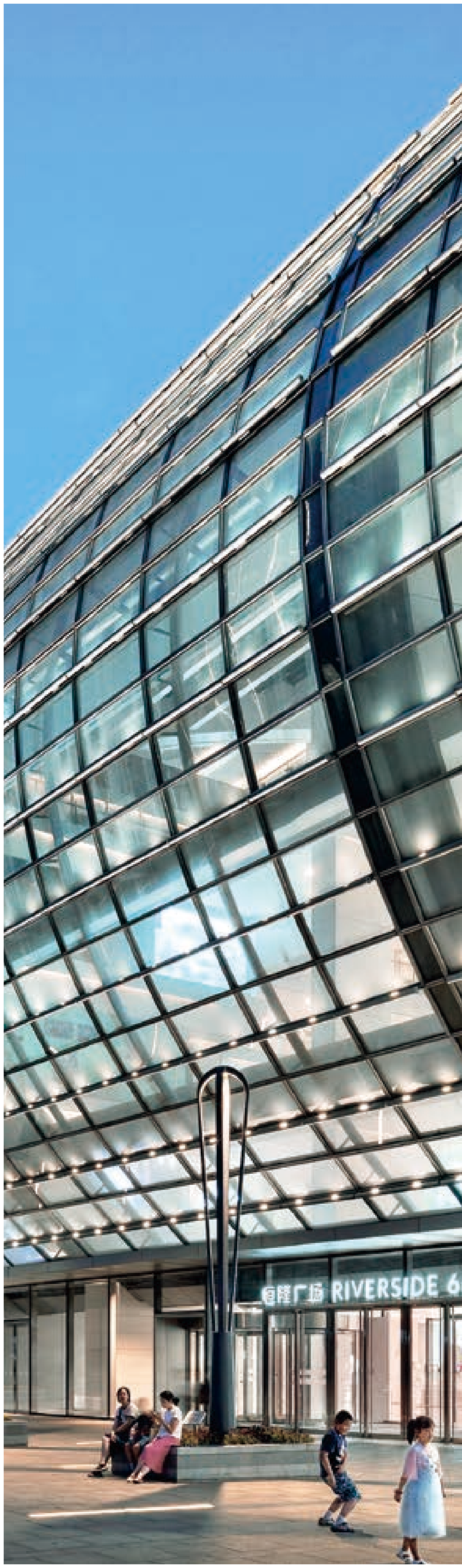
2023 ANNUAL REPORT

HANG LUNG GROUP LIMITED

STOCK CODE: 00010

恒隆集團
HANG LUNG GROUP



Riverside 66, Tianjin

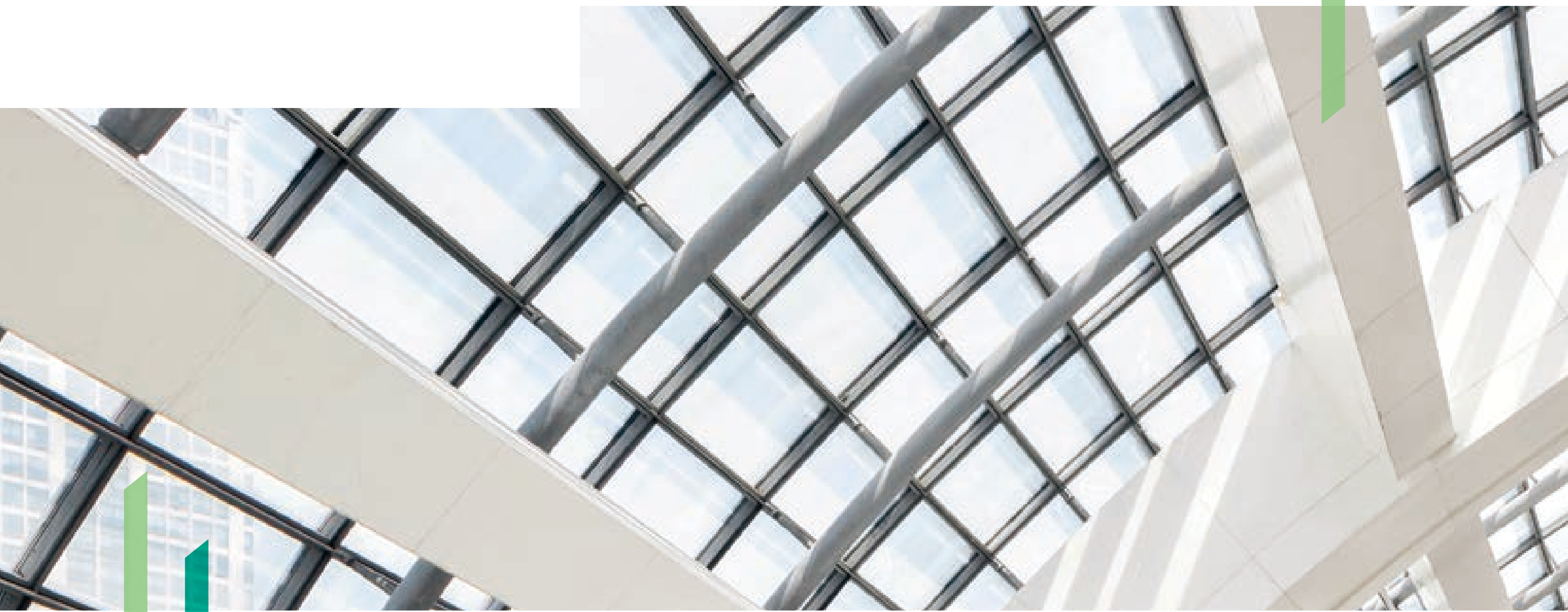
INHERITANCE
INNOVATION
SUSTAINABILITY

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

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

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

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



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CORPORATE PROFILE

Hang Lung Group Limited (SEHK stock code: 00010) is one of Hong Kong's most established listed companies with more than 60 years of experience in the property development market.

