

## 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.

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**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.



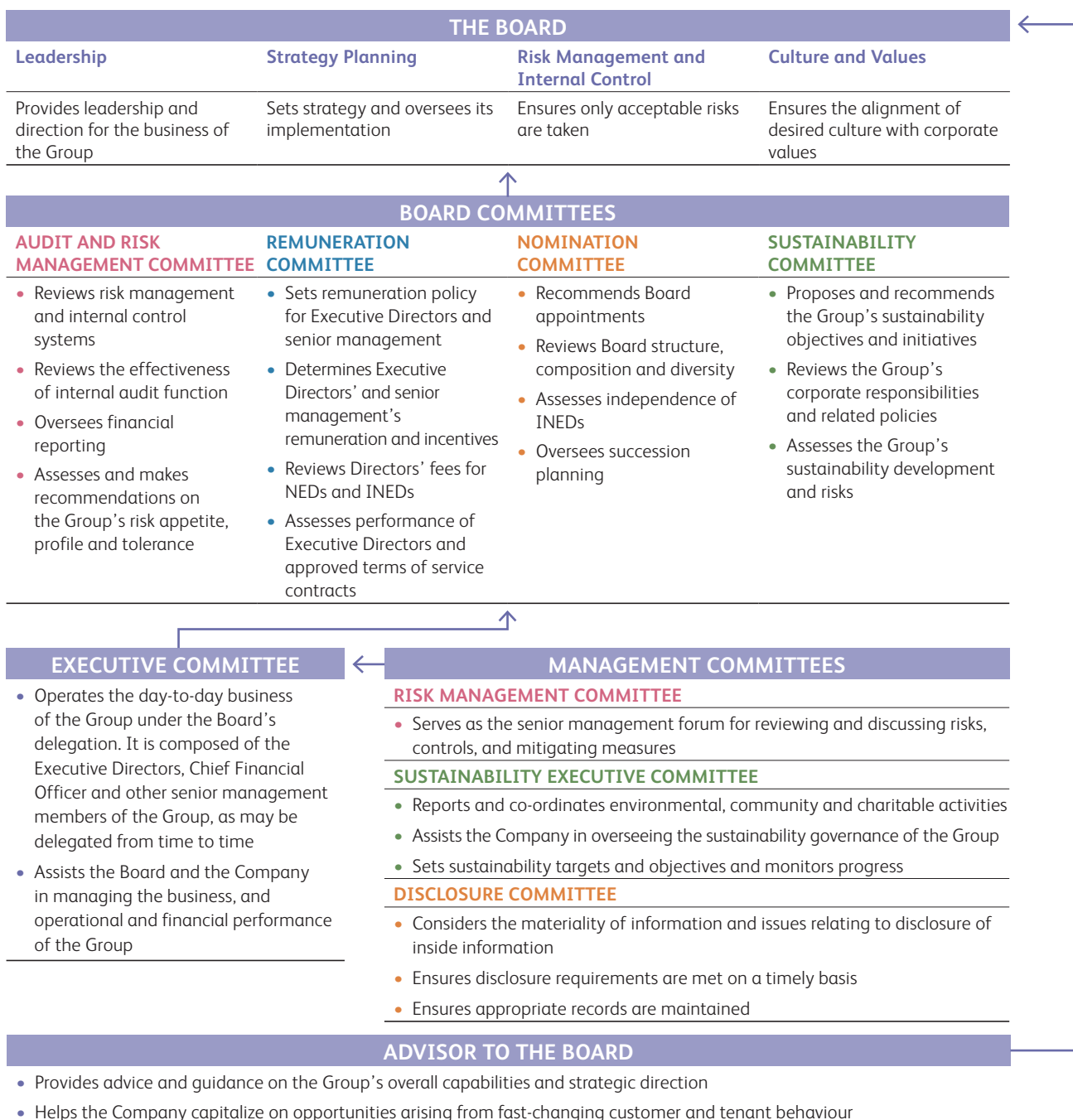
## Our Governance Framework

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

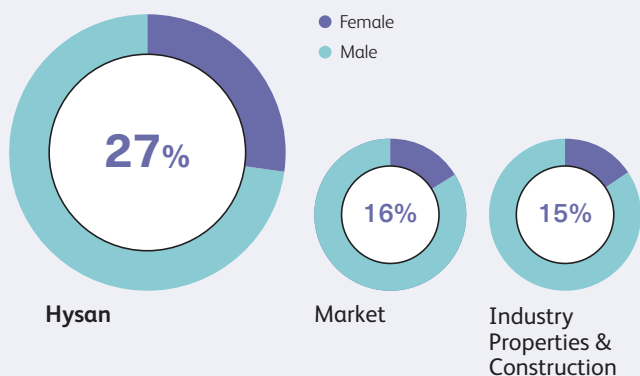
The Board recognizes that gender-diverse leadership encourages better governance, provides broader range of perspectives to the decision-making process and ultimately increases corporate performance and competitiveness. With female Directors accounting for 27% of our Board, Hysan maintains a high level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

