging purposes.

## Significant Accounting Policies continued

For the year ended 31 December 2022

### 7. FINANCIAL INSTRUMENTS continued

#### Hedge accounting continued

##### (a) Fair value hedges

The fair value change on qualifying hedging instruments is recognized in profit or loss. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

##### (b) Cash flow hedges

The effective portion of changes in the fair values of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in other gains and losses line item.

Amounts previously recognized in other comprehensive income and accumulated in hedging reserve are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the consolidated statement of profit or loss as the recognized hedged item.

Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

##### (c) Discontinuation of hedge accountings

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

### 8. REVENUE RECOGNITION

The Group recognizes revenue from the following major sources:

- Leasing of investment properties
- Provision of property management services

The Group's accounting policies for rental income are included under "Leases" and accounting policies for revenue from property management services are as below:

Revenue is measured at the fair value of the consideration received or receivable.

The Group recognizes revenue when (or as) a performance obligation is satisfied i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents goods and services (or a bundle of goods or services) that are distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct goods or service.

Revenue from provision of property management services is recognized over time.

## 9. LEASES

### Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

### The Group as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Rentals received with reference to turnover of tenants are recognized as income when they arise.

### Allocation of consideration to components of a contract

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

### Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees. Such adjustments are recognized if the amount is considered material.

### Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payment, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognized as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the ECL and derecognition requirements under HKFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognized (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

## 10. FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in translation reserve.

## Significant Accounting Policies continued

For the year ended 31 December 2022

### 11. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### 12. RETIREMENT BENEFIT COSTS

Payments to defined construction retirement benefit plan, state-managed benefit scheme, Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

### 13. TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### (a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from (loss) profit before taxation as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### (b) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are generally recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For the purposes of measuring deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property", such properties' value is presumed to be recovered through sale. Such a presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 "Income Taxes" (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.



## 14. EQUITY-SETTLED SHARE-BASED PAYMENTS TRANSACTIONS

### Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognized in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognized in share options reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to retained profits.

## 15. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 “Impairment of Assets”.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The financial instruments that are measured at fair value on a recurring basis, grouped into Levels 1 to 3 based on the degree to which the inputs to the fair value measurements are observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets and liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 1. GENERAL

The Company is a public listed company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Shareholder Information” section of the annual report.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are property investment, management and development.

These consolidated financial statements are presented in Hong Kong dollars (“HKD”), which is the same as the functional currency of the Company.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued HKICPA for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

In addition, the Group applied agenda decision(s) of the Committee of the International Accounting Standards Board, including Lessor Forgiveness of Lease Payments (HKFRS 9 “Financial Instrument” and HKFRS 16 “Leases”) of the related agenda decision, which is relevant to the Group.

The application of the amendments to HKFRSs and the Committee’s agenda decision in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1	Non-current liabilities with covenants <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024.

The Group anticipated that the application of all these new and amendments to HKFRSs had no material impact on the Group’s financial position and financial performance.

### 3. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in the "Significant Accounting Policies" section, the management of the Group is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### **Fair value of investment properties**

At the end of the reporting period, the Group's investment properties are stated at fair value of HK\$96,787 million (2021: HK\$95,107 million) based on the valuation performed by an independent qualified professional valuer. In determining the fair value, the valuer has applied a market value basis which involves, inter-alia, certain estimates, including appropriate capitalization rates, reversionary income potential and development potential taking into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In relying on the valuation, management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market conditions at the end of the reporting period.

### 4. TURNOVER

Turnover represents gross rental income from leasing of investment properties and management fee income from provision of property management services for the year.

The Group's principal activities are property investment, management and development, and its turnover and results are principally derived from investment properties located in Hong Kong.

Contracts for property management services have various contractual periods for which the Group bills fixed amount for each month of service period. Substantially all of the revenue from provision of property management services is recognized at the amount to which the Group has right to invoice which reflect the progress towards complete satisfaction of performance obligations satisfied over time. The categories for disaggregation of revenue from provision of property management services recognized over time in Hong Kong are consistent with the segment disclosure under note 5 of the Notes to the Consolidated Financial Statements section.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

### 5. SEGMENT INFORMATION

Based on the internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance, the Group's operating and reportable segments are as follows:

Retail segment – leasing of space and related facilities to a variety of retail and leisure operators

Office segment – leasing of high quality office space and related facilities

Residential segment – leasing of luxury residential properties and related facilities

Property development segment – development of properties for sale or leasing

#### Segment turnover and results

The following is an analysis of the Group's turnover and results by operating and reportable segment.

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Property development HK\$ million	Consolidated HK\$ million
<b>For the year ended 31 December 2022</b>					
<b>Turnover</b>					
Leasing of investment properties	1,468	1,373	212	–	3,053
Provision of property management services	175	205	27	–	407
<b>Segment revenue</b>	<b>1,643</b>	<b>1,578</b>	<b>239</b>	<b>–</b>	<b>3,460</b>
Property expenses	(276)	(229)	(62)	–	(567)
<b>Segment profit</b>	<b>1,367</b>	<b>1,349</b>	<b>177</b>	<b>–</b>	<b>2,893</b>
Investment income					248
Other gains and losses					(2)
Administrative expenses					(332)
Finance costs					(423)
Change in fair value of investment properties					(3,213)
Share of results of:					
associates					274
joint ventures					(52)
Loss before taxation					(607)

#### For the year ended 31 December 2021

##### Turnover

Leasing of investment properties	1,447	1,519	233	–	3,199
Provision of property management services	173	209	27	–	409
<b>Segment revenue</b>	<b>1,620</b>	<b>1,728</b>	<b>260</b>	<b>–</b>	<b>3,608</b>
Property expenses	(265)	(178)	(56)	–	(499)
<b>Segment profit</b>	<b>1,355</b>	<b>1,550</b>	<b>204</b>	<b>–</b>	<b>3,109</b>
Investment income					92
Other gains and losses					(8)
Administrative expenses					(274)
Finance costs					(393)
Change in fair value of investment properties					(720)
Share of results of:					
associates					458
a joint venture					(3)
Profit before taxation					2,261

## 5. SEGMENT INFORMATION continued

### Segment turnover and results continued

All of the segment turnover reported above is from external customers.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in the "Significant Accounting Policies" section. Segment profit represents the profit earned by each segment without allocation of investment income, other gains and losses, administrative expenses (including central administrative costs and directors' emoluments), finance costs, change in fair value of investment properties and share of results of associates and joint ventures. This is the measure reported to the chief operating decision maker of the Group for the purpose of resource allocation and performance assessment.

### Segment assets

The following is an analysis of the Group's assets by operating and reportable segment.

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Property development HK\$ million	Consolidated HK\$ million
<b>As at 31 December 2022</b>					
<b>Segment assets</b>	<b>31,549</b>	<b>36,919</b>	<b>8,725</b>	<b>23,264</b>	<b>100,457</b>
Investments in and loans to associates					5,501
Investments in joint ventures					334
Other financial investments					2,035
Other assets					10,838
Consolidated assets					<u>119,165</u>
<b>As at 31 December 2021</b>					
<b>Segment assets</b>	<b>31,921</b>	<b>34,715</b>	<b>8,715</b>	<b>21,199</b>	<b>96,550</b>
Investments in and loans to associates					6,005
Investment in a joint venture					352
Other financial investments					1,780
Other assets					12,686
Consolidated assets					<u>117,373</u>

Segment assets represented the investment properties and accounts receivable of each segment and investment in and loans to joint ventures engaged in property development business.

Unallocated assets include investments in and loans to associates, investment in joint ventures, other financial investments and other assets which include property, plant and equipment, debt securities, other financial assets, deferred tax asset, other receivables, time deposits and cash and cash equivalents.

This is the measure reported to the chief operating decision maker of the Group for the purpose of monitoring segment performances and allocating resources between segments. The investment properties are included in segment assets at their fair values whilst the change in fair value of investment properties is not included in segment profit.

Included in the property development segment is an investment property under development, which will be transferred to other segments upon completion of the development.

Included in the Retail and Office segment is an investment property located in the People Republic of China (the "PRC") accounting of HK\$642 million and HK\$3,370 million respectively.

No segment liabilities analysis is presented as the Group's liabilities are monitored on a group basis.

All the Group's non-current assets excluding financial instruments and deferred tax assets are located in Hong Kong, except for those assets with carrying amounts of HK\$9,510 million (2021: HK\$7,522 million) which operate in the PRC.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

### 5. SEGMENT INFORMATION continued

#### Other segment information

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Property development HK\$ million	Consolidated HK\$ million
<b>For the year ended 31 December 2022</b>					
Additions to non-current assets	853	3,952	9	597	5,411
<b>For the year ended 31 December 2021</b>					
Additions to non-current assets	320	102	8	20,020	20,450

### 6. FINANCE COSTS

	2022 HK\$ million	2021 HK\$ million
Finance costs comprise:		
Interest on bank loans	288	18
Interest on fixed rate notes	544	524
Imputed interest on amounts due to non-controlling interests	46	34
Total interest expenses	878	576
Other finance costs	39	42
Less: amounts capitalised (Note)	(470)	(228)
	447	390
Net exchange losses on borrowings	7	62
Reclassification of net gains from hedging reserve on financial instruments designated as cash flow hedges	(34)	(62)
Medium Term Note Programme expenses	3	3
	423	393

Note:

During the year, interest expenses have been capitalised to investment properties under development at an average capitalization rate of 2.4% (2021: 2.9%) per annum.

## 7. TAXATION

	2022 HK\$ million	2021 HK\$ million
Current tax		
Hong Kong Profits Tax		
– current year	264	306
– under-provision in prior years	5	3
Deferred tax (note 27)	73	49
	<b>342</b>	<b>358</b>

Hong Kong Profits Tax is calculated at 16.5 % of the estimated assessable profit for both years.

	2022 HK\$ million	2021 HK\$ million
(Loss) profit before taxation	<b>(607)</b>	2,261
Tax at Hong Kong Profits Tax rate of 16.5 %	<b>(100)</b>	373
Tax effect of share of results of associates	<b>(45)</b>	(76)
Tax effect of share of results of joint ventures	<b>9</b>	–
Tax effect of expenses not deductible for tax purposes	<b>569</b>	126
Tax effect of income not taxable for tax purposes	<b>(163)</b>	(122)
Tax effect of estimated tax losses not recognized	<b>73</b>	54
Utilisation of estimated tax losses not previously recognized	<b>(6)</b>	–
Under-provision in prior years	<b>5</b>	3
Taxation for the year	<b>342</b>	<b>358</b>

In addition to the amount charged to the consolidated statement of profit or loss, deferred tax relating to the revaluation of the Group's properties held for own use has been charged directly to properties valuation reserve (see note 27 of the Notes to the Consolidated Financial Statements section).

## 8. (LOSS) PROFIT FOR THE YEAR

	2022 HK\$ million	2021 HK\$ million
(Loss) profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	3	3
Depreciation of property, plant and equipment	32	29
Gross rental income from investment properties including rentals received with reference to turnover of tenants of HK\$117 million (2021: HK\$118 million)	<b>(3,053)</b>	(3,199)
Less:		
– Direct operating expenses arising from leasing of investment properties	<b>177</b>	167
	<b>(2,876)</b>	(3,032)
Interest income from loans to joint ventures (included in investment income)	<b>(55)</b>	(14)
Other interest income (included in investment income)	<b>(118)</b>	(78)
Staff costs (including directors' emoluments)	<b>310</b>	274
Share of income tax of associates (included in share of results of associates)	<b>123</b>	180

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

### 9. OTHER COMPREHENSIVE (EXPENSES) INCOME

	2022 HK\$ million	2021 HK\$ million
Other comprehensive (expenses) income comprises:		
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Revaluation of properties held for own use:		
Loss on revaluation of properties held for own use (net of tax)	(6)	(18)
Change in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI")	(42)	314
	<b>(48)</b>	<b>296</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Derivatives designated as cash flow hedges:		
Net gains arising during the year	51	42
Reclassification of net losses to profit or loss	(34)	(62)
	<b>17</b>	<b>(20)</b>
Exchange difference on translation of subsidiaries	(311)	–
Share of translation reserve of an associate	(557)	167
	<b>(851)</b>	<b>147</b>
Other comprehensive (expenses) income for the year (net of tax)	<b>(899)</b>	<b>443</b>

Tax effect relating to other comprehensive (expenses) income:

	2022			2021		
	Before-tax amount HK\$ million	Tax expense HK\$ million	Net-of-tax amount HK\$ million	Before-tax amount HK\$ million	Tax expense HK\$ million	Net-of-tax amount HK\$ million
Loss on revaluation of properties held for own use	(7)	1	(6)	(21)	3	(18)
Change in fair value of equity instruments at FVTOCI	(42)	–	(42)	314	–	314
Net adjustments to hedging reserve	17	–	17	(20)	–	(20)
Exchange difference on translation of subsidiaries	(311)	–	(311)	–	–	–
Share of translation reserve of an associate	(557)	–	(557)	167	–	167
	<b>(900)</b>	<b>1</b>	<b>(899)</b>	<b>440</b>	<b>3</b>	<b>443</b>



## 10. DIRECTORS' EMOLUMENTS

	2022 HK\$ million	2021 HK\$ million
Directors' fees	3	3
Other emoluments		
Basic salaries, housing and other allowances	14	13
Bonus (Notes d & f)	20	20
Share-based payments	4	4
	41	40

The emoluments paid or payable to each of the Directors of the Company for the two years ended 31 December 2022 and 2021, calculated with reference to their employment as Directors of the Company or for provision of other services to the Company and the Group, are set out below:

	Directors' fees HK\$'000 (Note e)	Basic salaries, housing and other allowances HK\$'000 (Note d)	Bonus HK\$'000 (Note d)	Share-based payments HK\$'000 (Note g)	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>For the year ended 31 December 2022</b>						
<b>Executive Directors</b> (Note a)						
Lee Irene Yun-Lien	–	8,185	14,008	2,907	18	25,118
Lui Kon Wai	–	5,602	6,048	1,254	18	12,922
<b>Non-Executive Directors</b> (Note b)						
Jebsen Hans Michael	330	–	–	–	–	330
Lee Anthony Hsien Pin	388	–	–	–	–	388
Lee Chien	310	–	–	–	–	310
Lee Tze Hau Michael	325	–	–	–	–	325
<b>Independent Non-Executive Directors</b> (Note c)						
Churchouse Frederick Peter	418	–	–	–	–	418
Fan Yan Hok Philip	523	–	–	–	–	523
Poon Chung Yin Joseph	535	–	–	–	–	535
Wong Ching Ying Belinda	310	–	–	–	–	310
Young Elaine Carole (Note h)	253	–	–	–	–	253
	3,392	13,787	20,056	4,161	36	41,432
	Directors' fees HK\$'000 (Note e)	Basic salaries, housing and other allowances HK\$'000 (Note f)	Bonus HK\$'000 (Note f)	Share-based payments HK\$'000 (Note g)	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>For the year ended 31 December 2021</b>						
<b>Executive Director</b> (Note a)						
Lee Irene Yun-Lien	–	8,002	15,200	2,867	18	26,087
Lui Kon Wai (Note i)	–	4,959	4,400	941	18	10,318
<b>Non-Executive Directors</b> (Note b)						
Jebsen Hans Michael	330	–	–	–	–	330
Lee Anthony Hsien Pin	388	–	–	–	–	388
Lee Chien	310	–	–	–	–	310
Lee Tze Hau Michael	325	–	–	–	–	325
<b>Independent Non-Executive Directors</b> (Note c)						
Churchouse Frederick Peter	418	–	–	–	–	418
Fan Yan Hok Philip	523	–	–	–	–	523
Poon Chung Yin Joseph	535	–	–	–	–	535
Wong Ching Ying Belinda	310	–	–	–	–	310
	3,139	12,961	19,600	3,808	36	39,544

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

### 10. DIRECTORS' EMOLUMENTS continued

Notes:

- (a) The Executive Directors' emoluments shown above were for the services in connection with the management of the affairs of the Company and the Group.
- (b) The Non-Executive Directors' emoluments shown above were for the services as Directors of the Company.
- (c) The Independent Non-Executive Directors' emoluments shown above were for the services as Directors of the Company.
- (d) The annual cash remuneration of Lee Irene Yun-Lien, Chairman, and Lui Kon Wai, Executive Director and Chief Operating Officer, are comprised of (i) fixed base salary; and (ii) variable performance bonus which is determined by reference to the Company's performance as well as individual performance and contribution, to be measured against annual financial and operational targets.