Through our subsidiary Hang Lung Properties Limited (SEHK stock code: 00101), we have cultivated a leading reputation as a top-tier property developer in Hong Kong and on the Mainland with a recognized commitment to customer-centricity and quality. Our substantial Hong Kong portfolio comprises well-planned, large-scale commercial, office, and residential developments for sale and lease in prominent locations.

In the early 1990's, we took a significant step in our expansion by making our first investment on the Mainland. Adhering to an ensuing strategy of developing prime sites in major cities, our diversified portfolio currently comprises properties in 9 Mainland cities of Shanghai, Shenyang, Jinan, Wuxi, Tianjin, Dalian, Kunming, Wuhan and Hangzhou. Through its luxury positioning under the "66" brand, our Mainland portfolio has established a leading position as the "Pulse of the City".

With solid growth and an expanded footprint, we recognize our increased impacts on the environment and communities in which we operate, as well as our responsibilities and obligations to future generations. Further to our outlined 2030 Sustainability Goals and Targets, we set out 25 new targets to be achieved by the end of 2025 ("25 x 25 Sustainability Targets" or "25 x 25"), as well as a long-term target to achieve net-zero greenhouse gas emissions across the value chain by 2050, pursuing quantifiable measures that will address significant sustainability challenges. These targets also provide a clear agenda for our ambition to become one of the most sustainable real estate companies in the world.

Together with our subsidiary Hang Lung Properties, **We Do It Well**.

OUR VISION

We create compelling spaces that enrich lives

OUR MISSION

We pursue sustainable growth by connecting our customers and communities

OUR VALUES

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

Integrity
Sustainability
Excellence
Openness

FINANCIAL HIGHLIGHTS

Results

in HK$ Million (unless otherwise stated)

	2023			2022		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Revenue	**10,879**	**2**	**10,881**	10,625	316	10,941
– Mainland China	**7,399**	**–**	**7,399**	7,218	–	7,218
– Hong Kong	**3,480**	**2**	**3,482**	3,407	316	3,723
Operating profit/(loss)	**7,844**	**(50)**	**7,794**	7,596	87	7,683
– Mainland China	**5,051**	**(44)**	**5,007**	4,886	(51)	4,835
– Hong Kong	**2,793**	**(6)**	**2,787**	2,710	138	2,848
Underlying net profit/(loss) attributable to shareholders	**2,953**	**(22)**	**2,931**	2,964	38	3,002
Net decrease in fair value of properties attributable to shareholders	**(120)**	**–**	**(120)**	(284)	–	(284)
Net profit/(loss) attributable to shareholders	**2,833**	**(22)**	**2,811**	2,680	38	2,718

	At December 31, 2023	At December 31, 2022
Shareholders' equity	**94,360**	92,819
Net assets attributable to shareholders per share (HK$)	**$69.3**	$68.2

Earnings and Dividends (HK$)

	2023	2022
Earnings per share		
– Based on underlying net profit attributable to shareholders	**$2.15**	$2.20
– Based on net profit attributable to shareholders	**$2.06**	$2.00
Dividends per share	**$0.86**	$0.86
– Interim	**$0.21**	$0.21
– Final	**$0.65**	$0.65

Financial Ratios

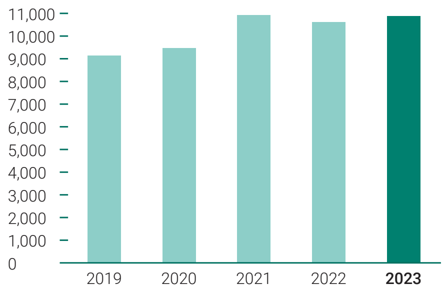
	2023	2022
Payout ratio (based on net profit attributable to shareholders)		
– Total	**42%**	43%
– Property leasing	**41%**	44%
– Property leasing (after deducting amount of interest capitalized)	**51%**	52%
Payout ratio (based on underlying net profit attributable to shareholders)		
– Total	**40%**	39%
– Property leasing	**40%**	40%
– Property leasing (after deducting amount of interest capitalized)	**48%**	46%

	At December 31, 2023	At December 31, 2022
Net debt to equity ratio	**28.6%**	25.9%
Debt to equity ratio	**32.7%**	29.6%