### Gender Diversity Target

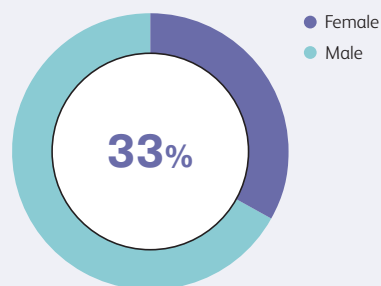
To reinforce our commitment to gender diversity, Hysan pledges to increase the percentage of female representation at board level to 33% by the end of 2025, with the ultimate goal of achieving gender parity at Board level. This target will formally be made a factor to consider in our Board refreshment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

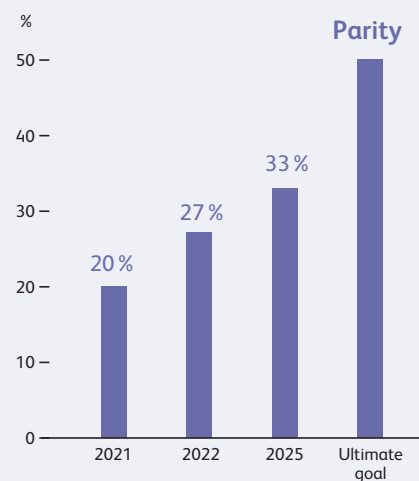


Hysan’s Gender Diversity Target by the end of 2025



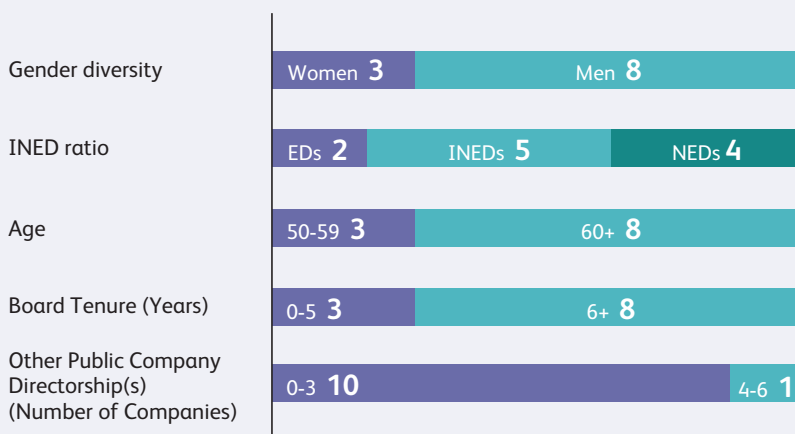
Source: HKEx Board Diversity Repository as at the date of this report (<https://www.hkex.com.hk/eng/BoardDiversity/index.htm>)

### 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.

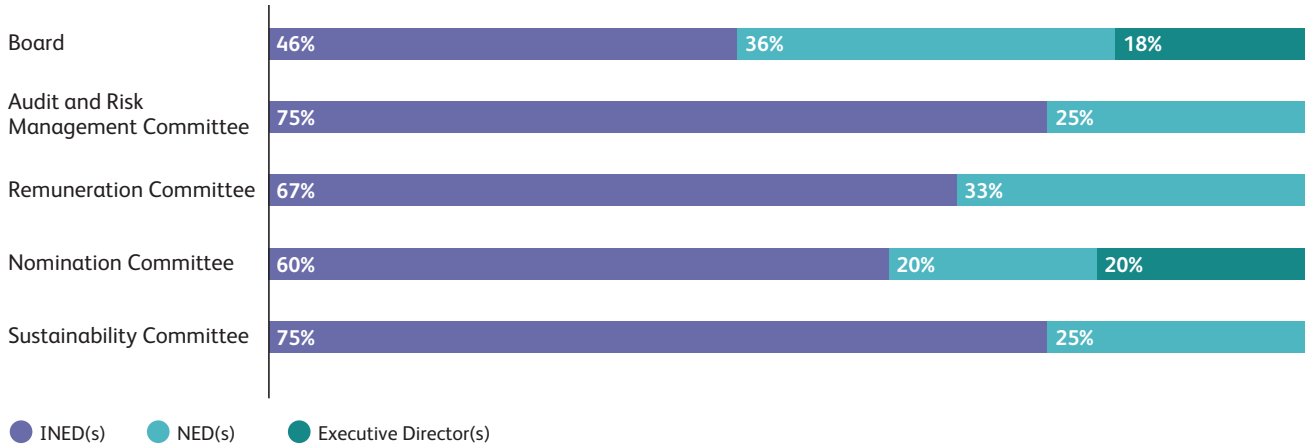
We are committed to upholding diversity of gender, background, skills and experience across our workforce, maintaining an appropriate level of female staff and ensuring strong female representation at the management level. As at 31 December 2022, (i) 47% of management positions were held by women, and (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:

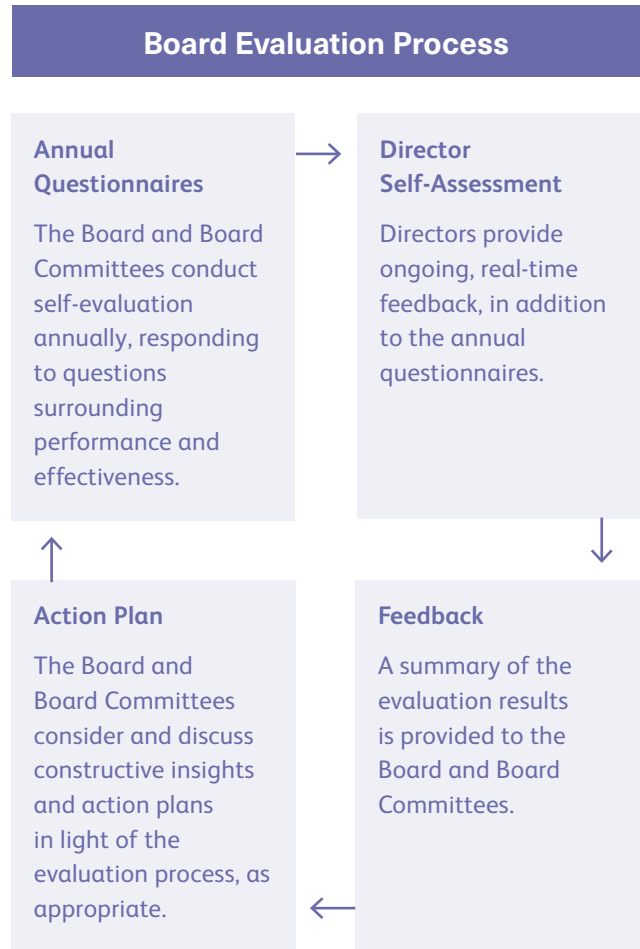
- **Leadership:** the roles of Directors, functions and effectiveness of the Board and Board Committees.
- **Composition:** Board structure, size, composition, commitment, independence and diversity.
- **Meetings and Processes:** proceedings of meetings, the integrity of financial statements and accounts, 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.