For the year ended 31 December 2022, Lee Irene Yun-Lien's base salary of HK\$8,185,000 and the performance bonus of HK\$14,008,000 were approved by the Remuneration Committee in January 2022 and February 2023 respectively.

For the year ended 31 December 2022, Lui Kon Wai's base salary of HK\$5,602,000 and the performance bonus of HK\$6,048,000 were approved by the Remuneration Committee in January 2022 and February 2023 respectively.

- (e) Last revision of annual Directors' fees for serving on the Board (effective 1 June 2019) were approved by shareholders at the 2019 AGM. Fees of chairman and members of the Sustainability Committee (effective 1 January 2020) were approved by the Board in February 2020. Details are set out in Remuneration Committee Report.

Directors' fees are calculated on annual basis and paid semi-annually. For Directors not having served the full year on a position, the fees will be calculated and paid on pro rata basis.

Breakdown of Directors' fees of each of the Directors of the Company for the year ended 31 December 2022 is set out below:

	Board HK\$'000	Audit and Risk Management Committee HK\$'000	Remuneration Committee HK\$'000	Nomination Committee HK\$'000	Sustainability Committee HK\$'000	2022 Total HK\$'000	2021 Total HK\$'000
<b>Executive Directors</b>							
Lee Irene Yun-Lien	-	-	-	-	-	-	-
Lui Kon Wai	-	-	-	-	-	-	-
<b>Non-Executive Directors</b>							
Jebsen Hans Michael	280	-	-	-	50	330	330
Lee Anthony Hsien Pin	280	108	-	-	-	388	388
Lee Chien	280	-	-	30	-	310	310
Lee Tze Hau Michael	280	-	45	-	-	325	325
<b>Independent Non-Executive Directors</b>							
Churchouse Frederick Peter	280	108	-	30	-	418	418
Fan Yan Hok Philip	280	108	75	30	30	523	523
Poon Chung Yin Joseph	280	180	45	30	-	535	535
Wong Ching Ying Belinda	280	-	-	-	30	310	310
Young Elaine Carole	229	-	-	-	24	253	-
	<b>2,469</b>	<b>504</b>	<b>165</b>	<b>120</b>	<b>134</b>	<b>3,392</b>	<b>3,139</b>

- (f) The annual cash remuneration of Lee Irene Yun-Lien, Chairman, and Lui Kon Wai, Executive Director and Chief Operating Officer, are comprised of (i) fixed base salary; and (ii) variable performance bonus which is determined by reference to the Company's performance as well as individual performance and contribution, to be measured against annual financial and operational targets.

For the year ended 31 December 2021, Lee Irene Yun-Lien's base salary of HK\$8,002,000 and the performance bonus of HK\$15,200,000 were approved by the Remuneration Committee in January 2021 and January 2022 respectively.

Approved by the Remuneration Committee in September 2021, annual base salary of Lui Kon Wai had been adjusted to HK\$4,959,000 with effect from 1 October 2021. Performance bonus of HK\$4,400,000 were also approved by the Remuneration Committee in January 2022.

- (g) Share-based payments are the fair values of share options granted to Executive Director, which are determined at the date of grant and expensed over the vesting period (except where options are forfeited before vesting), regardless of whether the Executive Director exercises the share options or not during the year. Details of the share option schemes are set out in note 36 of the Notes to the Consolidated Financial Statements section.
- (h) Young Elaine Carole was appointed as an Independent Non-Executive Director of the Company and a member of the Sustainability Committee with effect from 9 March 2022.
- (i) Lui Kon Wai was appointed as the Executive Director and Chief Operating Officer with effect from 1 October 2021.

## 10. DIRECTORS' EMOLUMENTS continued

There was no arrangement under which a Director waived or agreed to waive any remuneration during both years.

There was no payment to a Director as inducement for Director to join the Group or compensation for the loss of office as a Director in connection with the management of the affairs of any member of the Group during both years.

Details of material interests of the Directors of the Company in transactions, arrangements or contracts entered into by subsidiaries of the Company are disclosed in the Directors' Report.

## 11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2021: two) were Directors of the Company, details of whose emoluments are included in note 10 of the Notes to the Consolidated Financial Statements section. The emoluments of all of the five individuals with the highest emoluments for the years ended 31 December 2022 and 2021 were as follows:

	2022 HK\$ million	2021 HK\$ million
Basic salaries, housing and other allowances	24	22
Bonus	24	23
Share-based payments (Note)	5	5
	<b>53</b>	<b>50</b>

Note:

Share-based payments are the fair values of share options granted to Executive Directors and eligible employees, which are determined at the date of grant and expensed over the vesting period (except where options are forfeited before vesting), regardless of whether the Executive Directors or eligible employees exercise the share options or not during the year.

Their emoluments are within the following bands:

	Number of individuals	
	2022	2021
HK\$4,000,001 to HK\$4,500,000	1	1
HK\$4,500,001 to HK\$5,000,000	1	1
HK\$5,000,001 to HK\$5,500,000	–	1
HK\$5,500,001 to HK\$6,000,000	1	–
HK\$10,000,001 to HK\$10,500,000	–	1
HK\$12,500,001 to HK\$13,000,000	1	–
HK\$25,000,001 to HK\$25,500,000	1	–
HK\$26,000,001 to HK\$26,500,000	–	1
	<b>5</b>	<b>5</b>

Senior management (for the purpose of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) during the year are Executive Directors and other members of senior management of the Group. Their emoluments are within the following bands.

	Number of individuals	
	2022	2021
HK\$4,000,001 to HK\$5,000,000	2	2
HK\$5,000,001 to HK\$6,000,000	1	1
HK\$10,000,001 to HK\$11,000,000	–	1
HK\$12,000,001 to HK\$13,000,000	1	–
HK\$25,000,001 to HK\$26,000,000	1	–
HK\$26,000,001 to HK\$27,000,000	–	1
	<b>5</b>	<b>5</b>

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

### 12. DIVIDENDS

#### (a) Dividends recognized as distribution during the year:

	2022 HK\$ million	2021 HK\$ million
2022 first interim dividend paid – HK27 cents per share	277	–
2021 first interim dividend paid – HK27 cents per share	–	281
2021 second interim dividend paid – HK117 cents per share	1,209	–
2020 second interim dividend paid – HK117 cents per share	–	1,216
	<b>1,486</b>	<b>1,497</b>

#### (b) Dividends declared after the end of the reporting period:

	2022 HK\$ million	2021 HK\$ million
Second interim dividend (in lieu of a final dividend) – HK117 cents per share (2021: HK117 cents per share)	<b>1,202</b>	<b>1,210</b>

The second interim dividend is not recognized as a liability as at 31 December 2022 because it has been declared after the end of the reporting period. It will be payable in cash.

### 13. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	(Loss) earnings	
	2022 HK\$ million	2021 HK\$ million
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share:		
(Loss) profit for the year attributable to owners of the Company	<b>(1,157)</b>	1,383
	Number of shares	
	2022	2021
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>1,029,856,659</b>	1,038,238,085
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	–	95,159
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<b>1,029,856,659</b>	<b>1,038,333,244</b>

During the year ended 31 December 2022, the computation of diluted loss per share does not assume the exercise of all of the Company's outstanding share options as their assumed exercise would result in a decrease in loss per share. During the year ended 31 December 2021, the computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices of those options were higher than the average market price for shares.

## 14. INVESTMENT PROPERTIES

	2022 HK\$ million	2021 HK\$ million
<b>Fair Value</b>		
At 1 January	95,107	74,993
Additions	5,411	20,450
Transfer (to) from property, plant and equipment	(171)	384
Change in fair value recognized in profit or loss – unrealized	(3,213)	(720)
Exchange difference	(347)	–
<b>As at 31 December</b>	<b>96,787</b>	<b>95,107</b>

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties as at 31 December 2022 and 2021 and as at the date of transfer to/from property, plant and equipment from/to investment properties has been arrived at on the basis of a valuation carried out on the respective dates by Knight Frank Petty Limited, an independent qualified professional valuer not connected with the Group. The Group's investment properties have been valued individually, on market value basis, which conforms to The Hong Kong Institute of Surveyors Valuation Standards. In estimating the fair value of the investment properties, the management of the Group has considered the highest and best use of the investment properties as their current use.

### Investment properties in Hong Kong

The value of the completed investment properties is derived from the basis of capitalization of net income with due allowance for the reversionary income potential but without allowances for any expenses or taxation which may be incurred in effecting a sale, and where appropriate, cross reference by sale comparables.

For investment properties under development, residual method of valuation was adopted. The value is based on the development potential of the properties as if they were completed in accordance with the existing development proposal at the date of valuation. The value has also taken into consideration all costs of development and allowance of profit required for the development, which duly reflected the risks associated with the development.

There has been no change to the valuation technique during the year for completed properties and properties under development in Hong Kong.

During the year ended 31 December 2021, the Group has successfully won the tender of a commercial site at Caroline Hill Road, Causeway bay, Hong Kong at a land premium of HK\$19,778 million. The land is classified as investment properties in the consolidated statement of financial position of the Group upon the completion of the acquisition.

As at 31 December 2022, the aggregate fair value of the investment properties under development of the Group in Hong Kong amounted to HK\$19,640 million have been pledged as securities for the Group's borrowings.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

### 14. INVESTMENT PROPERTIES continued

#### Investment properties in Mainland China

During the year ended 31 December 2022, the Group acquired entire equity interests in Scorecity Investments Limited (“Scorecity”), being an indirect holder of a commercial complex located at Nos. 668 and 688 Xinzha Road, Shanghai, the PRC, from an independent third party for an aggregate cash consideration of approximately RMB3,500 million (equivalent to approximately HK\$4,235 million) (the “Acquisition”). The major assets of these Scorecity and its subsidiaries are completed investment properties in Mainland China. The Directors of the Company are of the opinion that the subsidiaries acquired do not constitute a business as defined in HKFRS 3 Business Combination, therefore, the Acquisition has been accounted for as acquisitions of assets rather than business combination.

Income capitalization approach – discounted cash flow (“DCF”) analysis was adopted for the valuation of such completed investment properties in Mainland China. The DCF analysis is based on prospective periodic net cash flow to operating properties, which is typically estimated as gross income less vacancy and operating expenses and other outgoings. The series of periodic net operating cash flow, along with an estimate of the reversionary or terminal value anticipated at the end of the projection period, is then discounted at the discount rate, being the cost of capital or the rate of required return, into present value. A 10-year investment horizon has been undertaken for the DCF analysis and the net income in the year eleven is capitalised at an appropriate yield.

#### Fair value measurements using significant unobservable inputs (Level 3)

At the end of the reporting period, the management of the Group works with Knight Frank Petty Limited to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the Directors of the Company.

All of the fair value measurements of the Group’s investment properties were categorized into Level 3 of the fair value hierarchy. There were no transfers into or out of Level 3 during both years. Details of fair value hierarchy are set out as below.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements of the Group’s investment properties by operating and reportable segment.

	Retail HK\$ million	Office HK\$ million	Residential HK\$ million	Investment properties under development HK\$ million	Total HK\$ million
As at 1 January 2021	31,670	34,593	8,730	–	74,993
Additions	320	102	8	20,020	20,450
Transfer from property, plant and equipment	–	384	–	–	384
Change in fair value recognized in profit or loss – unrealized	(122)	(372)	(26)	(200)	(720)
As at 31 December 2021	31,868	34,707	8,712	19,820	95,107
Additions	853	3,952	9	597	5,411
Transfer to property, plant and equipment	–	(171)	–	–	(171)
Change in fair value recognized in profit or loss – unrealized	(1,166)	(1,273)	3	(777)	(3,213)
Exchange difference	(38)	(309)	–	–	(347)
<b>As at 31 December 2022</b>	<b>31,517</b>	<b>36,906</b>	<b>8,724</b>	<b>19,640</b>	<b>96,787</b>

## 14. INVESTMENT PROPERTIES continued

### Information about fair value measurements using significant unobservable inputs (Level 3)

The following table shows the valuation techniques used in the determination of fair value for investment properties by operating and reportable segment and unobservable inputs used in the valuation models.

Description	Fair value as at 31 December		Valuation techniques	Significant unobservable inputs	Range/weighted average of unobservable inputs
	2022 HK\$ million	2021 HK\$ million			
<b>Hong Kong</b>					
Retail	30,875	31,868	Income capitalization approach	(i) Capitalization rate  (ii) Prevailing market rent per month	5.25% – 5.50% (2021: 5.25% – 5.50%)  HK\$123 per square foot (2021: HK\$125 per square foot)
Office	33,536	34,707	Income capitalization approach	(i) Capitalization rate  (ii) Prevailing market rent per month	4.25% – 5.00% (2021: 4.25% – 5.00%)  HK\$57 per square foot (2021: HK\$59 per square foot)
Residential	8,724	8,712	Income capitalization approach	(i) Capitalization rate  (ii) Prevailing market rent per month	3.75% (2021: 3.75%)  HK\$39 per square foot (2021: HK\$39 per square foot)
Investment properties under development	19,640	19,820	Residual method	(i) Capitalization rate  (ii) Prevailing market rent per month	3.50% – 5.00% (2021: 3.50% – 5.00%)  HK\$120 per square foot (2021: HK\$120 per square foot)
<b>Mainland China</b>					
Retail and Office	4,012	–	Discounted cash flow method	(i) Prevailing market rent per month  (ii) Discount rate  (iii) Stabilised growth rate	RMB23 per square foot  7.25%  4%

The higher the capitalization rate and discount rate, the lower the fair value, and vice versa.

The higher the stabilised growth rate, the higher the fair value, and vice versa.