Property Leasing Revenue

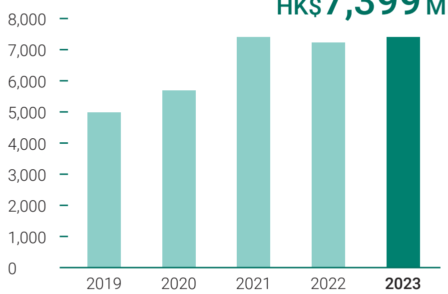
Overall

+2%
HK$10,879 Million



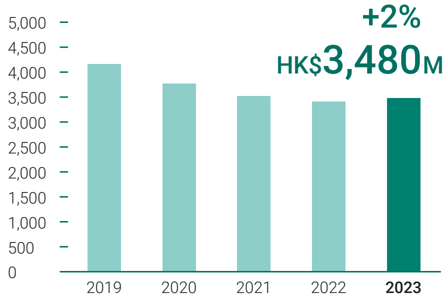
Mainland China

+3%
HK$7,399 Million



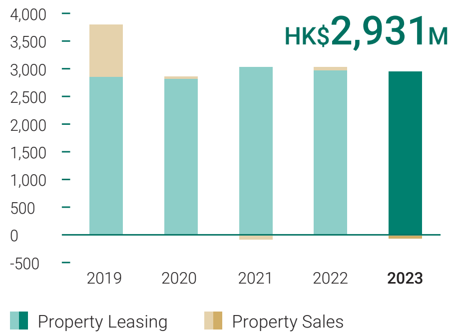
Hong Kong

+2%
HK$3,480 Million



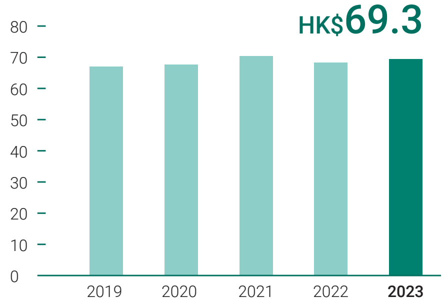
Underlying Net Profit

-2%
HK$2,931 Million



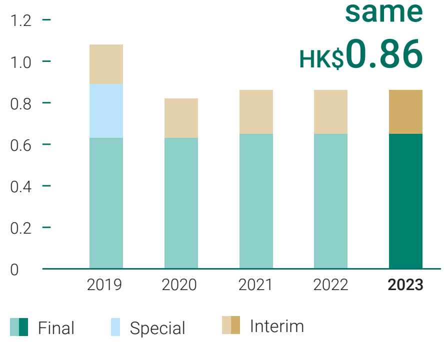
Net Assets Attributable to Shareholders per Share

+2%
HK$69.3



Dividends per Share

same
HK$0.86



Plaza 66, Shanghai

PLACES THAT CONNECT

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

Olympia 66, Dalian

Grand Gateway 66, Shanghai

CHAIR'S LETTER TO SHAREHOLDERS

Ronnie C. Chan
Chair

Results and Dividend

Owing to the depreciation of the Renminbi and lower contributions from property sales, overall revenue fell slightly by 1% to HK$10,881 million for the year ended December 31, 2023. Rental revenue increased by 2% to HK$10,879 million.

When excluding all the effects of property revaluation, the underlying net profit attributable to shareholders declined by 2% to HK$2,931 million. Underlying earnings per share decreased likewise to HK$2.15.

Net profit attributable to shareholders, after including all the effects of property revaluation, increased by 3% to HK$2,811 million. Earnings per share rose correspondingly to HK$2.06.

The Board recommends a final dividend of HK65 cents per share, payable on June 14, 2024 to shareholders of record on May 10, 2024. If approved by shareholders, total dividends per share for the year ended December 31, 2023 will be HK86 cents.

Looking Back

This is the last time I will write to shareholders, as I will soon relinquish all my executive duties at Hang Lung Group and its subsidiaries, including the publicly listed entity Hang Lung Properties (HLP). This will take effect on April 26, 2024, which is the date of our next Annual General Meeting (AGM). Thereafter, I will take on the title of Honorary Chair. This Board, as well as that of HLP, have appointed Mr. Adriel Chan to succeed me in all my present responsibilities. Since 2020, he has been our Vice Chair.

Because of this transition, I will depart from the usual format of this letter. Detailed operating results can be found elsewhere in this Annual Report. For my analysis of our 2023 performance, I refer readers to my letter to HLP shareholders as an approximation. Instead, I will devote this last letter to bigger issues that affect our industry and our business.

When I assumed the chairmanship of this Company on January 1, 1991, we were almost exclusively focused on Hong Kong. (In the late 1980's, we ventured into Thailand where we operated a small real estate company and owned a Grade A office tower for rental. We also bought assets in Australia and Indonesia. Soon after I took over the reins of Hang Lung, we exited all our non-Hong Kong businesses.) One of the first things I did as Chair, besides making certain necessary personnel changes at the top, was to study mainland China's economy. This resulted in our entering Shanghai in December 1992. Today, the Mainland accounts for 68% of our rental income, and the number is growing. This is why I have written extensively on the Mainland economy and society over the past few years. Those were times of explosive growth, and we greatly benefited therefrom.

During the same period, changes in our home city Hong Kong were no less spectacular after she was returned to the motherland in 1997 from colonial hands. The economy continued to grow, and business carried on as usual. This was why I have not written to shareholders on this city as much as I have on the Mainland market. The latter was new to us and it is where our future lies. Yet, in the past few years, Hong Kong has entered a new phase that has not been seen before. Hence, it is perhaps my last responsibility as Chair to present my views on our home city. To be sure, we have no intention of moving our headquarters anywhere else. There is no other city better suited than Hong Kong to conduct our business.

Let me state at the outset that we have never lost faith in this city — not before 1997, and not today. To be sure, Hong Kong is no longer the same as it was in the past, but that does not mean that "Hong Kong is over", as an American friend of mine recently wrote. Hong Kong is simply different now. We should understand what made the city what it was then, and what made it what it is today.

Let me begin by recalling a personal encounter I had once shared with our shareholders. In June 1995, two years before Hong Kong's return to Chinese rule, a Western business magazine published a cover article suggesting that Hong Kong was "dead". The author was a friend of mine who has unfortunately since passed. After reading the article, I contacted him and flew to the U.S. East Coast to point out why I thought he was wrong. He seemingly accepted my arguments and promised to publish another article to incorporate some of my points. When the article came out in September 1996, 15 months after the original piece, half of it was about me personally, and in the other half, he hardly presented my views. I was disappointed and flew back to see him again in Washington, D.C. This time, he offered to publish my piece if I would write it. I obliged, but when it finally appeared in print in January 1997, 19 months had passed since his original article. The damage to Hong Kong was already done. The title of his first piece was so sensational that it was a simple case of character assassination.

Was it the biased mind of a journalist who wanted personal fame, a publishing house that wanted to boost magazine sales, or was there a political motive? We will never know.

Fortunately, events subsequent to 1997 disproved my friend's writing. Hong Kong continued to thrive. Ten years later, the magazine published an article admitting they were wrong. (That boosted their sales as well!) Given this history, I suppose I, too, have some grounds to now voice my opinion on Hong Kong. After all, before 1997 and soon after, I must have been the local private citizen who visited the West the most to tell the Hong Kong story.