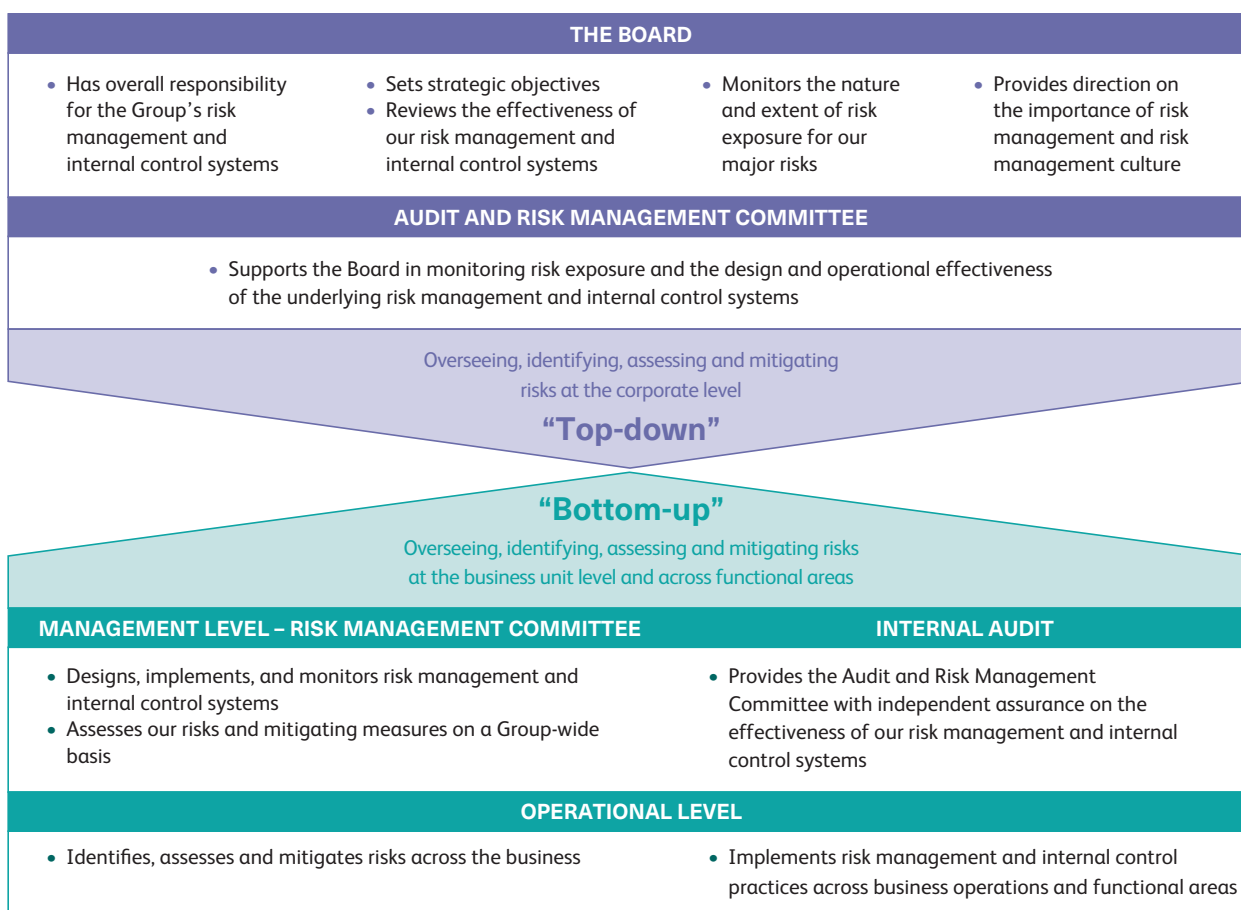
## OUR RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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

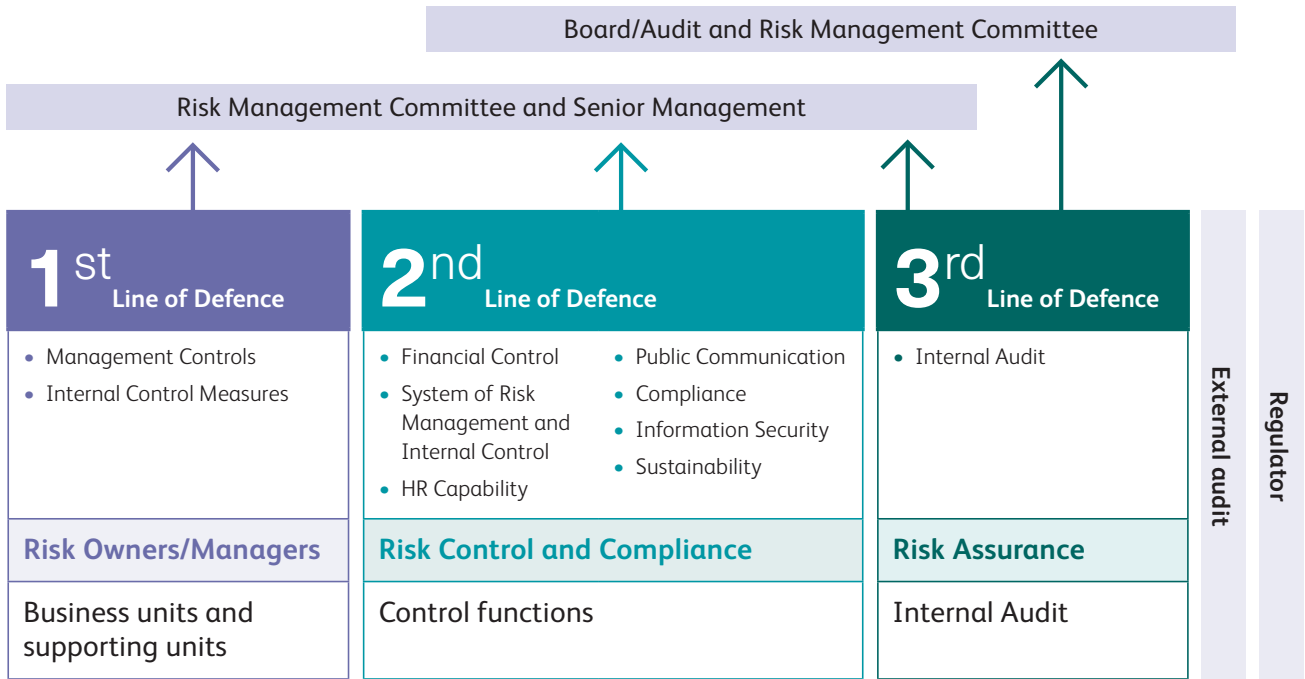
- Collate the residual risk status (after risk treatment) with the risk tolerance level for each key risk
- Determine any further actions needed to close any risk gap