Prevailing market rent is estimated based on independent valuer's view of recent lettings, within the subject properties and other comparable properties. It does not always equal to the committed rent by tenants. The higher the prevailing market rent, the higher the fair value, and vice versa.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

### 15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in Hong Kong HK\$ million (Note)	Furniture, fixtures and equipment HK\$ million	Computers HK\$ million	Motor vehicles HK\$ million	Total HK\$ million
<b>COST OR VALUATION</b>					
As at 1 January 2021	781	126	114	2	1,023
Additions	25	11	36	–	72
Transfer to investment properties	(384)	–	–	–	(384)
Deficit on revaluation	(26)	–	–	–	(26)
As at 31 December 2021	396	137	150	2	685
Additions	–	4	14	1	19
Transfer from investment properties	171	–	–	–	171
Disposals	–	(19)	–	(1)	(20)
Deficit on revaluation	(13)	–	–	–	(13)
<b>As at 31 December 2022</b>	<b>554</b>	<b>122</b>	<b>164</b>	<b>2</b>	<b>842</b>
Comprising:					
At cost	–	122	164	2	288
At valuation	554	–	–	–	554
	<b>554</b>	<b>122</b>	<b>164</b>	<b>2</b>	<b>842</b>
<b>ACCUMULATED DEPRECIATION</b>					
As at 1 January 2021	–	111	78	–	189
Provided for the year	5	8	16	–	29
Eliminated on revaluation	(5)	–	–	–	(5)
As at 31 December 2021	–	119	94	–	213
Provided for the year	6	6	18	2	32
Disposals	–	(19)	–	(1)	(20)
Eliminated on revaluation	(6)	–	–	–	(6)
<b>As at 31 December 2022</b>	<b>–</b>	<b>106</b>	<b>112</b>	<b>1</b>	<b>219</b>
<b>CARRYING AMOUNTS</b>					
<b>As at 31 December 2022</b>	<b>554</b>	<b>16</b>	<b>52</b>	<b>1</b>	<b>623</b>
As at 31 December 2021	396	18	56	2	472



## 15. PROPERTY, PLANT AND EQUIPMENT continued

The above items of property, plant and equipment are depreciated on a straight-line basis over the following terms or at the following rates per annum:

Leasehold land and buildings in Hong Kong	Over the term of the lease or 40 years
Furniture, fixtures and equipment	20 %
Computers	20 %
Motor vehicles	25 %

Note:

### Fair value measurements and valuation processes

The fair value of the Group's leasehold land and buildings in Hong Kong as at 31 December 2022 and 2021 and as at the date of transfer to/from investment properties from/to property, plant and equipment has been arrived at on the basis of a valuation carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuer not connected with the Group. The Group's leasehold land and buildings in Hong Kong have been valued individually, on market value basis, which conforms to The Hong Kong Institute of Surveyors Valuation Standards. In estimating the fair value of the properties, the management of the Group has considered the highest and best use of the properties.

The value was derived from the basis of capitalization of net income with due allowance for the reversionary income potential but without allowance of any expenses or taxation which may be incurred in effecting a sale, and where appropriate, cross reference by sale comparables. There has been no change to the valuation technique during the year.

All of the fair value measurements of the Group's leasehold land and buildings in Hong Kong were categorized into Level 3 of the fair value hierarchy. Details of fair value hierarchy are set out as below.

There were no transfers into or out of Level 3 during the year.

At the end of the reporting period, the management of the Group works with Knight Frank Petty Limited to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the Directors of the Company.

### Information about fair value measurements using significant unobservable inputs (Level 3)

The following table shows the valuation techniques used in the determination of fair value for leasehold land and buildings in Hong Kong and unobservable inputs used in the valuation models.

Description	Fair value as at 31 December		Valuation techniques	Significant unobservable inputs	Range/weighted average of unobservable inputs
	2022 HK\$ million	2021 HK\$ million			
Leasehold land and buildings in Hong Kong	554	396	Income capitalization approach	(i) Capitalization rate  (ii) Prevailing market rent per month	4.25 % – 5.00 % (2021: 4.25 % – 4.75 %)  HK\$60 per square foot (2021: HK\$69 per square foot)

The higher the capitalization rate, the lower the fair value, and vice versa.

Prevailing market rent is estimated based on independent values view of recent lettings, within the subject properties and other comparable properties. It does not always equal to the committed rent by tenants. The higher the prevailing market rent, the higher the fair value, and vice versa.

The loss of HK\$6 million (2021: loss of HK\$21 million) arising on revaluation has been recognized in other comprehensive income and accumulated in properties revaluation reserve.

Had the Group's leasehold land and buildings in Hong Kong been measured at historical cost less subsequent accumulated depreciation, their carrying amounts would have been HK\$332 million (2021: HK\$166 million) at the end of the reporting period.

Furniture, fixtures and equipment of the Group include assets carried at cost of HK\$54 million (2021: HK\$62 million) and accumulated depreciation of HK\$46 million (2021: HK\$52 million) in respect of assets held for leasing out under operating leases. Depreciation charges in respect of those assets for the year amounted to HK\$6 million (2021: HK\$5 million). There has been no disposal during both years ended 31 December 2022 and 2021.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

### 16. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The table below lists the principal subsidiaries of the Company:

Name of subsidiaries	Place of establishment/ incorporation/ operation	Issued share capital/ registered capital	Proportion of ownership interests/ voting rights held by the Company		Principal activities
			directly	indirectly	
Admore Investments Limited	Hong Kong	HK\$2	100 %	–	Investment holding
Alpha Ace Limited	Hong Kong	HK\$1	–	100 %	Property development
Bamboo Grove Recreational Services Limited	Hong Kong	HK\$2	–	100 %	Resident club management
Barrowgate Limited	Hong Kong	HK\$10,000	–	65.36 %	Property investment
Earn Extra Investments Limited	Hong Kong	HK\$1	–	100 %	Property investment
Elect Global Investments Limited	British Virgin Islands/ Hong Kong	US\$1	100 %	–	Treasury operation
HD Investment Limited	British Virgin Islands	HK\$1	–	100 %	Investment holding
HD Treasury Limited	Hong Kong	HK\$2	100 %	–	Treasury operation
Hysan Corporate Services Limited	Hong Kong	HK\$2	100 %	–	Provision of corporate services
Hysan Leasing Company Limited	Hong Kong	HK\$2	100 %	–	Leasing administration
Hysan (MTN) Limited	British Virgin Islands/ Hong Kong	US\$1	100 %	–	Treasury operation
Hysan Marketing Services Limited	Hong Kong	HK\$1	–	100 %	General business
Hysan IT Services Company Limited	Hong Kong	HK\$1	–	100 %	Information technology
Hysan Property Management Limited	Hong Kong	HK\$2	100 %	–	Property management
Hysan (Shanghai) Properties Limited	PRC	RMB2,021,750,000	–	100 % (Note)	Property investment
Hysan Treasury Limited	Hong Kong	HK\$2	100 %	–	Treasury operation
Kwong Hup Holding Limited	British Virgin Islands	HK\$1	100 %	–	Investment holding
Kwong Wan Realty Limited	Hong Kong	HK\$1,000	100 %	–	Property investment
Lee Theatre Realty Limited	Hong Kong	HK\$10	–	100 %	Property investment
Leighton Property Company Limited	Hong Kong	HK\$2	–	100 %	Property investment
Minsal Limited	Hong Kong	HK\$2	100 %	–	Property investment
Main Rise Development Limited	Hong Kong	HK\$2	–	100 %	Investment holding
Mariner Bay Limited	British Virgin Islands/ Hong Kong	US\$1	–	100 %	Investment holding
Mondsee Limited	Hong Kong	HK\$2	100 %	–	Property investment
OHA Property Company Limited	Hong Kong	HK\$2	–	100 %	Property investment
Patchway Holdings (HK) Limited	Hong Kong	HK\$1	–	60 %	Property investment
Patchway Holdings Limited	British Virgin Islands	US\$10	–	60 %	Investment holding
Perfect Win Properties Limited	Hong Kong	HK\$2	–	100 %	Property investment
Silver Nicety Company Limited	Hong Kong	HK\$20	–	100 %	Property investment

Note:

The entity was acquired through acquisition of Scorecity in 2022, as detailed in note 14 of the Notes to Consolidated Financial Statement section.

## 16. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY continued

The Directors of the Company are of the opinion that a complete list of all subsidiaries and their particulars will be of excessive length and therefore the above table contains only those subsidiaries which materially contribute to the net income of the Group or hold a material portion of the assets or liabilities or otherwise are operating subsidiaries of the Company. Other than unsecured fixed rate notes issued by Hysan (MTN) Limited ("Hysan MTN") as disclosed in note 26 of the Notes to the Consolidated Financial Statements section, none of the subsidiaries had issued any debt securities at the end of the reporting period.

During the year ended 31 December 2021, the Group entered into an agreement to allot 40% of the enlarged equity interest of Patchway Holdings Limited ("Patchway") to an independent third party, Coastday Limited ("Coastday").

The Group's subsidiaries that have material non-controlling interests includes Barrowgate, Patchway and Elect Global Investments Limited ("Elect Global"). Elect Global's issued ordinary shares are fully held by the Group. As disclosed in note 28 of the Notes to Consolidated Financial Statement section, Elect Global issued perpetual capital securities which are classified as equity to parties outside the Group. The amount of such non-controlling interests of Elect Global has been disclosed in consolidated statement of changes in equity as perpetual capital securities.

The summarized financial information in respect of Barrowgate and Patchway are set out below. The summarized financial information below represents amounts before intragroup eliminations.

	2022		2021	
	Barrowgate HK\$ million	Patchway HK\$ million	Barrowgate HK\$ million	Patchway HK\$ million
Current assets	146	8	219	1
Non-current assets	9,480	19,720	9,659	19,820
Current liabilities	(792)	(223)	(800)	–
Non-current liabilities	(236)	(19,499)	(201)	(19,025)
Turnover	455	–	498	–
Profit (loss) and total comprehensive income (expenses) for the year	33	(648)	243	(58)
Dividends paid to non-controlling interests	107	–	121	–
Net cash inflows from operating activities	298	1	341	–
Net cash outflows used in investing activities	(47)	–	(77)	–
Net cash outflows used in financing activities	(306)	–	(360)	–

## 17. INVESTMENTS IN ASSOCIATES AND LOANS TO ASSOCIATES

	2022 HK\$ million	2021 HK\$ million
Cost of unlisted investments	2	2
Share of post-acquisition profits and other comprehensive income, net of dividends received	5,489	5,993
	5,491	5,995
Loans to associates classified as:		
Non-current assets	10	10

The balances of loans to associates are unsecured, interest-free and have no fixed repayment terms. The Directors of the Company are of the opinion that the Group will not demand repayment from the associates within the next twelve months from the end of the reporting period and the loans are therefore classified as non-current assets.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

### 17. INVESTMENTS IN ASSOCIATES AND LOANS TO ASSOCIATES continued

The Directors of the Company are of the opinion that a complete list of all associates will be of excessive length and the Group summarizes details of the Group's material associate as at 31 December 2022 and 2021 as follows:

Name of associate	Form of business structure	Place of incorporation/ establishment and operation	Class of share held/ registered capital	Effective interest held by the Group	Principal activities
Country Link Enterprises Limited (Note)	Private limited company	Hong Kong	Ordinary share of HK\$5,000,000	26.3%	Investment holding
Shanghai Kong Hui Property Development Co., Ltd. (Note)	Sino-Foreign equity joint venture	The PRC	US\$165,000,000 <sup>#</sup>	24.7%	Property development and leasing
Shanghai Grand Gateway Plaza Property Management Co., Ltd. (Note)	Sino-Foreign equity joint venture	The PRC	US\$140,000 <sup>#</sup>	23.7%	Property management

<sup>#</sup> Fully paid-up registered capital

Note:

Shanghai Kong Hui Property Development Co., Ltd. and Shanghai Grand Gateway Plaza Property Management Co., Ltd. are non-wholly owned subsidiaries of Country Link Enterprises Limited, together known as "Country Link".

The summarized consolidated financial information in respect of the Group's material associate is set out below. The summarized consolidated financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with HKFRSs. All of the Group's associates are accounted for using the equity method in the Group's consolidated financial statements.

#### Country Link

	2022 HK\$ million	2021 HK\$ million
Current assets	2,184	2,505
Non-current assets	27,722	30,183
Current liabilities	(1,092)	(1,317)
Non-current liabilities	(6,570)	(7,099)
Turnover	1,807	1,867
Profit for the year	1,115	1,852
Other comprehensive (expenses) income for the year	(2,243)	671
Total comprehensive (expenses) income for the year	(1,128)	2,523
Dividends received from the associate during the year	221	207

Reconciliation of the above summarized consolidated financial information to the carrying amount of the interest in the associate that is material to the Group recognized in the consolidated financial statements:

	2022 HK\$ million	2021 HK\$ million
Net assets of the associate	22,244	24,272
Non-controlling interests of the associate	(1,332)	(1,444)
Net assets of the associate after deducting non-controlling interests of the associate	20,912	22,828
Proportion of the Group's ownership interest in the associate	26.3%	26.3%
Group's share of net assets of the associate	5,500	6,004
Others	(2)	(2)
Carrying amount of the Group's interest in the associate	5,498	6,002

## 18. INVESTMENTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES

Details of the Group's investments in and loans to joint ventures are as follows:

	2022 HK\$ million	2021 HK\$ million
Investments in joint ventures		
Unlisted shares, at cost	352	355
Deemed capital contribution in a joint venture (Note a)	173	123
Share of post-acquisition loss and other comprehensive expense, net of dividends received	(52)	(3)
	<b>473</b>	<b>475</b>
Loans to joint ventures classified as:		
Non-current assets (Note b)	<b>3,485</b>	<b>1,256</b>

Notes:

- (a) The deemed capital contribution in a joint venture represents the fair value adjustments in relation to the loan to a joint venture at initial recognition based on the estimated timing on future cash flows.
- (b) The loans to joint ventures are unsecured and have no fixed repayment terms. As at 31 December 2022, except for the loans to joint ventures with aggregate carrying amounts of HK\$1,376 million (2021: HK\$120 million) which are carrying variable rates ranging from 2.19% to 6.44% (2021: 2.06% to 2.20%) per annum, the remaining loans to joint ventures of the Group is interest-free. The Directors of the Company are of the opinion that the Group will not demand repayment of the loans from the joint venture within the next twelve months from the end of the reporting period and the loans are therefore classified as non-current assets. The effective interest rate for imputed interest income on the interest-free portion is determined based on the cost of fund of the borrower per annum.

Details of the Group's joint ventures as at 31 December 2022 and 2021 are as follows:

Name of joint ventures	Place of incorporation and operation	Class of share held	Effective ownership interest and voting rights held by the Group	Principal activities
Strongbod Limited (Note a)	British Virgin Islands	Ordinary shares of US\$10	60 % (2021: 60 %) (Note b)	Investment holding
Gainwick Limited (Note a)	Hong Kong	Ordinary share of HK\$1	60 % (2021: 60 %) (Note b)	Property development and investment
H & I GBA Investment Limited (Note c)	Hong Kong	Ordinary shares of US\$90,000,000	50 % (2021: 50 %)	Investment holding
Nation Star Development Limited (Note d)	Hong Kong	Ordinary shares of HK\$1	25 % (2021: N/A)	Property development and investment

Notes:

- (a) Gainwick Limited is a wholly owned subsidiary of Strongbod Limited, together known as "Strongbod".
- (b) Pursuant to the shareholder's agreement dated 5 December 2016, entered into by the Group, the joint venture partner and Strongbod, decisions on all relevant business and operation activities of Strongbod require unanimous board approval from directors of Strongbod appointed by the Group and those appointed by the joint venture partner. Therefore, the Group recognized the investment in Strongbod as a joint venture.
- (c) The subsidiaries of H & I GBA Investment Limited principally engaged in IWG GBA Flex business.
- (d) Nation Star Development Limited ("Nation Star") principally engaged in property development business. The investment was acquired in February 2022.