To be sure, the success of Hong Kong before and after 1997 was, until recently, unsustainable in one critical aspect. Our economy was much too reliant on real estate. From what I can tell, the colonial policies that began in the 1970's systematically built up a property bubble. Since the government controls all undeveloped land, which accounted for over 70% of the total, by deliberately releasing it in measured quantities, it was not difficult to manipulate the direction of land price. As a result, for decades, our city had, by far, the most expensive land and residential prices among any major metropolis in the world. Real estate-related income regularly accounted for 30%-40% or even more of total government revenue. This kept corporate profits tax and personal income tax low and brought about many benefits: it attracted foreign businesses to Hong Kong, the high property prices had a wealth effect on our citizens, it gave the appearance of economic vibrancy, and the colonial master could repatriate the maximum amount. It seemed to be a win-win for all.

During the Sino-British negotiations before 1997, the Chinese government feared that London would sell off as much land as possible at high prices and send the proceeds to the United Kingdom. As a result, Beijing insisted on an annual cap of 50 hectares on land sales before 1997. Land prices, in fact, peaked on June 30, 1997, the very last day the British ruled Hong Kong. How odd! After a temporary lull during the Asian Financial Crisis, prices resumed their sharp rise because of limited supply.

On the other hand, mainland China grew economically by leaps and bounds in those years. Double-digit annual increases were not unusual. Hong Kong both contributed to this growth as well as benefited from it. As long as these set of conditions lasted, expensive real estate seemed acceptable. However, it also generated tremendous social problems. Consider the fact that the size of a median home was less than 50 square meters. With an average household of approximately three people, the per capita space was only about 15 square meters. This was one third that on the Mainland, and was one of the lowest in the world given the level of our economy. There was much dissatisfaction in society, which partially fueled subsequent social unrest. At the least, it served as a convenient excuse for social discontent.

Given these conditions, real estate has grown to become the dominant sector of our economy. Other traditional pillars also did well post-1997, such as financial services, trade (including logistics), and tourism. They all benefited from the rise of China. Yet, none can rival our industry in importance — its supply chain is the longest, from construction to home furnishings and sales agencies, etc. But in the long-term, is having the world's most expensive home prices desirable or sustainable?

It seemed that, in those years, nobody bothered to talk about it. With strong economic growth in mainland China on the one hand and Hong Kong land supply constrained on the other, property prices could only keep rising. It was a short-term boon to society but a potential long-term problem. Prices had reached staggering heights.

The increase in home price was perhaps the most troubling because of its impact on society. Apartments became smaller and smaller — our average dwelling size was half that of crowded Tokyo. The inability of young people to own homes became a serious social issue.

Because of Hong Kong's small geography, land for Grade A offices was in short supply, which explained the high rents. Retail space was also expensive because of high population density, a strong economy, and rising salary levels. This lasted for decades.

Earlier, I explained why land supply was kept deliberately low pre-1997. Thereafter, a new reason was added. The land sale mechanism, in the form of a quasi-governmental body instituted by the British not long before 1997, continued by and large. However, the domestic political and social atmosphere have changed. Oversensitivity towards social equity prevented decision makers from selling land. They were fearful of being accused by anti-government politicians of selling cheap to benefit wealthy developers. Consequently, land transactions became unreasonably low, resulting in sky-high prices. It was a disaster in the making.

Ironically, the anti-government politicians, who were supposed to fight for the well-being of the average citizen, had seriously hurt the society by keeping real estate prices super high. The fact is, they only cared for their own political objectives. Hong Kong was not unique in the world in this regard, but the intensity of political infighting before the National Security Law (NSL) was enacted in June 2020 was particularly toxic. In a sense, one may say it was the NSL that finally broke the decades-long curse of exceptionally high property prices. It did so by limiting or removing the selfish and undesirable practices of some of the then legislators.

As in almost everything in life and society, the bad comes with the good. Lowering housing prices is necessary when nearly half the population cannot afford to own homes. It is also good for the city's long-term competitiveness. However, the majority of our citizens who are current homeowners will likely suffer some form of asset depreciation. There will also be a negative wealth effect on this group of more affluent members of society. The transition from an undersupply to an adequate supply of land will gradually alter many of our citizens' belief that investing in property can never go wrong. This is a process our society must sooner or later face.

Besides changes in the real estate sector, another related issue that has fundamentally transformed our society is the role of politics. Before 1997, the colonial master ensured that this subject was strictly forbidden. Democracy was never allowed here until the British realized that they would soon be compelled to relinquish Hong Kong. It was a deliberate effort on their part to make this place ungovernable come 1997, and they succeeded royally. A city formerly driven primarily by economics has become a political jungle.

It is doubtful if Beijing anticipated this when they negotiated the return of Hong Kong or during the drafting of the Basic Law. After 1997, it seems that they were either unaware or chose to do nothing about it. An undisputable fact was that, for many years, Beijing was too lenient in handling Hong Kong's affairs. Remember the mantra those days: the best way to manage Hong Kong was to not manage it at all. They misplaced their trust in most Hong Kong people, and also underestimated the British.

In the early 2000's, at a very small private dinner, I had the opportunity to express my views on Hong Kong to a former ministerial-level friend from Beijing who was on the front line of the Sino-British negotiations. I told him that, while Beijing believed that China had succeeded in ensuring Hong Kong stable and prosperous after the handover, the British had actually loosened the ropes underneath the tent. My friend was so offended that we never saw each other again. A few years later, when some Hong Kong youth waved the Union Jack on the streets of Hong Kong in protest against the government, he could not stand it anymore and publicly condemned those youngsters. Well, he should have known.

Whatever the case, the situation in Hong Kong continued to deteriorate, culminating in the horrific riots that broke out in the second half of 2019. The introduction of the NSL was the only way to restore order and peace. Frankly, Hong Kong was probably the only jurisdiction in the world that had practically operated in the absence of security laws for over two decades. Something had to be done, and hence the introduction of the NSL.