##### 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>

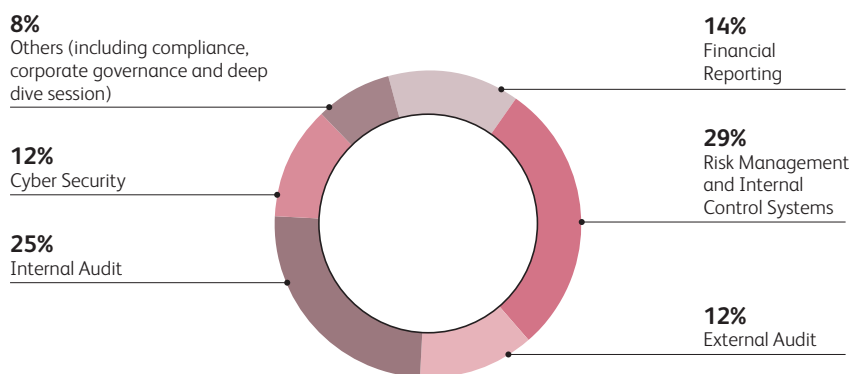
# Audit and Risk Management Committee Report

## 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**

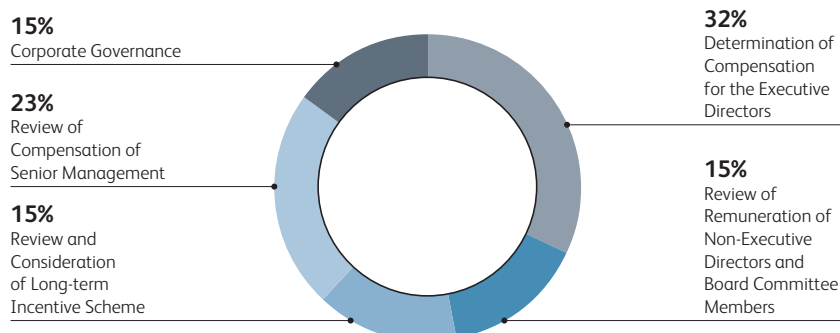
Hong Kong, 17 February 2023

# 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:

- (a) Risk-free rate: the approximate yields of 5-year Exchange Fund Notes traded on the date of grant, matching the expected life of each option.
- (b) Expected life of option: the period of five years commencing on the date of grant, based on management’s best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations.
- (c) Expected volatility: the approximate historical volatility of the closing prices of the shares of the Company over the past five years immediately before the date of grant.
- (d) Expected dividend per annum: the approximate average annual cash dividend over the past five financial years.