## Notes to the Consolidated Financial Statements continued

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### 18. INVESTMENTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES continued

The summarized consolidated financial information in respect of the Group's material joint venture is set out below. The summarized consolidated financial information below represents amounts shown in the joint venture's consolidated financial statements prepared in accordance with HKFRSs. The joint venture is accounted for using the equity method in the Group's consolidated financial statements. There was no material share of post-acquisition profits and other comprehensive income in both years.

	2022		2021
	Strongbod HK\$ million	Nation Star HK\$ million	Strongbod HK\$ million
Current assets	7,059	6,869	6,191
Non-current assets	–	1,610	–
Current liabilities	(3,356)	(3)	(346)
Non-current liabilities	(3,763)	(8,476)	(5,845)
Loss and total comprehensive expenses for the year	(58)	–	–

Reconciliation of the above summarized consolidated financial information to the carrying amount of the interest in the joint venture that is material to the Group recognized in the consolidated financial statements:

	2022		2021
	Strongbod HK\$ million	Nation Star HK\$ million	Strongbod HK\$ million
Net liabilities of the joint ventures	(60)	–	–
Proportion of the Group's ownership interest in the joint ventures	60%	25%	60%
Group's share of net liabilities of the joint ventures	(36)	–	–
Add: Deemed capital contribution in the joint ventures	173	–	123
Carrying amount of the Group's interest in the joint ventures	137	–	123

### 19. OTHER FINANCIAL INVESTMENTS

	2022 HK\$ million	2021 HK\$ million
Investment designated as at FVTOCI		
– Investment in equity security listed overseas (Note a)	–	268
– Investments in unlisted equity securities (Note a)	1,708	1,205
Investment at FVTPL		
– Unlisted investment in a fund investment (Note b)	327	307
	<b>2,035</b>	<b>1,780</b>

Notes:

- (a) These investments are designated as at FVTOCI because the Directors of the Company believe that the Group's strategy of holding these investments is for long-term strategic purpose. All these investees are principally engaged in healthcare services business in China.
- (b) The balance represents the Group's interest in a fund investment as limited partner. The fund investment engages in property investment in Asia Pacific. The fund investment is classified as FVTPL.

## 20. DEBT SECURITIES

	2022 HK\$ million	2021 HK\$ million
Debt securities, at amortized cost:		
– listed in Hong Kong	798	820
– listed overseas	194	194
<b>Total</b>	<b>992</b>	<b>1,014</b>
Analysed for reporting purposes as:		
Current assets	–	171
Non-current assets	992	843
	<b>992</b>	<b>1,014</b>

As at 31 December 2022, the effective yield of the debt securities ranged from 1.22 % to 4.92 % (2021: 1.22 % to 4.85 %) per annum, payable quarterly, semi-annually or annually, and the securities will mature from June 2024 to January 2052 (2021: from February 2022 to February 2051). At the end of the reporting period, none of these assets were past due.

Details of the impairment assessment of debt securities are set out in the Financial Risk Management section.

## 21. OTHER FINANCIAL ASSETS/LIABILITIES

	Current		Non-current	
	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million
<b>Other financial assets</b>				
Financial assets measured at FVTPL:				
Club debenture	–	–	1	1
Derivatives under hedge accounting:				
Cash flow hedges				
– Cross currency swaps	15	–	367	8
– Interest rate swaps	–	–	15	–
<b>Total</b>	<b>15</b>	<b>–</b>	<b>383</b>	<b>9</b>
<b>Other financial liabilities</b>				
Derivatives under hedge accounting:				
Cash flow hedges				
– Cross currency swaps	–	–	117	79
Fair value hedges				
– Interest rate swaps	–	–	397	70
<b>Total</b>	<b>–</b>	<b>–</b>	<b>514</b>	<b>149</b>

### (a) Cash flow hedges

#### (i) Foreign currency risk

The Group used cross currency swaps to manage its foreign currency exposure. The principal terms of the cross currency swaps have been negotiated to match the major terms of the respective designated hedged items and the management considers that the hedges are highly effective.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

### 21. OTHER FINANCIAL ASSETS/LIABILITIES continued

#### (a) Cash flow hedges continued

##### (i) Foreign currency risk continued

The table below is prepared based on the maturity dates of respective contracts. The major terms of these outstanding cross currency swaps at the end of the reporting period are as follows:

#### Hedging instruments

	2022					2021				
	Average exchange rate*	Foreign currency	Notional amount		Fair value	Average exchange rate*	Foreign currency	Notional amount		Fair value
			million	HK\$ million	HK\$ million			million	HK\$ million	HK\$ million
<b>Cross currency swaps</b>										
<i>Hedging of USD fixed rate notes</i> (Note)										
Less than 1 year	7.7519	USD	300	2,326	15	–	–	–	–	–
More than 1 year but not exceeding 5 years	7.8500	USD	400	3,140	367	7.7519	USD	300	2,326	8
More than 5 years	7.8465	USD	725	5,689	(117)	7.8477	USD	1,125	8,829	(79)
Total				11,155	265				11,155	(71)

\* Average exchange rate represented the average exchange rate of HKD versus respective currencies weighted by the notional amounts of the contracts or the swaps.

Note:

The Group used HK\$11,155 million (2021: HK\$11,155 million) cross currency swaps to convert USD interest and principal of US\$1,425 million (2021: US\$1,425 million) fixed rate notes into HKD.

#### Hedged items

	Carrying amount of the hedged item				Cash flow hedge reserves	
	Assets		Liabilities		2022 HK\$ million	2021 HK\$ million
	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million		
USD fixed rate notes	–	–	11,117	11,045	(159)	(161)

The hedging ineffectiveness for the years ended 31 December 2022 and 2021 was insignificant.

	Change in the value of the hedging instrument recognized in other comprehensive income		Amount reclassified from the cash flow hedge reserve to profit or loss		Line item affected in profit or loss because of the reclassification
	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million	
Cross currency swaps	36	42	(34)	(62)	Finance costs

The fair values of cross currency swaps are measured using quoted forward exchange rates and yield curves from quoted interest rates matching maturities of the contracts and swaps.



## 21. OTHER FINANCIAL ASSETS/LIABILITIES *continued*

### (a) Cash flow hedges *continued*

#### (ii) Interest rate risk

The Group used interest rate swaps to hedge its interest rate risk exposure. The terms of the swaps have been negotiated to match the major terms of the respective hedged underlying items so that the management considers that the interest rate swaps are highly effective hedging instruments.

The table below is prepared based on the maturity dates of respective contracts. The major terms of these outstanding interest rate swaps at the end of the reporting period are as follows:

#### Hedging instruments

	2022			2021		
	Average Interest rate*	Notional amount HK\$ million	Fair value HK\$ million	Average Interest rate*	Notional amount HK\$ million	Fair value HK\$ million
<b>Interest rate swaps</b>						
Hedging interest of HKD bank loans (Note)						
More than 1 year not exceeding 5 years	3.45%	1,000	15	–	–	–

\* Average interest rate represented the average fixed interest rate paid by the Group against receipts of 3-month HIBOR weighted by the notional amounts of the swaps.

Note:

The Group used HK\$1,000 million interest rate swaps to manage its exposure to interest rate changes of the quarterly interest payments of HKD bank loans.

#### Hedged items

	Carrying amount of the hedged item		Cash flow hedge reserves	
	Liabilities			
	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million
HKD bank loans	1,000	–	15	–

The hedging ineffectiveness for the years ended 31 December 2022 and 2021 was insignificant.

	Change in the value of the hedging instrument recognized in other comprehensive income		Amount reclassified from the cash flow hedge reserve to profit or loss		Line item affected in profit or loss because of the reclassification
	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million	
	Interest rate swaps	15	–	–	

The fair values of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

### 21. OTHER FINANCIAL ASSETS/LIABILITIES continued

#### (b) Fair value hedges

The Group used interest rate swaps to minimise its exposure to fair value changes of its USD fixed rate notes by swapping the notes from fixed rates to floating rates. The major terms of the interest rate swaps match the corresponding notes and the management considers that the swaps are highly effective hedging instruments.

The table below is prepared based on the maturity dates of respective contracts. The major terms of these outstanding interest rate swaps at the end of the reporting period are as follows:

	2022			2021		
	Average Interest rate*	Notional amount HK\$ million	Fair value HK\$ million	Average Interest rate*	Notional amount HK\$ million	Fair value HK\$ million
<b>Interest rate swaps</b>						
More than 1 year not exceeding 5 years	2.88%	3,140	(397)	2.88%	400	(70)

\* The average interest rate represented the average fixed interest rate (weighted by the notional amounts of the interest rate swaps) received by the Group against payments of 3-month HIBOR.

Note:

As at 31 December 2022, the Group designated fixed-to-floating interest rate swaps with notional amount of HK\$3,140 million (2021: HK\$400 million) to hedge USD fixed rate notes with notional amount of US\$400 million (2021: US\$400 million) by converting fixed rate of 2.88% per annum (2021: 2.88% per annum) to HIBOR plus 2.02% per annum (2021: HIBOR plus 2.02% per annum).

As a result of the hedge accounting, the carrying amount of the hedged item as at 31 December 2022 was adjusted by cumulative losses of HK\$397 million (2021: HK\$70 million). The changes in fair values of the notes for the hedged risk were included in profit or loss at the same time that the changes in fair value of the swaps were included in profit or loss.

The fair values of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

#### (c) Financial assets measured at FVTPL

##### Club debenture

Amount represented investment in unlisted club debenture. The Group's investment in unlisted club debenture has been classified as financial assets measured at FVTPL.

### 22. ACCOUNTS AND OTHER RECEIVABLES

	2022 HK\$ million	2021 HK\$ million
Accounts receivable	46	64
Interest receivable	175	111
Prepayments in respect of investment properties	235	132
Deposit for acquisition of a subsidiary	–	1,520
Other receivables and prepayments	548	895
<b>Total</b>	<b>1,004</b>	<b>2,722</b>
Analysed for reporting purposes as:		
Current assets	562	887
Non-current assets	442	1,835
	<b>1,004</b>	<b>2,722</b>

The following is an ageing analysis of accounts receivable (net of allowance for credit losses) at the end of the reporting period. Accounts receivable mainly includes rents from leasing of investment properties, which are normally received in advance.

	2022 HK\$ million	2021 HK\$ million
Less than 30 days	21	28
31-90 days	16	30
Over 90 days	9	6
	<b>46</b>	<b>64</b>

### 23. TIME DEPOSITS/CASH AND CASH EQUIVALENTS

Time deposits, cash and bank balances include bank deposits for the purpose of meeting the Group's short term cash commitments, carrying effective interest rates ranging from 0.01 % to 5.87 % (2021: 0.01 % to 0.62 %) per annum.

As at 31 December 2022 and 2021, the Group performed impairment assessment on time deposits and bank balances and concluded that the probability of default of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

### 24. ACCOUNTS PAYABLE AND ACCRUALS

	2022 HK\$ million	2021 HK\$ million
Accounts payable	295	193
Interest payable	192	155
Other payables	539	472
	<b>1,026</b>	<b>820</b>

At the end of the reporting period, accounts payable of the Group with carrying amount of HK\$193 million (2021: HK\$143 million) were aged less than 90 days.

### 25. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

	2022 HK\$ million	2021 HK\$ million
Current (Note a)	214	214
Non-current (Note b)	4,635	7,639
	<b>4,849</b>	<b>7,853</b>

Notes:

- (a) The balances are unsecured, interest-free and repayable on demand.
- (b) The balance is unsecured, interest-free and for the development of a commercial site at Caroline Hill Road, Causeway Bay, Hong Kong. During the year ended 31 December 2022, amounts due to non-controlling interests amounting to HK\$3,164 million were repaid upon a bank loan being obtained.

### 26. BORROWINGS

	2022 HK\$ million	2021 HK\$ million
Secured bank loans	7,833	–
Unsecured bank loans	2,707	1,561
Unsecured fixed rate notes	16,737	17,096
	<b>27,277</b>	<b>18,657</b>
Less: Amount due within 1 year included under current liabilities	<b>(3,244)</b>	<b>(531)</b>
	<b>24,033</b>	<b>18,126</b>

The carrying amounts of the above bank loans and fixed rate notes are repayable as follows:

	Bank loans		Fixed rate notes	
	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million
Within one year	499	–	2,745	531
In the second year	568	498	149	2,742
In the third year to fifth year	9,473	1,063	5,940	2,185
After the fifth year	–	–	7,903	11,638
	<b>10,540</b>	<b>1,561</b>	<b>16,737</b>	<b>17,096</b>

All the bank loans are guaranteed as to principal and interest and are carrying variable-rate. Interest rates of the loans are normally re-fixed at every one to three months. The effective interest rates (which were also equal to contracted interest rates) were 2.82 % (2021: 1.83 %) per annum at the end of the reporting period.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

### 26. BORROWINGS continued

All the unsecured fixed rate notes were issued by Hysan MTN, a wholly owned subsidiary of the Company. The notes are guaranteed as to principal and interest by the Company and bear an effective interest rate equal to their respective contracted interest rate. The contract rates per annum (before cross-currency swaps) at the end of the reporting period were as follows:

	2022		2021	
	HK\$ %	US\$ %	HK\$ %	US\$ %
Unsecured fixed rate notes	1.50 – 4.50	2.82 – 3.55	1.50 – 4.50	2.74 – 3.74

As detailed in note 21 of the Notes to the Consolidated Financial Statements section, during the years ended 31 December 2022 and 2021, cross currency swaps and interest rate swaps were used to hedge or manage the foreign exchange rate risks of the Group's USD fixed rate notes and interest rate risks of the Group's HKD bank loans respectively.

As at 31 December 2022, the Group's assets pledged as securities for borrowings are disclosed in note 14 of the Notes to the Consolidated Financial Statements section.

### 27. DEFERRED TAX ASSETS/LIABILITIES

The following are the major deferred tax liabilities (assets) recognized by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK\$ million	Revaluation of properties HK\$ million	Tax losses HK\$ million	Total HK\$ million
As at 1 January 2021	1,028	90	(169)	949
Charge (credit) to profit or loss (note 7)	85	(6)	(30)	49
Charge to other comprehensive income	–	3	–	3
As at 31 December 2021	1,113	87	(199)	1,001
Charge (credit) to profit or loss (note 7)	80	(2)	(5)	73
Charge to other comprehensive income	–	1	–	1
As at 31 December 2022	1,193	86	(204)	1,075

At the end of the reporting period, the Group has unused estimated tax losses of HK\$2,780 million (2021: HK\$2,338 million) available for offset against future profits. A deferred tax asset has been recognized in respect of HK\$1,235 million (2021: HK\$1,205 million) of such losses. No deferred tax asset has been recognized in respect of the remaining HK\$1,545 million (2021: HK\$1,133 million) due to the unpredictability of future profit streams and the tax losses may be carried forward indefinitely.

### 28. PERPETUAL CAPITAL SECURITIES

In 2020, the Group through a wholly owned subsidiary of the Company (the "Issuer") issued US\$850 million (equivalent to approximately HK\$6,604 million) 4.10% subordinated perpetual capital securities (the "Subordinated Securities"), which are unconditionally and irrevocably guaranteed by the Company. Further, the Issuer issued US\$500 million (equivalent to approximately HK\$3,875 million) 4.85% senior perpetual capital securities (the "Senior Securities"), which are unconditionally and irrevocably guaranteed by the Company. The proceeds of the capital securities are for general corporate purpose and the capital securities are listed on Hong Kong Stock Exchange.