For better or worse, such is what this city lived through. Before the NSL, ours was a politically torn society. History has taught us that it could not end well. Without the NSL, our streets would remain chaotic, and no economy could thrive under such circumstances. It is much better to have the security law. To make things tougher, the riots were immediately followed by three years of the pandemic, which exacerbated the economic woes and delayed the healing process.

Then, something happened, equally serious if not more so. America's attack on China has now been extended to Hong Kong. For the first time, the West wrongly denied the existence and practice of the "One Country, Two Systems" construct. Hong Kong was embroiled in local politics before the NSL of 2020; now, the city is caught in the crossfire of international politics. Under the British rule before 1997, we were at peace with the world. Under the "One Country, Two Systems" construct after 1997, we were acceptable to the West. All that has now changed.

For the past two decades and more, I have advocated that we continue our engagement with the world, while taking advantage of the rise of China. In the past, our citizens knew something of the West, but we lacked a deep understanding of the Mainland mainly due to ideological reasons. But since our motherland was one of the world's fastest growing major economies, failing to forge strong ties with her could only be detrimental to ourselves. Now, the table has somewhat turned. Hong Kong has no choice but to collaborate closely with the rest of China, for it is becoming increasingly difficult to deal with the outside world. In the past, the West welcomed us; now, for political reasons, they shun us. But we have no alternative — being a city economy, we must work with everyone.

So, to summarize, there are three major factors that constituted Hong Kong's change: unfortunate problems around the 1997 return; the consequences of COVID-19, and collateral damage from the escalating China-U.S. tensions. Here are some related issues critical to our future.

To be sure, Hong Kong people do not know how to manage the system left over by the West. This is further complicated by the fact that many of our citizens previously fled here when there were problems on the Mainland, be it in 1949, the famine of the early 1960's, during the Cultural Revolution, or after June 1989. They were not predisposed to support Beijing. As such, it was easy to emotionally alienate them from the motherland. The colonialists were thus able to cultivate a populace who had no national identity whatsoever. This is indeed rare in the world.

Given the propensity against Beijing, the situation after 1997 was ripe for agitations both from within and without. Hong Kong became an anti-Beijing hotbed that led to the most violent 2019 riots. The opposition was calling for a regime change. There were also clear signs of foreign intervention — foreigners were found directing activities on the streets. In hindsight, perhaps one should not be surprised by all the troubles we experienced in the 23 years before the introduction of NSL in 2020.

A critical question here is not just how to resolve the immediate economic problems, but how to foster national identity and who should lead the effort. Few in Hong Kong are thinking about these issues. As we all know, national identity cannot be demanded but must be nurtured over time. Mr. Lee Kuan Yew, the former leader of Singapore, successfully achieved that for his country from the 1960's to the 1980's. If no one proactively and wisely work at it, it will not happen. Such is the critical challenge facing Hong Kong and Beijing today.

Some Hong Kong citizens have complained of late that local officials are today more "left" than Beijing. There is considerable truth to this. But taking into account the history of not having a national identity or emotional attachment for a century, some overshooting is inevitable. No pendulum can suddenly stop at the midpoint.

The three years of the pandemic also severely impacted Hong Kong. Being part of China and increasingly reliant on the Mainland economically, we had no choice but to follow their approach in combating the virus. The outcome was that we became closed off from both the rest of China and the outside world. That was the worst possible scenario for our economy. Many foreign professionals relocated elsewhere, some after having lived here for decades.

As to the full-fledged attack on China by the U.S., troubles had already been brewing for at least three decades, but never have they been more acutely felt than today. Just consider the drastic fall in the stock market transaction volume when most Western capital is forbidden to invest in Hong Kong. I believe that more attacks will come our way, yet most of our citizens seem oblivious to them. That said, this is a national issue, not just a local one.

To forge closer economic ties with the Mainland, we need to improve our knowledge of the country. As a first step, the people of Hong Kong must brush up on our Putonghua. (In Hong Kong, we speak primarily Cantonese, besides English). The huge market up north exerts a strong pull. Now, we also have a push factor — the West is driving us to work more closely with the rest of China.

This is not to replace the outside world. Rather, we must redouble our efforts to better understand and connect with them. Moreover, Hong Kong cannot afford to focus only on the U.S. as we tended to do in the past. Now, we need to venture further afield to collaborate with much of the rest of the world. For those regions in the world with which we place hope for new economic ties, our business people will have to quickly come up to speed in terms of knowing their language, customs, history, and systems. Much learning will be required.

Another thing Hong Kong must do is swiftly enhance our proficiency and adaptability in high technology. The world is advancing in that direction, and our primary economic counterparty, mainland China, is among the most advanced in that regard.

Given the above, it is clear that Hong Kong has transformed significantly from what it was in 1997 and the first two decades that followed. The prosperity we enjoyed back then was based on unsustainable factors like high real estate prices. Major changes were inevitable, although no one could have predicted how they would come about. It turned out that the process was quite unpleasant such as the 2019 riots. It is now time to develop a new model that befits new realities domestically and internationally. After all, change is the only constant in this world. When the external environment evolves, every person, city, or nation must adjust to survive and thrive.

Whilst have already written much about mainland China in previous years, I should nevertheless summarize my views here. Only by adequately understanding the past and the present do we have a chance of more accurately predicting the future.

For about two decades, China was very hot as a destination for investment from around the world. Its seemingly unlimited market was a strong lure to capital and talent alike. The enthusiasm was, for the most part, well-founded. It was based on genuine economic growth. I remember attending, in the mid-1990's, my first board meeting of a then prominent U.S. high tech company that was doing business in mainland China. An item of management reporting was the repatriation of half a billion U.S. dollars to America. The money was transferred without a glitch.