Members of the Remuneration Committee

**Fan Yan Hok Philip** (Chairman)  
**Poon Chung Yin Joseph**  
**Lee Tze Hau Michael**

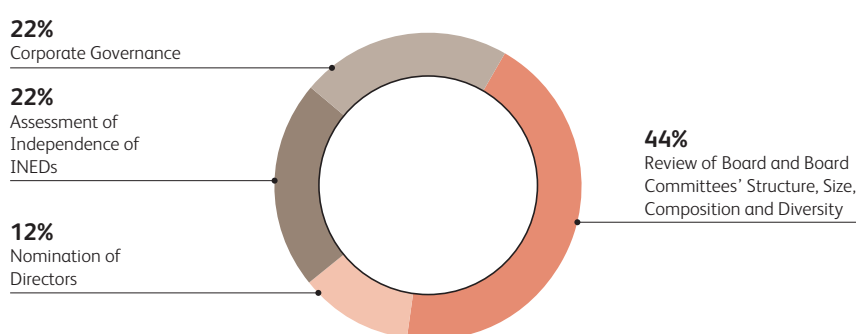
Hong Kong, 17 February 2023

# 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

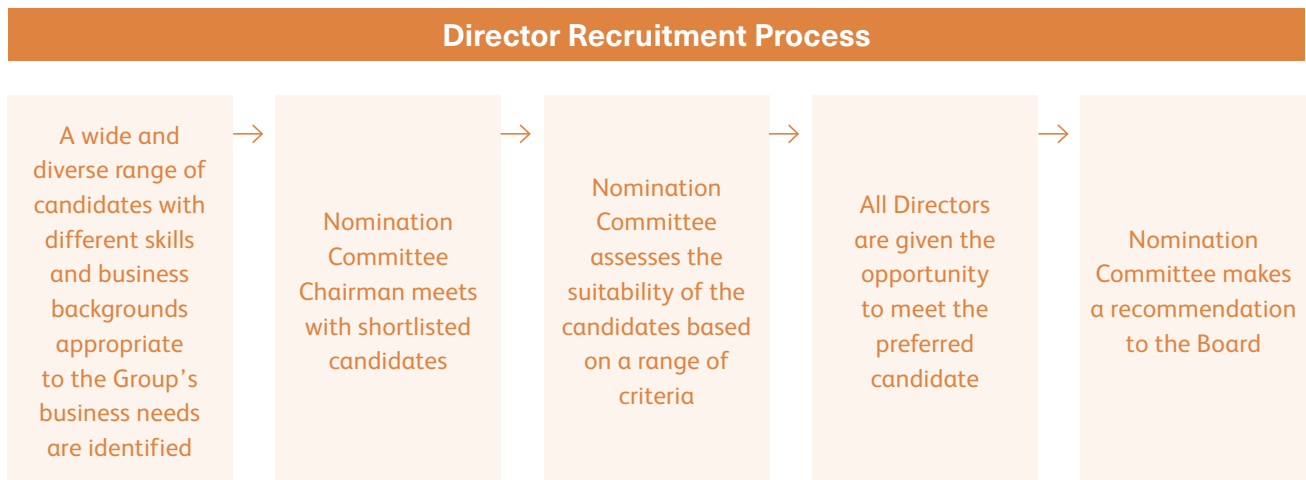


<b>Composition in 2022</b>	<p>Lee Irene Yun-Lien (Chairman)</p> <p>Churchouse Frederick Peter*</p> <p>Fan Yan Hok Philip*</p> <p>Poon Chung Yin Joseph*</p> <p>Lee Chien</p> <p>* INED</p>
<b>Independence Weighting</b>	60%
<b>Meeting Schedule</b>	<ul style="list-style-type: none"> <li>• At least one meeting 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**

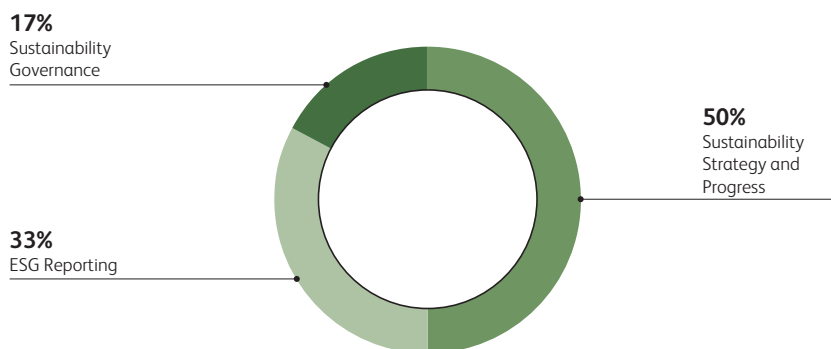
Hong Kong, 17 February 2023

# 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>	Jebesen Hans Michael B.B.S. (Chairman) Fan Yan Hok Philip* Wong Ching Ying Belinda* Young Elaine Carole* (appointed on 9 March 2022)  * INED
<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


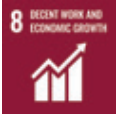


At Hysan, sustainability is embedded in all things we do, above and beyond mandatory requirements. Even when we were under the shadow of the pandemic, we continued to drive our sustainability journey forward. Our team was always on the lookout for opportunities to demonstrate our support to society, 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 (“Entrustment 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