Distribution on the Subordinated Securities and Senior Securities are payable semi-annually in-arrear each year and can be deferred at the sole discretion of the Issuer, if the Issuer and the Company do not declare or pay dividends or repurchase, redeem, cancel, reduce or otherwise acquire any securities of lower or equal rank. The Subordinated Securities and Senior Securities have no fixed maturity and are redeemable at the Issuer's option on or after 3 June 2025 and 25 August 2023 respectively, at their principal amounts together with any distribution accrued to such date.

The Securities are classified as equity and initially recognized at the amount of proceeds received in the consolidated financial statements of the Group.

During the year ended 31 December 2022, the Group repurchased perpetual capital securities with principal amount of HK\$425 million with cash consideration at HK\$399 million.

## 29. SHARE CAPITAL

	Number of shares	Share capital HK\$ million
Ordinary shares, issued and fully paid:		
As at 1 January 2021	1,039,700,891	7,722
Issue of shares under share option schemes	57,332	1
Cancellation upon repurchase of own shares (Note)	(5,500,000)	–
As at 31 December 2021	1,034,258,223	7,723
Cancellation upon repurchase of own shares (Note)	<b>(7,250,000)</b>	<b>–</b>
As at 31 December 2022	<b>1,027,008,223</b>	<b>7,723</b>

During the year ended 31 December 2022, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase in 2022	Number of ordinary shares repurchased (Note)	Consideration per share		Aggregate consideration paid HK\$ million
		Highest HK\$	Lowest HK\$	
February	1,050,000	23.40	22.80	24
March	950,000	23.45	20.15	21
April	1,500,000	23.55	23.00	36
May	500,000	23.25	22.70	11
June	1,400,000	23.95	22.45	33
July	350,000	23.75	23.25	8
August	500,000	23.30	22.20	11
September	600,000	22.20	19.36	10
October	400,000	20.25	17.06	8
	<b>7,250,000</b>			<b>162</b>

During the year ended 31 December 2021, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase in 2021	Number of ordinary shares repurchased (Note)	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
	<b>5,500,000</b>			<b>146</b>

Note:

The Company was authorized at its annual general meetings 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. In 2022 and 2021, 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. All ordinary shares repurchased in 2022 and 2021 were cancelled during the years ended 31 December 2022 and 2021 respectively.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

### 30. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2022 HK\$ million	2021 HK\$ million
<b>Non-current assets</b>		
Investments in subsidiaries	2,238	2,230
Other financial assets	1	1
Amounts due from subsidiaries	7,045	6,988
	<b>9,284</b>	<b>9,219</b>
<b>Current assets</b>		
Other receivables	31	12
Amounts due from subsidiaries	3,141	2,655
Cash and cash equivalents	1	1,657
	<b>3,173</b>	<b>4,324</b>
<b>Current liabilities</b>		
Other payables and accruals	84	63
Amounts due to subsidiaries	1,454	976
	<b>1,538</b>	<b>1,039</b>
<b>Net current assets</b>	<b>1,635</b>	<b>3,285</b>
<b>Net assets</b>	<b>10,919</b>	<b>12,504</b>
<b>Capital and reserves</b>		
Share capital (note 29)	7,723	7,723
Reserves	3,196	4,781
<b>Total equity</b>	<b>10,919</b>	<b>12,504</b>

The Company's statement of financial position was approved and authorized for issue by the Board of Directors on 17 February 2023 and are signed on its behalf by:

**Lee Irene Y.L.**  
*Director*

**Lui Kon Wai**  
*Director*

### 30. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY continued

#### Movement in the Company's reserve

	Share options reserve HK\$ million	General reserve HK\$ million (Note)	Retained profits HK\$ million	Total HK\$ million
As at 1 January 2021	27	100	5,534	5,661
Recognition of equity-settled share-based payments	5	–	–	5
Forfeiture of share options	(1)	–	–	(1)
Repurchase of own shares	–	–	(146)	(146)
Profit and total comprehensive income for the year	–	–	758	758
Forfeiture of unclaimed dividends	–	–	1	1
Dividends paid during the year (note 12)	–	–	(1,497)	(1,497)
As at 31 December 2021	31	100	4,650	4,781
Recognition of equity-settled share-based payments	7	–	–	7
Forfeiture of share options	(2)	–	–	(2)
Repurchase of own shares	–	–	(162)	(162)
Profit and total comprehensive income for the year	–	–	57	57
Forfeiture of unclaimed dividends	–	–	1	1
Dividends paid during the year (note 12)	–	–	(1,486)	(1,486)
<b>As at 31 December 2022</b>	<b>36</b>	<b>100</b>	<b>3,060</b>	<b>3,196</b>

Note:

General reserve was set up from the transfer of retained profits.

The Company's reserves available for distribution to its owners as at 31 December 2022 amounted to HK\$3,160 million (2021: HK\$4,750 million), being its general reserve and retained profits at that date.

### 31. RECONCILIATION OF ASSETS/LIABILITIES RELATING TO FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Amounts due to non-controlling interests HK\$ million	Borrowings and other interest-bearing liabilities HK\$ million	Total HK\$ million
As at 1 January 2021	217	19,131	19,348
Cash flows, net	7,908	(966)	6,942
Other non-cash changes			
Foreign exchange adjustments	–	60	60
Finance costs	–	393	393
Interest capitalised	34	194	228
Deemed contribution from a non-controlling shareholder	(306)	–	(306)
As at 31 December 2021	7,853	18,812	26,665
Cash flows, net	(3,164)	7,948	4,784
Other non-cash changes			
Foreign exchange adjustments	–	(44)	(44)
Finance costs	–	423	423
Interest capitalised	138	332	470
Deemed distribution to a non-controlling shareholder	22	–	22
<b>As at 31 December 2022</b>	<b>4,849</b>	<b>27,471</b>	<b>32,320</b>

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

### 32. RETIREMENT BENEFITS PLANS

With effect from 1 December 2000, the Group set up an Enhanced Mandatory Provident Fund Scheme (the “Enhanced MPF Scheme”), a defined contribution scheme, for all qualifying employees. The Enhanced MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under Section 124(1) of the Mandatory Provident Fund Schemes (General) Regulation.

Pursuant to the rules of the Enhanced MPF Scheme, the Group’s contributions to the plan are based on fixed percentages of members’ salaries, ranging from 5 % of MPF relevant income to 15 % of basic salary. Members’ mandatory contributions are fixed at 5 % of MPF relevant income, in compliance with MPF legislation.

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

Total contributions made by the Group during the year amounted to HK\$10 million (2021: HK\$10 million).

### 33. COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments in respect of its investment properties, property, plant and equipment and subscription to a fund investment as limited partner:

	2022 HK\$ million	2021 HK\$ million
(a) Capital commitment: Contracted but not provided for investment properties and property, plant and equipment	1,723	2,933
(b) Other commitment: Subscription to a fund investment as limited partner	45	65

### 34. LEASE COMMITMENTS

At the end of the reporting period, the Group as lessor had contracted with tenants for the following undiscounted lease payments receivable over the non-cancellable periods:

	2022 HK\$ million	2021 HK\$ million
Within one year	2,147	2,574
In the second year	1,455	1,590
In the third year	794	973
In the fourth year	529	536
In the fifth year	436	448
Over five years	374	775
	5,735	6,896

Operating lease payments represent rentals receivable by the Group from leasing of its investment properties. Typically, leases are negotiated and rentals are fixed for lease term of one to three years. Certain leases include rentals received with reference to turnover of tenants.



### 35. RELATED PARTY TRANSACTIONS AND BALANCES

#### (a) Transactions and balances with related parties

During the year, the Group has transaction with related party including interest income on loans to joint ventures, imputed interest income on interest-free loan to a joint venture and imputed interest expense on interest-free amounts due to non-controlling interests as disclosed under notes 6, 8, 18 and 25 of the Notes to the Consolidated Financial Statements section respectively. The imputed interest expense arising from the amounts due to non-controlling interests during the year has been fully capitalised into investment properties under development. The interest income on loans to joint ventures during the year is amounted to HK\$31 million (2021: HK\$1 million).

At the end of the reporting period, the Group has several balances with related parties including loans to associates and loans to joint ventures as disclosed under note 17 and note 18 of the Notes to the Consolidated Financial Statements section.

The Group has granted guarantees to banks for facilities granted to a joint venture as disclosed under note 1(b) of the Financial Risk Management Objectives and Policies section.

The Group has entered into the escrow agreement with The Hongkong and Shanghai Banking Corporation Limited on 17 September 2021, an intermediate holding company of Imenson Limited (“Imenson”), with an escrowed amount of HK\$1,370 million. As at 31 December 2021, the outstanding amounts held under such escrow agreement has been included under the other receivables and prepayments and deposit for acquisition of a subsidiary as set out under note 22 of the Notes to the Consolidated Financial Statements section. The amount has been utilized upon the completion on acquisition of a subsidiary during the year ended 31 December 2022.

	Gross rental income received from Year ended 31 December		Amounts due to non-controlling interests At 31 December	
	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million
Related companies controlled by the Directors of the Company (Note a (i) & (ii))	56	38	61	61
Non-controlling shareholders of subsidiaries (Note b (i) & (ii))	25	6	4,788	7,792
Joint venture and associate (Note c)	61	–	–	–

Notes:

- (a) (i) The sum of transactions represents the aggregate gross rental income received from related companies where the Directors of the Company have controlling interests over these related companies.
- (ii) The balance represents outstanding loan advanced to a non-wholly owned subsidiary of the Company, Barrowgate by Jebsen Capital Limited, a wholly owned subsidiary of Jebsen and Company Limited, of which Jebsen Hans Michael is a director and a controlling shareholder, as a shareholder loan in proportion to its shareholding in Barrowgate for general funding purpose. The amount is unsecured, interest-free and repayable on demand.
- (b) (i) The sum of transactions represents the aggregate gross rental income received from Hang Seng Bank Limited (“Hang Seng”), the intermediate holding company of Imenson, and The Hongkong and Shanghai Banking Corporation Limited, the holding company of Hang Seng. Imenson is a non-controlling shareholder with significant influence over Barrowgate.
- (ii) The balance represents outstanding loans advanced to Barrowgate by Imenson and Patchway by Coastday, as shareholder loans in proportion to its shareholding in Barrowgate and Patchway respectively. The amounts advanced to Barrowgate are unsecured, interest-free and repayable on demand. The amount advanced to Patchway is unsecured, interest-free and for the development of a commercial site at Caroline Hill Road, Causeway Bay, Hong Kong
- (c) Rental income is charged in accordance with respective tenancy agreements.

#### (b) Compensation of key management personnel

The remuneration of Directors and other members of senior management of the Group are as follows:

	2022 HK\$ million	2021 HK\$ million
Directors’ fees, salaries and other short-term employee benefits	53	49
Share-based payments	5	5
Retirement benefits scheme contributions	1	1
	59	55

The remuneration of the Directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

For the year ended 31 December 2022

### 36. SHARE-BASED PAYMENT TRANSACTIONS

#### (a) Equity-settled share option scheme

##### The 2005 Scheme

The Company adopted the 2005 Scheme at its AGM held on 10 May 2005, which has 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.

The purpose of the 2005 Scheme is to provide an incentive for employees of the Company and its wholly-owned subsidiaries to work with commitment towards enhancing the value of the Company and its shares for the benefit of its shareholders.

Under the 2005 Scheme, options to subscribe for ordinary shares of the Company may be granted to employees of the Company or any wholly-owned subsidiaries (including Executive Director) and 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 such number of shares as required under the Listing Rules, currently being 10% of the shares in issue as at 10 May 2005, the date of the AGM approving the 2005 Scheme (being 104,996,365 shares).

The maximum entitlement of each participant under the 2005 Scheme must not during any 12-month period exceed such number of shares as required under the Listing Rules (which is 1% of the total shares in issue as at the date of shareholder approval, 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 5 business days immediately preceding the date of grant.

Consideration on each grant of option is HK\$1 and is required to be paid within 30 days from the date of grant of options, with full payment for exercise price to be made on exercise of the relevant options.

##### The New Scheme

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

The purpose of the New Scheme is to provide an incentive for employees of the Company and its subsidiaries to work with commitment towards enhancing the value of the Company and its shares for the benefit of its shareholders.

### 36. SHARE-BASED PAYMENT TRANSACTIONS continued

#### (a) Equity-settled share option scheme continued

##### The New Scheme continued

Under the New Scheme, options to subscribe for ordinary shares of the Company may be granted to employees of the Company or any subsidiaries (including Executive Director) and 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 such number of shares as required under the Listing Rules, currently being 10% of the shares in issue as at 15 May 2015, the date of the AGM approving the New Scheme (being 106,389,669 shares). Under the Listing Rules, a listed issuer may seek approval by its shareholders in general meeting for “refreshing” the 10% limit under the scheme. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be 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 such number of shares as required under the Listing Rules). No options may be granted if such grant will result in this 30% limit being exceeded.

The maximum entitlement of each participant under the New Scheme must not during any 12-month period exceed such number of shares as required under the Listing Rules (which is 1% of the total shares in issue as at the date of shareholder approval, 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 5 business days immediately preceding the date of grant. Consideration on each grant of option is HK\$1 and is required to be paid within 30 days from the date of grant of options, with full payment for exercise price to be made on exercise of the relevant options.

During the year, a total of 2,084,000 (2021: 1,607,000) share options were granted under the New Scheme. The 2005 Scheme expired on 9 May 2015 and no further option will be granted under the 2005 Scheme.

#### (b) Grant and vesting structures

Under the Company’s current policy, grants will be made on a periodic basis. For the Schemes, the exercise period is 10 years and vesting period is 3 years in equal proportions starting from the 1st anniversary and become fully vested on the 3rd anniversary of the grant. Size of grant will be determined by reference to base salary multiple and job grades. A clear performance criterion will be a key driver. The Board will review the grant and vesting structures from time to time.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

### 36. SHARE-BASED PAYMENT TRANSACTIONS continued

#### (c) Movement of share options

The following table discloses movements of the Company's share options held by the Director and eligible employees during the current year:

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2022	Changes during the year			Balance as at 31.12.2022
					Granted	Exercised	Cancelled/ lapsed (Note b)	
<b>2005 Scheme</b>								
<b>Executive Director</b>								
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
<b>Other employee participants</b>								
	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	61,000	–	–	–	61,000
				<b>1,239,000</b>	<b>–</b>	<b>–</b>	<b>(157,000)</b>	<b>1,082,000</b>
<b>New Scheme</b>								
<b>Executive Directors</b>								
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	26.2.2022 – 25.2.2031	664,000	–	–	–	664,000
	28.2.2022	23.25 (Note c)	28.2.2023 – 27.2.2032	–	819,000	–	–	819,000
Lui Kon Wai	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	31.3.2022 – 30.3.2031	267,000	–	–	–	267,000
	28.2.2022	23.25 (Note c)	28.2.2023 – 27.2.2032	–	400,000	–	–	400,000

### 36. SHARE-BASED PAYMENT TRANSACTIONS continued

#### (c) Movement of share options continued

Name	Date of grant	Exercise price HK\$	Exercise period (Note a)	Balance as at 1.1.2022	Changes during the year			Balance as at 31.12.2022
					Granted	Exercised	Cancelled/ lapsed (Note b)	
<b>Other employee participants</b>	31.3.2016	33.05	31.3.2017 – 30.3.2026	<b>106,000</b>	–	–	–	<b>106,000</b>
	31.3.2017	35.33	31.3.2018 – 30.3.2027	<b>208,667</b>	–	–	–	<b>208,667</b>
	29.3.2018	41.50	29.3.2019 – 28.3.2028	<b>260,000</b>	–	–	–	<b>260,000</b>
	29.3.2019	42.05	29.3.2020 – 28.3.2029	<b>393,000</b>	–	–	–	<b>393,000</b>
	31.3.2020	25.20	31.3.2021 – 30.3.2030	<b>498,000</b>	–	–	–	<b>498,000</b>
	31.3.2021	30.40	31.3.2022 – 30.3.2031	<b>611,000</b>	–	–	<b>(6,000)</b>	<b>605,000</b>
	31.3.2022	23.36 (Note d)	31.3.2023 – 30.3.2032	–	<b>865,000</b>	–	<b>(5,000)</b>	<b>860,000</b>
				<b>5,844,067</b>	<b>2,084,000</b>	–	<b>(11,000)</b>	<b>7,917,067</b>
<b>Exercisable at the end of the year</b>							<b>5,424,381</b>	

#### Notes:

- All options granted have a vesting period of three years in equal proportions starting from the first anniversary of the grant and become fully vested on the third anniversary. "Exercise period" accordingly begins with the first anniversary of the date of grant.
- Options lapsed during the year in accordance with the rules of the Schemes.
- The closing price of the shares of the Company immediately before the date of grant (i.e. as of 25 February 2022) was HK\$23.10.
- The closing price of the shares of the Company immediately before the date of grant (i.e. as of 30 March 2022) was HK\$23.30.