In the past few years under the present U.S. administration, international investment in China has turned cold. Very cold! There is no denying that China is today facing serious economic challenges. Over the past four decades, Beijing has also encountered all kinds of severe problems, both economically and politically. Recall the post-Tiananmen years after 1989, or the banking crisis of the 1990's with the triangular debts.

This time, however, is different in one material respect. Previously, the problem only surrounded economics or domestic politics. This time, there is the addition of a malicious element, namely, international politics. Purely economic issues then and now can usually be resolved. But, for several generations, humankind has not seen a time when the strongest nation in history picks a fight with an enormous, fast-rising number two.

This is Thucydides' Trap par excellence. The last major incident of this sort occurred in the 19th century when the U.S. rose powerfully, thus challenging Great Britain, the dominant power at that time. The enormous amounts of natural resources in North America and a fast-growing population were difficult, if not impossible, for the U.K. to match. Given a less globalized world then, there was sufficient room for the two powers to coexist. They simply divided spheres of influence — the U.S. dominated the New World, while Britain continued to extract wealth from her many colonies, from India and Myanmar to Malaysia and as far east as Hong Kong.

The same cannot be done today. Technology has created a truly globalized world where the top two nations, at odds with each other, will inevitably engage in a comprehensive confrontation, encompassing almost all fields, sparing no geography or industry. This is something that the world has never seen. The U.S. is determined to do all there is within her power to suppress China's rise. It is an all-out war, just short of kinetic actions. The likelihood of a hot war is not high, given the nuclear arsenal and mutual assured destruction, but that does not imply a less brutal conflict. It is a new kind of modern warfare that encompasses cyber, currency, deep-sea, and space, and not just trade, natural resources, or traditional weaponry.

Over the past 30-some years, there were numerous military and economic confrontations, but each time, for their own reasons, both sides kept the problem out of the public eye. During the Trump administration, however, many of them bubbled up to the surface. At that time, trade was what caught the world's attention. Now, the U.S. has made it clear to the world that the contest is comprehensive in nature by raising it to the level of national security. Patriotism became synonymous with anti-China, to the extent that no one in America today dares to speak otherwise. The media chimed in to powerfully propagate the message domestically and internationally. All pro-engagement people dashed for cover. There is an almost unanimous consensus within the country.

One of the most dangerous flashpoints is, of course, the Taiwan Strait. For decades, Washington has all but openly supported the pro-independent political party on the island. In the past, those in America who were against China kept a low profile. There was minimal public awareness, until the last administration.

Now that the China-U.S. conflict is a matter of national security, anti-China sentiments are in the open, rendering the Taiwan Strait even more treacherous than before. During the 1996 Taiwan Strait crisis, two U.S. aircraft carriers were dispatched there but were careful not to enter the Strait at the most sensitive time. Today, U.S. military vessels regularly go through the narrow body of water. Merely five years ago, it was unimaginable that any U.S. congressman could visit Taiwan. A year and a half ago, the Speaker of the House spent two days there on a high-profile visit. America is clearly provoking Beijing.

In response, China understandably feels like she has no choice but to strengthen its arsenal, as only military strength has a chance of guaranteeing peace. Today, Beijing is no longer without the capability to protect herself. Such is the only way to avoid trouble. This, and other reasons, indicate that kinetic action in the Taiwan Strait is unlikely. Moreover, problems in other parts of the world, namely the Middle East and Europe, may divert America's attention. Contrary to widely held opinion, I believe there is a fair chance that the Pacific may be a relatively peaceful part of the world in the next five to 15 years.

This, however, does not mean smooth sailing for China. Besides having to address its present economic woes, keeping the domestic society stable and calm is always of the highest priority to Beijing leaders. The two issues are of course related. Provided the country is able to maintain social cohesion, and I believe she will, her economy will continue to grow.

Some Western commentators often suggest that China would face the middle-income trap like many Latin American countries. Whoever says that is probably unaware of the impressive vibrancy of her tech sector. Possessing the world's largest cohort of engineers will ensure productivity gains. Just as China is already among the world's most advanced countries in terms of digital software applications, the contest initiated by the U.S. is undoubtedly helping China to build her high-tech hardware prowess.

Today, the West loves to say that China is "uninvestable". Such is the political talk propagated by their politicians. It bears little resemblance to the economic and technological realities on the ground. To be sure, China is far stronger in multiple critical dimensions than many Western-approved countries for investment. China is "uninvestable" only because the West says it is.

Such is the external environment we find ourselves in. When I first took over the chairmanship of this Company 33 years ago, China was in its early stage of opening up and economic development. Many people, myself including, were apprehensive, but subsequent years saw tremendous opportunities in the booming market. Hong Kong, on the other hand, also faced uncertainties related to the city's return to Chinese rule. She, too, thrived economically in the years leading up to 1997 and thereafter.

Our challenge back in 1991 was that the Company was financially weak and lacked a clear direction. There was no strategy to speak of. By venturing into the Mainland high-end commercial property rental business, and by strategically timing our property acquisitions in Hong Kong, we gradually re-established our foothold in the market. Today, our finances are healthy, and we have one of the strongest brands in commercial real estate in China.

As I pass on the baton of the Company to the next generation, they now face a set of circumstances very different from what I faced 33 years ago. In fact, the situation is quite the opposite. Today, the Company is in good shape in all critical aspects. However, the external environment is deteriorating. Frankly, I see no end in sight. The only fortunate thing is that our founder started the Company in Hong Kong, right next to what later turned out to be a giant mainland Chinese market. I believe that it will remain a reasonably good place to invest.

If my analyses above are not too far from the realities in the coming years and decades, then the Company should do well.

Looking Ahead

Not wanting to hold back the free hand of my successor and his team, I ought not go into too many specifics. That said, I am gratified to report that whatever strategies we now have were jointly developed by my successor and myself over many years. It is as much his strategy as it is mine. Over time, however, changes may become inevitable as the external environment evolves. I am confident that our management team under the new leader will be able to adapt appropriately.

