Chair's Letter to Shareholders

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Chair

Results and Dividend

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

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

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

The Board recommends a final dividend of HK65 cents per share payable on May 19, 2023, to shareholders of record on May 5, 2023. If approved by shareholders, total dividends per share for the year ended December 31, 2022 will be HK86 cents.

Business Review

2022 was one of the most peculiar years I have seen for the Chinese economy and our business. Despite being two years into the pandemic, it would have been hard-pressed to imagine at the beginning of the year what we had to endure in the year that followed. Because of the pandemic controls, two things ensued. The first was the complete shuttering of all malls in Shanghai for two months. That took place in April and May. The second was that, throughout the year and particularly in the second half, infection cases popped up sporadically across the country, which was invariably met with the curbing of retail activities to varying degrees. In some ways, the second six months of the year were more difficult to handle for mall operators like us.

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

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

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

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

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

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

Olympia 66, Dalian

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

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

Spring City 66, Kunming

Heartland 66, Wuhan

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

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

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

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

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

Center 66, Wuxi

Grand Gateway 66, Shanghai

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

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

Prospects

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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