Apart from the above, the Company had not granted any share option under the Schemes to any other person as required to be disclosed under Rule 17.07 of the Listing Rules in 2022.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

### 36. SHARE-BASED PAYMENT TRANSACTIONS continued

#### (c) Movement of share options continued

The following table discloses movements of the Company's share options held by the Director and eligible employees in prior year:

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)	
<b>2005 Scheme</b>								
<b>Executive Director</b>								
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
<b>Other employee participants</b>								
	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
				<b>1,272,667</b>	<b>–</b>	<b>–</b>	<b>(33,667)</b>	<b>1,239,000</b>
<b>New Scheme</b>								
<b>Executive Directors</b>								
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 d)	26.2.2022 – 25.2.2031	–	664,000	–	–	664,000
Lui Kon Wai (Note f)	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 e)	31.3.2022 – 30.3.2031	–	267,000	–	–	267,000

### 36. SHARE-BASED PAYMENT TRANSACTIONS continued

#### (c) Movement of share options continued

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)	
<b>Other employee participants</b>	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
	31.3.2021	25.20	31.3.2021 – 30.3.2030	690,000	–	(57,332) (Note c)	(134,668)	498,000
	31.3.2022	30.40 (Note e)	31.3.2022 – 30.3.2031	–	676,000	–	(65,000)	611,000
				<b>4,766,067</b>	<b>1,607,000</b>	<b>(57,332)</b>	<b>(471,668)</b>	<b>5,844,067</b>
<b>Exercisable at the end of the year</b>								<b>4,234,317</b>

#### Notes:

- All options granted have a vesting period of three years in equal proportions starting from the first anniversary of the grant and become fully vested on the third anniversary. "Exercise period" accordingly begins with the first anniversary of the date of grant.
- Options lapsed during the year in accordance with the rules of the Schemes.
- 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.
- 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.
- 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.
- Lui Kon Wai, currently Chief Operating Officer, was appointed as an Executive Director with effect from 1 October 2021.

In respect of the share options exercised during the year ended 31 December 2021, the weighted average share price at the dates of exercise was HK\$30.41.

Apart from the above, the Company had not granted any share option under the Schemes to any other person as required to be disclosed under Rule 17.07 of the Listing Rules in 2021.

## Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

### 36. SHARE-BASED PAYMENT TRANSACTIONS continued

#### (d) Fair values of share options

The Group has applied HKFRS 2 to account for its share options granted. In accordance with HKFRS 2, fair value of share options granted to employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the Group's share options reserve. In the current year, the Group recognized the share option expenses of HK\$7 million (2021: HK\$5 million) in relation to share options granted by the Company, of which HK\$4 million (2021: HK\$4 million) related to the Directors (see note 10 of the Notes to Consolidated Financial Statements section), with a corresponding adjustment recognized in the Group's share options reserve.

The fair values of share options granted by the Company were determined by using Black-Scholes option pricing model (the "Model"). The Model is one of the commonly used models to estimate 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 estimate. The value of an option varies with different variables of 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	31.3.2022	28.2.2022	31.3.2021	26.2.2021
Closing share price at the date of grant	<b>HK\$22.900</b>	<b>HK\$23.000</b>	HK\$30.400	HK\$33.050
Exercise price	<b>HK\$23.360</b>	<b>HK\$23.250</b>	HK\$30.400	HK\$33.050
Risk free rate (Note a)	<b>2.010%</b>	<b>1.451%</b>	0.817%	0.726%
Expected life of option (Note b)	<b>5 years</b>	<b>5 years</b>	5 years	5 years
Expected volatility (Note c)	<b>27.636%</b>	<b>27.722%</b>	27.100%	26.899%
Expected dividend per annum (Note d)	<b>HK\$1.426</b>	<b>HK\$1.426</b>	HK\$1.408	HK\$1.388
Estimated fair values per share option	<b>HK\$3.400</b>	<b>HK\$3.370</b>	HK\$4.770	HK\$5.560

Notes:

- Risk free rate: being the approximate yields of 5-year Exchange Fund Notes traded on the date of grant, matching the expected life of each option.
- Expected life of option: being the period of 5 years commencing on the date of grant, based on management's best estimates for the effects of non-transferability, exercise restriction and behavioural consideration.
- Expected volatility: being the appropriate historical volatility of closing prices of the shares of the Company over the past 5 years immediately before the date of grant.
- Expected dividend per annum: being the approximate average annual cash dividend over the past 5 financial years.



# Financial Risk Management

For the year ended 31 December 2022

## 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include loans to associates, loans to joint ventures, other financial investments, debt securities, accounts and other receivables, time deposits, cash and cash equivalents, accounts payable and accruals, amounts due to non-controlling interests, borrowings and derivative financial instruments. Details of these financial instruments are disclosed in respective Notes to the Consolidated Financial Statements section. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### (a) Credit risk and impairment assessment

The credit risk of the Group is primarily attributable to loans to associates, loans to joint ventures, accounts and other receivables, derivative financial instruments, debt securities, time deposits and bank balances. The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position.

The Group reviewed and assessed the Group's existing financial assets and financial guarantee contract for impairment using reasonable, supportable and forward-looking information that is available without undue cost or effort in accordance with HKFRS 9. For the purpose of internal credit risk management, the Group uses financial information (such as historical settlement records, past due records, deposits held or other credit enhancement) to assess whether credit risk has increased significantly since initial recognition.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Accounts receivables	Other financial assets
Performing	The counterparty has a low credit risk of default or does not have any past-due amounts	Lifetime Expected Credit Losses ("ECL") – not credit-impaired	12-month ECL – not credit-impaired
Non-performing	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

## Financial Risk Management continued

For the year ended 31 December 2022

### 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

#### (a) Credit risk and impairment assessment continued

##### Loans to associates and joint ventures

The Group regularly monitors the business performance of the associates and joint ventures. The Group's credit risk in these balances are mitigated through the value of the assets held by these entities and the power to participate or jointly control the relevant activities of these entities. As at 31 December 2022, these loans with gross carrying amount of HK\$3,503 million (2021: HK\$1,272 million) are considered to be performing and were assessed individually based on 12-month ECL.

##### Accounts and other receivables

Credit checks on tenants are part of the normal leasing process and stringent monitoring procedures are in place to deal with overdue debts. In addition, the Group reviews the expected credit losses of each individual debt, after taking into consideration the deposits from tenants, at the end of each reporting period. Deposits of acquisition of a subsidiary were held in escrow by financial institution with strong credit rating. As at 31 December 2022, accounts and other receivables with gross carrying amount of HK\$1,004 million (2021: HK\$2,722 million) are considered to be performing and were assessed individually based on the respective lifetime ECL and 12-month ECL.

##### Debt securities, time deposits, bank balances and derivative financial instruments

Credit exposure to financial institutions and debt securities issuers are monitored and reported regularly to the management. The exposure to each counterparty comprised (i) investment value of financial assets (including bank balances, time deposits and debt securities); (ii) net positive value of derivative financial instruments and; (iii) potential exposures to derivatives which are based on the remaining term and the notional amount of the derivative financial instruments.

The Group only deals with financial institutions and invests in debt securities issued by issuers that have strong credit ratings to mitigate counterparty risk. As at 31 December 2022, debt securities, time deposits and bank balances and derivative financial instruments with gross carrying amount of HK\$9,161 million (2021: HK\$9,429 million) were assessed individually based on 12-month ECL and considered to be performing as all financial institutions that the Group dealt with. Time deposits, bank balances and debt securities invested in had credit ratings A or above as rated by international credit rating agencies. In order to limit exposure to each financial institution and debt securities issuers, an exposure limit was set with each counterparty according to their external credit rating with regular review by management.

Other than concentration of credit risk on loans to associates and joint ventures, the Group does not have any other significant concentration of credit risk.

No credit loss is provided for except for loans to joint ventures and debt securities. A reconciliation of loss allowances recognized is presented below.

## 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

### (a) Credit risk and impairment assessment continued

	Loss allowance for	
	Loans to a joint venture HK\$ million	Debt securities HK\$ million
As at 1 January 2021	6	11
Net reversal of impairment loss under ECL model	–	(8)
As at 31 December 2021	6	3
Net impairment loss under ECL model	2	–
<b>As at 31 December 2022</b>	<b>8</b>	<b>3</b>

The maximum exposure to credit risk is represented by the carrying amount of each financial asset at amortized cost in the consolidated statement of financial position after deducting any impairment allowance. Besides, the Group is also exposed to credit risk arising from the corporate financial guarantees which will cause a financial loss to the Group if the guarantee is called out.

In respect of the financial guarantee contract, the credit risk exposures of the Group is assessed under 12-month ECL and concluded that the loss given default of the counter party, a joint venture, is insignificant and accordingly, no allowance of credit loss is provided. Details of the Group's credit risk maximum exposure are set out in note 1(b) of the Financial risk management objectives and policies section.

### (b) Liquidity risk

The Group closely monitors its liquidity requirements and the sufficiency of cash and available banking facilities so as to ensure that the payment obligations are met.

The following table details the remaining contractual maturity of the Group for its non-derivative financial liabilities based on the agreed repayment terms. Maturity of the Group's financial guarantee contract is presented separately. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows. The interest payments are computed using contractual rates or, if floating, based on the prevailing market rate at the end of the reporting period, the undiscounted amount is derived based on management's best estimates at the end of the reporting period, taking into consideration interest rate curve, if available. For cash flows denominated in currency other than Hong Kong dollars ("HKD"), the prevailing foreign exchange rates at the end of the reporting period are used to convert the cash flows into HKD.

## Financial Risk Management continued

For the year ended 31 December 2022

### 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

#### (b) Liquidity risk continued

	Carrying amount HK\$ million	Total contractual undiscouted cash flow HK\$ million	Within 1 year or on demand HK\$ million	In the second year HK\$ million	In the third year to fifth year HK\$ million	After the fifth year HK\$ million
<b>As at 31 December 2022</b>						
<b>Non-derivative financial liabilities</b>						
Accounts payable and accruals	(1,026)	(1,026)	(1,026)	–	–	–
Deposits from tenants	(885)	(885)	(387)	(220)	(235)	(43)
Amounts due to non-controlling interests	(4,849)	(5,051)	(214)	–	(4,837)	–
Secured bank loans	(7,833)	(9,551)	(403)	(403)	(8,745)	–
Unsecured bank loans	(2,707)	(3,155)	(139)	(639)	(2,377)	–
Unsecured fixed rate notes	(16,737)	(19,770)	(3,214)	(562)	(7,025)	(8,969)
	<b>(34,037)</b>	<b>(39,438)</b>	<b>(5,383)</b>	<b>(1,824)</b>	<b>(23,219)</b>	<b>(9,012)</b>
<b>As at 31 December 2021</b>						
<b>Non-derivative financial liabilities</b>						
Accounts payable and accruals	(820)	(820)	(820)	–	–	–
Deposits from tenants	(918)	(918)	(372)	(249)	(262)	(35)
Amounts due to non-controlling interests	(7,853)	(8,125)	(214)	(3,164)	–	(4,747)
Unsecured bank loans	(1,561)	(1,309)	(14)	(514)	(781)	–
Unsecured fixed rate notes	(17,096)	(20,658)	(1,050)	(3,210)	(3,366)	(13,032)
	<b>(28,248)</b>	<b>(31,830)</b>	<b>(2,470)</b>	<b>(7,137)</b>	<b>(4,409)</b>	<b>(17,814)</b>

Note:

In addition to the items as set out in the above liquidity risk table, the maximum amount the Group could be required to settle under a financial guarantee provided by the Group in respect of banking facilities granted to a joint venture is HK\$2,100 million and HK\$3,000 million as at 31 December 2022 and 2021 respectively, if such amount is claimed by the counterparty to the guarantee at any time within the guaranteed period. Based on expectations at the end of the reporting period, the Directors of the Company consider that it is more likely than not that no amount will be payable by the Group under such financial guarantee arrangement.

## 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

### (b) Liquidity risk continued

The following table details the Group's remaining contractual maturity for its derivative financial instruments. The table has been drawn up based on the undiscounted gross (outflows) inflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the prevailing market rate at the end of the reporting period. For cash flows denominated in currency other than HKD, the prevailing foreign exchange rates at the end of the reporting period are used to convert the cash flows into HKD.

	Carrying amount HK\$ million	Total contractual undiscounted cash flow HK\$ million	Within 1 year or on demand HK\$ million	More than 1 year but not exceeding 2 years HK\$ million	More than 2 years but not exceeding 5 years HK\$ million	More than 5 years HK\$ million
<b>As at 31 December 2022</b>						
<b>Derivative settled net</b>						
Interest rate swaps	(397)	(52)	(7)	3	(48)	–
<b>Derivative settled gross</b>						
Cross currency swaps	265					
Outflow		(13,146)	(2,613)	(267)	(3,893)	(6,373)
Inflow		13,111	2,643	262	3,862	6,344
<b>As at 31 December 2021</b>						
<b>Derivative settled net</b>						
Interest rate swaps	(70)	(14)	13	21	(34)	(14)
<b>Derivative settled gross</b>						
Cross currency swaps	(71)					
Outflow		(13,497)	(351)	(2,613)	(800)	(9,733)
Inflow		13,447	344	2,642	786	9,675

## Financial Risk Management continued

For the year ended 31 December 2022

### 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

#### (c) Interest rate risk

The Group manages its interest rate exposure by assessing the potential impact on the Group's financial position arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed rates and floating rates and ensure that they are within an appropriate range. The Group is exposed to fair value interest rate risk in relation to fixed rate debt securities (see note 20 of the Notes to Consolidated Financial Statements section).