In the meantime, we can count ourselves fortunate to be in the right market and in the right industry. When surveying the globe, two markets stand out. They are both big and vibrant, namely, the U.S. and China. Since we have operated successfully in Hong Kong (which is part of China) for 63 years, and have been on the Mainland for over 33 years, there is no reason to go anywhere else. After all, what competition advantage do we have elsewhere?! While the U.S. economy may grow annually by 2-3% in the next 10 to 20 years, the number in China may be closer to 4-5%. As such, we are in the right place. And within that market, the luxury retail sector, while small in absolute size, shows steady to rising growth. The industry annual increase may be a few points above the GDP growth rate. If, as expected, we can outperform most peers in our business, then we are aiming at an annual growth rate of about 10% for many years to come. At the least, an average yearly organic rental increase of high single-digits may be achievable. I also expect further expansion of our portfolio.

Such a rise in our business obviously needs an outward environment with which to cooperate. If China is unstable or her economy remains weak, then it will be a different story. As my readers should know by now, I believe that China should be able to remain socially stable and the market should continue to grow. Like everywhere else, there will be bumps along the road, and the Chinese system tends to have bigger bumps, but it also has the ability to learn and adjust. Such was the case for the past 40-some years since the nation's economic reform and opening in 1978. The fact that the ruling party remains unchanged allows the country a better chance of retaining any lessons learned. Her experience in recent decades has been one of constantly adapting and adjusting.

To the West, such a system is an anathema, but to the Chinese, this is how they live by — this has been their practice for several millennia. As Dr. Henry Kissinger repeatedly said, China was at the height of human civilization economically and culturally for much of the past few thousand years, when the Europeans were still living in caves. As such, it is not self-evident that the Chinese need to learn from the West. Learn they will, and learn they should, as they have demonstrated in recent decades. But adopting Western practices in its entirety is another matter. The success of the West and its present system are much shorter in the context of human history, and its longer-term viability is yet to be proven. Moreover, the West is supposed to celebrate diversity (while China values conformity), so why criticize others when they are different. Is it not hubris?

To be sure, because of China's sad history in the past 200 years — also a result of its social and political system — she must learn from the West to catch up. She has done exactly that and is still learning. But what she should learn and what not to is up to her. Every individual, nation, or people must bear the consequences of their own choices. The same system that plunged the country into poverty in the past two centuries also produced millennia of affluence before, and restored prosperity in the past few decades. For example, in no time in history has a country, especially one as populous as China, lifted so many citizens out of poverty, like China did in the last 40 years. It is a human experiment that should be celebrated by all, and not just the Chinese. Much of the world is still poor, so surely there is opportunity to learn something from this enormous and ancient country.

Allow me to present two cases on the Chinese way of doing things that is markedly different from the West. The first is a little philosophical. As I have long written, because of its Judeo-Christian heritage, Western civilization tends to view the world through a zero-sum prism — it's either me or you. This comes from their monotheistic religions, where it is either God or Satan, heaven or hell, and salvation or perdition. As a result, the dominant Christianity is strongly evangelical — to convert all heathens to their way. These philosophical and cultural traditions strongly influence the behavior of Western nations today.

Interestingly, there is hardly any religion in the Chinese civilization. There is not a personal god or gods; they only have what they call "heaven" which is a vague concept and is entirely subject to individual interpretation. Even Buddhism, which China imported from India over a millennium ago, in its pure and original form, does not involve deities. It is more akin to a philosophy.

To the Chinese, everything has two aspects of "Yin" and "Yang". While in opposition to each other, they also strongly complement and supplement each other. Both sides not only should coexist; they must coexist. One cannot exist without the other. This is why the Chinese leadership in recent years has raised the concept of "A Community with a Shared Future", which the West seems hard to grasp. They either ignore or reject it!

Let me cite a second case that is far more pragmatic than philosophical. Having observed the Western financial system that has produced great volatility that can seriously damage the real economy, Beijing came to the conclusion (as many of us did long ago) that finance should be a service and not become an end in itself. Finance is a necessary tool to facilitate the economic activities of producing goods and services for society. Simply put, let finance primarily serve the real economy and not damage it. Financial service is necessary and good, but financial industry not necessarily so.

The question is, of course, where to draw the line. Due to the abundance of wealth accumulated over decades of relative peace after World War II, there is now so much capital in the world. Using money to make more money becomes a very lucrative business, resulting in the rise of the finance industry.

Consider the emergence of two businesses. In recent decades, investment banking (making money with other people's money) and private equity (making money through other people's companies) have risen to the top of the economic hierarchy. Yet, only 30-some years ago, investment banking was regarded as a less respected cousin of commercial banking.
Now, investment bankers have become the elite because they often have much higher compensation levels than the traditional commercial bankers.

Before the 1990's, no one would award private equity (PE) practitioners the same respect usually reserved for the CEOs of major corporations. Today, the best PE managers make a lot more money than those who directly run big businesses. A few of the former add value beyond just investment dollars, but most of them do not.

These are clear signs of the rise of the finance industry, which has overshadowed the financial service industry. Worse still, many investment banks began to run money for their own account rather than only serving the financial needs of their clients. Are there not conflicts of interest? Sure, but there are always ways to mitigate their appearance of self-interest.

I have long observed a phenomenon among young people in mainland China in the past two to three decades. When the country was still rather poor and needed capital, the brightest and the offspring of privileged families flocked to become investment bankers, as they could make a lot of money. Undoubtedly, they serve a real and necessary economic function of channeling foreign money into the capital-hungry and fast-growing economy of China. The danger is that those young people are no longer willing or interested to work in manufacturing, which usually makes significantly less money. Their personal career decisions are understandable, but it is concerning that the smartest would gravitate en masse towards the finance industry over the manufacturing of real products for society. In most cases, the compensation of investment bankers far outstrips those of the company CEOs they serve.