As at 31 December 2022, about 39 % (2021: 25 %) of the Group's gross debts was effectively on a floating rate basis. The ratio could be adjusted according to views about changes in the interest rate trend going forward. In addition, the Group is exposed to cash flow interest rate risk as the interest income derived from time deposits and bank balances is subject to interest rate changes. Other than the concentration of interest rate risk related to the movements in Hong Kong Interbank Offered Rate, the Group has no significant concentration of interest rate risk.

As at 31 December 2022, included in the Group's borrowings is an unsecured USD bank loan amounted to HK\$468 million carrying variable interests with reference to the London Interbank Offered Rate that may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators. The management of the Group considers the impact of the interest rate benchmark reform to the Group's financial position and financial performance will not be significant.

#### Sensitivity analysis

The sensitivity analysis below has been determined assuming that the change in interest rates had occurred at the end of the reporting period and all other variables were held constant. Such change has been applied to non-derivative financial instruments that would have affected the profit or loss and equity. A change of +100 and -25 basis points ("bps") (2021: +100 and -25 basis points) was applied to the HKD and US dollars ("USD") yield curves at the end of the reporting period. The applied change of bps represented management's assessment of the reasonably possible change in interest rates based on the current market conditions.

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

	(Decrease) increase in profit or loss		Increase (decrease) in equity	
	bps increase HK\$ million	bps decrease HK\$ million	bps increase HK\$ million	bps decrease HK\$ million
<b>As at 31 December 2022</b>	<b>(51)</b>	<b>13</b>	<b>394</b>	<b>(109)</b>
<b>As at 31 December 2021</b>	<b>(8)</b>	<b>2</b>	<b>41</b>	<b>(11)</b>

## 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

### (d) Currency risk

The Group aims to minimize its currency risk and does not speculate in currency movements for debt management. To cover foreign exchange exposures arising from debts, the Group's foreign currency denominated monetary liabilities may be hedged back to HKD unless the liabilities are naturally hedged by the underlying asset in the same foreign currency. In managing the Group's monetary assets, the Group limits the aggregate net foreign currency exposures to a certain threshold. Exposures exceeding that threshold will be hedged back to HKD. The majority of the Group's assets are located and all rental income and management fee income are derived in Hong Kong, and denominated in HKD. At the end of the reporting period, the Group has the following monetary assets and monetary liabilities denominated in USD. The Group's unsecured fixed rate notes are hedged by cross currency swaps.

	2022		2021	
	US\$ million	Total equivalent to HK\$ million	US\$ million	Total equivalent to HK\$ million
<b>Assets</b>				
Cash	1	5	213	1,660
Debt securities	127	992	130	1,014
Other financial investments	261	2,035	228	1,780
	<b>389</b>	<b>3,032</b>	571	4,454
<b>Liabilities</b>				
Bank loan	60	468	60	466
Unsecured fixed rate notes	1,425	11,117	1,425	11,043
	<b>1,485</b>	<b>11,585</b>	1,485	11,509

Other than concentration of currency risk of the above items denominated in USD (2021: USD), the Group has no other significant currency risk.

The Group has entered into appropriate hedging instruments, mentioned in note 21 of the Notes to the Consolidated Financial Statements section, to hedge against part of the potential currency risk of the above items. The Group reviews the continuing effectiveness of hedging instruments at least at the end of the reporting period and until the hedging instrument expires or is terminated or the hedge no longer meets the criteria for hedge accounting.

## Financial Risk Management continued

For the year ended 31 December 2022

### 1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

#### (d) Currency risk continued

##### Sensitivity analysis

The sensitivity analysis below has been determined assuming that a change in exchange rate had occurred at the end of the reporting period and all other variable were held constant. Such change has been applied to both derivative and non-derivative financial instruments that would have affected the profit or loss and other comprehensive income. Change of 500 percentage in points (“pips”) (2021: 500 pips) was applied to the HKD: USD (2021: HKD: USD) spot and forward rates at the end of the reporting period.

In management’s opinion, the sensitivity analysis is unrepresentative of the currency risk as the year end exposure does not reflect the exposure during the year.

	(Decrease) increase in profit or loss		(Decrease) increase in other comprehensive income	
	pips increase HK\$ million	pips decrease HK\$ million	pips increase HK\$ million	pips decrease HK\$ million
<b>As at 31 December 2022</b>				
USD	(55)	55	(3)	3
<b>As at 31 December 2021</b>				
USD	18	(18)	7	(7)

#### (e) Other price risk

The Group is exposed to other price risk through its investment in equity security measured at fair value through other comprehensive income (“FVTOCI”) and fund investment measured at fair value through profit or loss (“FVTPL”). The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

##### Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. If the price of the equity securities had been 5% higher/lower, the other comprehensive expenses for the year ended 31 December 2022 would decrease/increase by HK\$85 million (2021: HK\$74 million) as a result of the changes in fair value of investment as at FVTOCI. The Group’s exposure to price risk on investment in a fund investment was limited because the potential fluctuation was considered minimal.

### 2. CATEGORIES OF FINANCIAL INSTRUMENTS

	2022 HK\$ million	2021 HK\$ million
<b>Financial assets</b>		
FVTPL	328	308
FVTOCI	1,708	1,473
Derivative instrument under hedge accounting	397	8
Amortized cost (including cash and cash equivalents)	12,465	10,672
	<b>14,898</b>	<b>12,461</b>
<b>Financial liabilities</b>		
Derivative instruments under hedge accounting	514	149
Amortized cost	34,037	28,248
	<b>34,551</b>	<b>28,397</b>



### 3. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS

The Group has entered certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Agreements (“ISDA Agreements”) signed with various banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognized amounts. Other than derivatives transactions mentioned above, the Group has no other financial assets and financial liabilities which are offset in the Group’s consolidated statement of financial statements or are subject to similar netting arrangements.

#### (a) Financial assets subject to enforceable master netting arrangements or similar agreements

	Gross amounts of recognized financial assets HK\$ million	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position HK\$ million	Net amounts of financial assets presented in the consolidated statement of financial position HK\$ million
<b>As at 31 December 2022</b>			
Derivatives under hedge accounting	397	–	397
<b>As at 31 December 2021</b>			
Derivatives under hedge accounting	8	–	8

#### (b) Net financial assets subject to enforceable master netting arrangements or similar agreements, by counterparty

	Net amounts of financial assets presented in the consolidated statement of financial position HK\$ million	Financial liabilities not set off in the consolidated statement of financial position HK\$ million	Net amount HK\$ million
<b>As at 31 December 2022</b>			
Counterparty A	397	(117)	280
<b>As at 31 December 2021</b>			
Counterparty A	8	(8)	–

#### (c) Financial liabilities subject to enforceable master netting arrangements or similar agreements

	Gross amounts of recognized financial liabilities HK\$ million	Gross amounts of recognized financial assets set off in the consolidated statement of financial position HK\$ million	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$ million
<b>As at 31 December 2022</b>			
Derivatives under hedge accounting	(514)	–	(514)
<b>As at 31 December 2021</b>			
Derivatives under hedge accounting	(149)	–	(149)

## Financial Risk Management continued

For the year ended 31 December 2022

### 3. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS continued

#### (d) Net financial liabilities subject to enforceable master netting arrangements and similar agreements, by counterparty

	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$ million	Financial assets not set off in the consolidated statement of financial position HK\$ million	Net amount HK\$ million
<b>As at 31 December 2022</b>			
Counterparty A	(11)	84	73
Counterparty B	(73)	13	(60)
Counterparty C	(151)	45	(106)
Counterparty D	(179)	161	(18)
Counterparty E	–	92	92
Counterparty F	(100)	2	(98)
	<b>(514)</b>	<b>397</b>	<b>(117)</b>
<b>As at 31 December 2021</b>			
Counterparty A	(22)	8	(14)
Counterparty B	(60)	–	(60)
Counterparty C	(31)	–	(31)
Counterparty D	(27)	–	(27)
Counterparty E	(9)	–	(9)
	<b>(149)</b>	<b>8</b>	<b>(141)</b>

### 4. FAIR VALUE MEASUREMENT

#### (a) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The fair values of financial assets and financial liabilities measured at amortized cost are determined in accordance with generally accepted pricing models based on discounted cash flow methodology taking into account the market interest rate and credit risk of the counterparties and of the Group as appropriate.

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortized cost in the consolidated financial statements approximate their fair values, except for the carrying amount of HK\$16,737 million (2021: HK\$17,096 million) unsecured fixed rate notes as stated in note 26 of the Notes to the Consolidated Financial Statements section with fair value of HK\$15,097 million (2021: HK\$17,830 million).

The fair value of HK\$9,968 million (2021: HK\$11,453 million) of the unsecured fixed rate notes is categorized into Level 1 of the fair value hierarchy, in which the fair value was derived from quoted prices in an active market translated at the spot foreign exchange rate of the respective currency at year end.

The fair value of HK\$5,129 million (2021: HK\$6,377 million) of the unsecured fixed rate notes is categorized into Level 2 of the fair value hierarchy, in which the fair value was measured using discounted cash flow methodology based on observable yield curves of the respective currency taking into account the credit margin of the Group as appropriate.

#### 4. FAIR VALUE MEASUREMENT continued

##### (b) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured at fair value on a recurring basis, grouped into Levels 1 to 3 based on the degree to which the inputs to the fair value measurements are observable.

	2022			
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
<b>Financial assets</b>				
<b>Financial assets at FVTPL</b>				
Unlisted club debenture	–	1	–	1
Fund investment	–	–	327	327
<b>Financial asset at FVTOCI</b>				
Unlisted investment in equity securities	–	–	1,708	1,708
<b>Derivatives under hedge accounting</b>				
Cross currency swaps	–	382	–	382
Interest rate swaps	–	15	–	15
<b>Total</b>	<b>–</b>	<b>398</b>	<b>2,035</b>	<b>2,433</b>
<b>Financial liabilities</b>				
<b>Derivatives under hedge accounting</b>				
Cross currency swaps	–	117	–	117
Interest rate swaps	–	397	–	397
<b>Total</b>	<b>–</b>	<b>514</b>	<b>–</b>	<b>514</b>
<b>2021</b>				
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
<b>Financial assets</b>				
<b>Financial assets at FVTPL</b>				
Unlisted club debenture	–	1	–	1
Fund investment	–	–	307	307
<b>Financial asset at FVTOCI</b>				
Listed investment in equity security	268	–	–	268
Unlisted investment in equity securities	–	–	1,205	1,205
<b>Derivatives under hedge accounting</b>				
Cross currency swaps	–	8	–	8
<b>Total</b>	<b>268</b>	<b>9</b>	<b>1,512</b>	<b>1,789</b>
<b>Financial liability</b>				
<b>Derivatives under hedge accounting</b>				
Cross currency swaps	–	79	–	79
Interest rate swaps	–	70	–	70
<b>Total</b>	<b>–</b>	<b>149</b>	<b>–</b>	<b>149</b>

## Financial Risk Management continued

For the year ended 31 December 2022

### 4. FAIR VALUE MEASUREMENT continued

#### (c) Reconciliation of Level 3 fair value measurement of financial asset

	Fund investment HK\$ million	Unlisted investment in equity security HK\$ million
As at 1 January 2021	292	297
Addition	20	662
Loss recognized in profit or loss	(5)	–
Profit recognized in other comprehensive income	–	246
As at 31 December 2021	307	1,205
Addition	21	277
Transfer into level 3	–	268
Loss recognized in profit or loss	(1)	–
Loss recognized in other comprehensive expense	–	(42)
<b>As at 31 December 2022</b>	<b>327</b>	<b>1,708</b>

There were no transfers among those three fair value hierarchy levels during the year except for an unlisted investment in equity security. The Group had an equity security listed overseas as at 31 December 2021. The fair value of such investment as at 31 December 2021 was measured based on published price quotation available on the overseas stock exchange. Such equity security has become unlisted upon privatization exercise since 26 January 2022.

The unrealized fair value loss of HK\$1 million (2021: unrealized fair value loss of HK\$5 million) relating to fund investment at fair value through profits or loss is included in other gains and losses.

#### (d) Valuation techniques and inputs used in fair value measurements

Cross currency swaps and interest rate swaps are measured using discounted cash flow methodology based on observable spot and forward exchange rates as well as the yield curves of the respective currencies taking into account the credit risk of the counterparties and of the Group as appropriate.

Financial assets grouped in Level 3 are measured with reference to the fair value of underlying assets and liabilities as at the end of the reporting period and/or other valuation techniques including market approach, taking into account different multiples such as price per earnings/revenue multiples of comparable listed companies, where relevant. If there is lack of marketability, a discount is applied in determining the fair value. A slight increase in lack of marketability discount would result in a slight decrease in the fair value of the unlisted investment in equity securities, vice versa.

#### (e) Valuation process of Level 3 fair value measurements of financial assets

At the end of the reporting period, the management of the Group obtains the valuation techniques and inputs for Level 3 fair value measurements in relation to the fund investment and its underlying assets and liabilities. The Group engages independent qualified professional valuer to perform the valuation for investment in equity security. Where there is a material change in the fair value of the financial assets grouped in Level 3, analysis will be performed and the causes of the fluctuations will be reported to the Directors of the Company.

## 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The Group monitors its capital structure on the basis of a net debt to equity ratio. For this purpose, the Group defines net debt as borrowings as shown in the consolidated statement of financial position less time deposits, cash and cash equivalents.

The management reviews the Group's net debt to equity ratio regularly and adjusts the ratio through the payment of dividends, the issue of new share, perpetual capital securities or debt, the repurchase of shares and the repurchase of existing perpetual capital securities or debt.

The net debt to equity ratio at the year end was as follows:

	2022 HK\$ million	2021 HK\$ million
Secured bank loans	7,833	–
Unsecured bank loans	2,707	1,561
Unsecured fixed rate notes	16,737	17,096
Borrowings	27,277	18,657
Less: Time deposits	(5,211)	(1,866)
Cash and cash equivalents	(2,560)	(6,538)
Net debt	19,506	10,253
Total equity	83,411	87,885
Net debt to equity	23.4%	11.7%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

# Five-Year Financial Summary

## For the year ended 31 December

	2022 HK\$ million	2021 HK\$ million	2020 HK\$ million	2019 HK\$ million (Note)	2018 HK\$ million
<b>Results</b>					
Turnover	3,460	3,608	3,710	3,988	3,890
Property expenses	(567)	(499)	(490)	(536)	(523)
Gross profit	2,893	3,109	3,220	3,452	3,367
Investment income	248	92	272	154	78
Other gains and losses	(2)	(8)	5	10	(16)
Administrative expenses	(332)	(274)	(268)	(269)	(227)
Finance costs	(423)	(393)	(546)	(313)	(222)
Change in fair value of investment properties	(3,213)	(720)	(4,903)	792	3,532
Share of results of associates	274	458	225	1,733	288
Share of results of joint ventures	(52)	(3)	–	–	–
(Loss) profit before taxation	(607)	2,261	(1,995)	5,559	6,800
Taxation	(342)	(358)	(353)	(473)	(481)
(Loss) profit for the year	(949)	1,903	(2,348)	5,086	6,319
Perpetual capital securities holders	(450)	(459)	(288)	–	–
Other non-controlling interests	242	(61)	89	(241)	(286)
(Loss) profit attributable to owners of the Company	(1,157)	1,383	(2,547)	4,845	6,033
Underlying profit for the year	2,129	2,330	2,398	2,587	2,536
Recurring underlying profit for the year	2,063	2,330	2,398	2,587	2,536
Dividends					
Dividends paid	1,486	1,497	1,502	1,507	1,444
Dividends declared	1,202	1,210	1,216	1,221	1,224
Dividends per share (HK cents)	144	144	144	144	144
(Loss) earnings per share (HK\$), based on:					
(Loss) profit for the year					
– basic	(1.12)	1.33	(2.44)	4.63	5.77
– diluted	(1.12)	1.33	(2.44)	4.63	5.76
<b>Performance indicators</b>					
Net debt to equity	23.4%	11.7%	N/A	3.9%	4.5%
Net interest coverage (after interest capitalization) (times)	13.1x	9.1x	9.8x	17.0x	18.1x
Net interest coverage (before interest capitalization) (times)	3.9x	5.3x	9.8x	17.0x	18.1x
Net asset value per share (HK\$)	68.4	71.4	70.9	74.4	71.1
Net debt (cash) per share (HK\$)	19.0	9.9	(5.7)	3.1	3.4
Year-end share price (HK\$)	25.3	24.1	28.4	30.6	37.3

## As at 31 December

	2022 HK\$ million	2021 HK\$ million	2020 HK\$ million	2019 HK\$ million (Note)	2018 HK\$ million
<b>Assets and liabilities</b>					
Investment properties	96,787	95,107	74,993	79,116	77,442
Investments in associates	5,491	5,995	5,577	5,189	3,708
Loans to associates	10	10	11	11	11
Investments in joint ventures	473	475	125	143	145
Loans to joint ventures	3,485	1,256	1,153	1,090	1,062
Other financial investments	2,035	1,780	789	601	294
Time deposits, cash and cash equivalents	7,771	8,404	24,935	9,332	2,817
Other assets	3,113	4,346	2,172	1,561	1,564
<b>Total assets</b>	<b>119,165</b>	<b>117,373</b>	<b>109,755</b>	<b>97,043</b>	<b>87,043</b>
Borrowings	(27,277)	(18,657)	(18,970)	(12,529)	(6,322)
Taxation	(1,203)	(1,091)	(1,031)	(1,341)	(962)
Other liabilities	(7,274)	(9,740)	(2,305)	(2,201)	(2,122)
<b>Total liabilities</b>	<b>(35,754)</b>	<b>(29,488)</b>	<b>(22,306)</b>	<b>(16,071)</b>	<b>(9,406)</b>
<b>Net assets</b>	<b>83,411</b>	<b>87,885</b>	<b>87,449</b>	<b>80,972</b>	<b>77,637</b>
Perpetual capital securities	(10,224)	(10,657)	(10,657)	–	–
Other non-controlling interests	(2,987)	(3,358)	(3,112)	(3,322)	(3,206)
<b>Shareholders' funds</b>	<b>70,200</b>	<b>73,870</b>	<b>73,680</b>	<b>77,650</b>	<b>74,431</b>

### Definitions:

(1) Underlying profit for the year:

a non-HKFRS measure, is arrived at by adding (i) Reported (Loss) Profit excluding unrealized fair value change of investment properties and items not generated from the Group's core property investment business; and (ii) Profit attributable to holders of perpetual capital securities.

(2) Recurring underlying profit for the year:

a non-HKFRS measure, is a performance indicator of the Group's core property investment business and is arrived at by excluding from Underlying Profit items that are non-recurring in nature

(3) Net debt to equity:

borrowings less time deposits, cash and cash equivalents divided by total equity

(4) Net interest coverage (after interest capitalization):

"Gross profit less administrative expenses before depreciation" divided by "net interest expenses charged to profit or loss"

(5) Net Interest Coverage (before interest capitalization):

"Gross profit less administrative expenses before depreciation" divided by "net interest expenses charged to profit or loss plus interest expenses capitalized"

(6) Net asset value per share:

shareholders' funds divided by number of issued shares as at year end

(7) Net debt per share:

borrowings less time deposits, cash and cash equivalents divided by number of issued shares at year end

### Note:

- a. In 2019, the Group has applied HKFRS 16. Accordingly, certain comparative information for the years ended 31 December 2018 may not be comparable to the year ended 31 December 2019 as such comparative information was prepared under HKAS 17. Accounting policies resulting from application of HKFRS 16 are disclosed in the "Significant Accounting Policies" Section.

# Report of the Valuer

To the Board of Directors

**Hysan Development Company Limited**

Dear Sirs,

## **Annual Revaluation of Investment Properties as at 31 December 2022**

In accordance with your appointment of Knight Frank Petty Limited to value the investment properties in Hong Kong owned by Hysan Development Company Limited and its subsidiaries, we are pleased to advise that the market value of the investment properties as at 31 December 2022 was in the approximate sum of Hong Kong Dollars Ninety-six Billion Seven Hundred and Eighty-seven Million (Hong Kong Dollars 96,787 million).

The completed investment properties has been valued individually on market value basis and have been assessed on the basis of capitalisation of the net and potential income. We have also cross-checked the values by market comparables.

Yours faithfully

**Knight Frank Petty Limited**

Hong Kong, 16 February 2023



# Schedule of Principal Properties

As at 31 December 2022

## INVESTMENT PROPERTIES

	Address	Lot No.	Use	Category of the Lease	Percentage held by the Group
<b>Hong Kong</b>					
1. <b>Bamboo Grove</b>	74-86 Kennedy Road Mid-Levels Hong Kong	IL 8624	Residential	Medium term lease	100 %
2. <b>Hysan Place</b>	500 Hennessy Road Causeway Bay Hong Kong	IL 29 sFF ML 365 RP	Commercial	Long lease	100 %
3. <b>Lee Garden One</b>	33 Hysan Avenue Causeway Bay Hong Kong	IL 29 sDD IL 29 sMM IL 29 sL RP IL 457 sL IL 457 RP	Commercial	Long lease	100 %
4. <b>Lee Garden Two</b>	28 Yun Ping Road Causeway Bay Hong Kong	IL 29 sG IL 457 sA IL 457 sO IL 457 sF IL 457 sH IL 457 sC ss1 & RP IL 457 sD ss1 & RP IL 457 sE ss1 & ss2 & RP IL 457 sG ss1 & RP IL 461 sC ss1 & ss2 & ss3 & RP	Commercial	Long lease	65.36 %
5. <b>Lee Garden Three</b>	1 Sunning Road Causeway Bay Hong Kong	IL 29 sJ ss1 RP & ss2 & RP	Commercial	Long lease	100 %

## Schedule of Principal Properties continued

As at 31 December 2022

### INVESTMENT PROPERTIES continued

	Address	Lot No.	Use	Category of the Lease	Percentage held by the Group
<b>Hong Kong</b>					
6. <b>Lee Garden Five</b>	18 Hysan Avenue Causeway Bay Hong Kong	IL 457 sN IL 29 sLL	Commercial	Long lease	100%
7. <b>Lee Garden Six</b>	111 Leighton Road Causeway Bay Hong Kong	IL 29 sKK	Commercial	Long lease	100%
8. <b>Lee Theatre Plaza</b>	99 Percival Street Causeway Bay Hong Kong	IL 1452 IL 472 RP IL 476 RP	Commercial	Long lease	100%
9. <b>Leighton Centre</b>	77 Leighton Road Causeway Bay Hong Kong	IL 1451 sB IL 1451 sC IL 1451 RP	Commercial	Long lease	100%
10. <b>One Hysan Avenue</b>	1 Hysan Avenue Causeway Bay Hong Kong	IL 29 sGG RP	Commercial	Long lease	100%
11. <b>Inland Lot No 8945</b>	Inland Lot No. 8945 Caroline Hill Road Causeway Bay Hong Kong*	IL 8945	Commercial	Medium term lease	60%
	Address		Use	Category of the Lease	Percentage held by the Group
<b>Mainland China</b>					
1. <b>Lee Gardens Shanghai</b>	Nos 668 & 688 Xinzha Road, Jingan District, Shanghai, the PRC		Commercial	Medium term lease	100%

\* The site is currently under development. The development site has a total site area of approximately 159,329 square feet and proposed total gross floor area of approximately 1,076,400 square feet. It is targeted for completion around 2026.

# Shareholding Analysis

## SHARE CAPITAL

At 31 December 2022

	HK\$	Number of Ordinary Shares
Issued and fully paid-up capital	7,723,225,778	1,027,008,223

There was one class of ordinary shares with equal voting rights.

## DISTRIBUTION OF SHAREHOLDINGS

(At 31 December 2022, as per register of members of the Company)

Size of registered shareholdings	Number of Shareholders	% of Shareholders	Number of ordinary shares	% of the total no. of issued shares (Note)
5,000 or below	2,131	72.458	3,352,783	0.326
5,001 – 50,000	697	23.700	10,875,409	1.059
50,001 – 100,000	61	2.074	4,510,970	0.439
100,001 – 500,000	43	1.462	8,797,456	0.857
500,001 – 1,000,000	3	0.102	1,802,299	0.176
Above 1,000,000	6	0.204	997,669,306	97.143
<b>Total</b>	<b>2,941</b>	<b>100.00</b>	<b>1,027,008,223</b>	<b>100.00</b>

## TYPES OF SHAREHOLDERS

(At 31 December 2022, as per register of members of the Company)

Type of Shareholders	Number of ordinary shares held	% of the total no. of issued shares (Note)
Lee Hysan Company Limited	433,130,735	42.174
Other corporate Shareholders	566,730,860	55.183
Individual Shareholders	27,146,628	2.643
<b>Total</b>	<b>1,027,008,223</b>	<b>100.00</b>

## LOCATION OF SHAREHOLDERS

(At 31 December 2022, as per register of members of the Company)

Location of Shareholders	Number of ordinary shares held	% of the total no. of issued shares (Note)
Hong Kong	1,024,866,058	99.791
United States and Canada	1,898,751	0.185
United Kingdom	17,085	0.002
Others	226,329	0.022
<b>Total</b>	<b>1,027,008,223</b>	<b>100.00</b>

Note:

The percentages were computed based on the total number of issued shares of the Company as at 31 December 2022 (i.e. 1,027,008,223 ordinary shares).

# Shareholder Information

## FINANCIAL CALENDAR

Full year results announced	17 February 2023
Ex-dividend date for second interim dividend	2 March 2023
Closure of register of members and record date for second interim dividend	6 March 2023
Despatch of second interim dividend warrants	(on or about) 20 March 2023
Closure of register of members for Annual General Meeting	11 to 16 May 2023
Annual General Meeting	16 May 2023
2023 interim results to be announced	10 August 2023*

\* subject to change

## DIVIDEND

The Board declares the payment of a second interim dividend of HK117 cents per share. The second interim dividend will be payable in cash to the Shareholders on the register of members as at Monday, 6 March 2023.

The register of members will be closed on Monday, 6 March 2023, for the purpose of determining Shareholders' entitlement to the second interim dividend, on which date no transfer of shares will be registered. In order to qualify for the second interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar not later than 4:00 p.m. on Friday, 3 March 2023.

Dividend warrants will be despatched to the Shareholders on or about Monday, 20 March 2023.

The register of members will also be closed from Thursday, 11 May 2023 to Tuesday, 16 May 2023, both dates inclusive, for the purpose of determining Shareholders' entitlement to attend and vote at the AGM to be held on Tuesday, 16 May 2023 ("2023 AGM"), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2023 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar not later than 4:00 p.m. on Wednesday, 10 May 2023.

## SHAREHOLDER SERVICES

For enquiries about share transfer and registration, please contact the Company's Registrar, Tricor Standard Limited (the "Registrar"):

Tricor Standard Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong  
Telephone: (852) 2980 1333  
Facsimile: (852) 2861 1465

Holders of the Company's ordinary shares should notify the Registrar promptly of any change of their address.

The annual report of the Company (the "Annual Report") (English and Chinese versions) is available on our website at [www.hysan.com.hk](http://www.hysan.com.hk) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk). Shareholders may at any time choose to receive the Annual Report in printed form in either English or Chinese language or both or by electronic means. Shareholders who have chosen to receive the Annual Report using electronic means and who for any reason have difficulty in receiving or gaining access to the Annual Report, the Company will promptly upon request send to you in printed form free of charge.

Shareholders may at any time change their choice of the language or means of receipt of the Annual Report or other corporate communications of the Company by notice in writing to the Company or the Registrar, or by email to [hysan14-ecom@hk.tricorglobal.com](mailto:hysan14-ecom@hk.tricorglobal.com) or [cosec@hysan.com.hk](mailto:cosec@hysan.com.hk). The Change Request Form may be downloaded from the Company's website at [www.hysan.com.hk](http://www.hysan.com.hk).

## INVESTOR RELATIONS

For enquiries relating to investor relations, please email to [investor@hysan.com.hk](mailto:investor@hysan.com.hk) or write to the Company at:

Investor Relations  
Hysan Development Company Limited  
50/F Lee Garden One  
33 Hysan Avenue  
Hong Kong  
Telephone: (852) 2895 5777  
Facsimile: (852) 2577 5153

# Corporate Information

(During the year and up to the date of this report)

## BOARD OF DIRECTORS

Lee Irene Yun-Lien (*Chairman*)  
Lui Kon Wai (*Executive Director and Chief Operating Officer*)  
Churchouse Frederick Peter\*\*  
Fan Yan Hok Philip\*\*  
Poon Chung Yin Joseph\*\*  
Wong Ching Ying Belinda\*\*  
Young Elaine Carole\*\*  
Jebsen Hans Michael B.B.S.\*  
(*Yang Chi Hsin Trevor as his alternate*)  
Lee Anthony Hsien Pin\*  
(*Lee Irene Yun-Lien as his alternate*)  
Lee Chien\*  
Lee Tze Hau Michael \*

## AUDIT AND RISK MANAGEMENT COMMITTEE

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

## REMUNERATION COMMITTEE

Fan Yan Hok Philip\*\* (*Chairman*)  
Poon Chung Yin Joseph\*\*  
Lee Tze Hau Michael\*

## NOMINATION COMMITTEE

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

\* Non-Executive Director

\*\* Independent Non-Executive Director

## SUSTAINABILITY COMMITTEE

Jebsen Hans Michael B.B.S.\* (*Chairman*)  
Fan Yan Hok Philip\*\*  
Wong Ching Ying Belinda\*\*  
Young Elaine Carole\*\*

## COMPANY SECRETARY

Hao Shu Yan

## REGISTERED OFFICE

50/F Lee Garden One  
33 Hysan Avenue  
Hong Kong

## OUR WEBSITE

Press releases and other information of the Group can be found at our website: [www.hysan.com.hk](http://www.hysan.com.hk).

## SHARE LISTING

Hysan's shares are listed on Stock Exchange. It has a sponsored American Depositary Receipts ("ADR") Programme in the New York market.

## STOCK CODE

Stock Exchange: 00014  
Bloomberg: 14HK  
Reuters: 0014.HK  
Ticker Symbol for ADR Code: HYSNY  
CUSIP reference number: 449162304

## AUDITOR

Deloitte Touche Tohmatsu  
Certified Public Accountants and  
Registered Public Interest Entity Auditors  
35/F, One Pacific Place  
88 Queensway  
Hong Kong



**Hysan Development Company Limited**  
50/F Lee Garden One, 33 Hysan Avenue, Hong Kong  
T 852 2895 5777 F 852 2577 5153  
[www.hysan.com.hk](http://www.hysan.com.hk)