Over the years, I have used investment banking services. They do perform a necessary economic function, especially in capital raising. When I compared the bonuses of those young investment bankers to the value they truly deliver, however, it was altogether out of balance. It is the investment banking network that gets the job done, and I am happy to pay for the benefit derived therefrom. But I shake my head when I learn the amount of money that goes into the pockets of those young bankers who do not create much real value. Some of them are better paid than the CFO of sizable companies, who delivers real value day after day.

In order to earn fees, investment banks with ample money and a bevy of smart brains have created many highly complex financial products. They are so complicated that frankly I doubt if those salespeople even know what they are selling. These activities can unnecessarily create huge volatility in the market that will periodically trigger financial crises. With ever faster computers to help churn money around the globe, the velocity and so transaction volume became so big that can overwhelm sizable economies. That was at the root of the crises we have experienced in recent decades.

Western economies extol market efficiency and believe that such periodic tsunamis are a necessary evil, huge damages to the real economy notwithstanding. The Chinese, on the other hand, value stability above all else, and would like to avoid financial crises if at all possible. Until a few years ago, China was poor and had to play by Western rules, including those in the capital market, in order to receive financing. But as China's economy grows and accumulates wealth within the country, she would prefer stability in the domestic market. This, I believe, is the main reason why Chinese leaders have recently pronounced that, whilst financial services are good and necessary, let us make sure that finance does not become an end in itself. In other words, they are not keen to develop a finance industry. Otherwise, the tail will sooner or later wag the dog.

In this regard, it is helpful that the salary of investment bankers since the 2008 Global Financial Crisis (GFC) has been lowered somewhat. But because success of the West is too far rooted in the supremacy of market efficiency, there is a huge inertia to more fundamental changes. The last GFC almost brought down the global economy, and yet it failed to bring real changes. I fear that it will take a greater disaster to wake them up. A philosophical reorientation of the Western mindset is necessary to reverse the over financialization of their economy, something that Beijing is trying to avoid. I believe that a better system is one which incorporates some elements of the West and the East.

Such is human nature. Unless forced to a corner, we do not want to change. China is now confronting serious economic difficulties that only certain reforms will be able to overcome. Today, the West is perhaps facing even greater challenges that are rooted in more fundamental ethos. Yet, former successes have blinded people to see such problems, and hubris has prevented necessary self-examination and change. As a result, today we are living in dangerous times!

There are no hard-and-fast rules to delineate between the financial service industry and the finance industry. Nevertheless, it is useful to be cognizant of the differences, and not to overindulge finance as a stand-alone industry for its own sake. This way, future crises may become less frequent and less disruptive to the real economy. One should not forget that financial upheavals can render the victim economy less competitive in the longer-term. In some societies, like in Latin America, similar disruptions could even trigger social instability, although their problems were primarily due to economic mismanagement and corruption.

For now, however, there is no denying that the U.S. economy has in recent decades been excessively financialized. Wall Street has grown out of proportion, while the Rust Belt is fading. Lifestyles in these two regimes are vastly different. Young people no longer want to roll up their sleeves and enter manufacturing. Some New Yorkers may even have a sense of superiority over their peers in Detroit or Pittsburg. The same may be true of Chinese investment bankers who look down on others. Well, money has a way to corrupt morals. Unbridled materialization sets in, which has brought down civilizations in the past.

Most Americans have faith in the self-adjusting mechanism of the market economy. True indeed, but the time it takes may be very long, and the pain before adjustment arrives may become unbearable. Let no one underestimate the greed in all of us. A market that swings too wildly can get out of hand. During the GFC of 2008 — to be more accurate, it was primarily a crisis of the capital market led by the West — many countries, including the mighty U.S.A., were on the brink of an economic collapse. We could have easily fallen into the abyss. Will our luck hold next time? I worry!

For the Chinese market, Beijing did not prescribe caution for ideological reasons. They are just being pragmatic. In the face of anticipated dangers, Chinese leaders warn her own people. Such was the trait Mr. Lee Kuan Yew employed to build Singapore, by being pragmatic almost to a fault. Learning therefrom, China is doing the same today. Perhaps more than anyone, the Chinese know the pitfalls of being ideological. Just look back at the country's history before economic opening. Every ideology has some legitimate aspects, but anything elevated to the level of dogma, especially when it neglects practicalities, will likely plunge the country into trouble. It can be extremely difficult to extract oneself from it.

The Western system, rooted in its unique philosophy, has many strengths that have benefited those who have adopted it. But no system is perfect, and none is without an Achillies' heel. It is much safer to be open-minded and always ready to learn and improve. Otherwise, the next financial crisis will arrive sooner than expected.

There is no straight path to progress; there will always be twists and turns. A country that can learn from its mistakes will in the longer run advance faster. For that, pragmatism is essential. In the past 40 years or so of China's economic opening in the Mainland, this was what propelled government policies. We have witnessed how sudden anti-COVID measures were lifted. Many believe that Beijing is today turning ideological again, hence less pragmatic. I am not convinced. There are many critical issues unbeknown to us, and I can only speculate what may be the true situation. What I do know is that, leaders from time to time had to make adjustments to adapt to new realities. I trust that the same holds true today. We should never forget that the legitimacy to rule in any society lies in its ability to improve the lives of its citizens. There are always other competing priorities, but at the end of the day, it is the livelihoods of people that is paramount.

Of late, Beijing seems to be doing more in caring for the rural population, which is necessary and, in the long run, good for the country. For now, city folks may feel neglected, but they were the ones who have benefited the most in recent decades. Ultimately, history everywhere tells us that it is the better educated and more skillful who can take the overall economy to the next level. This cannot have escaped the notice of the leaders.

All that is to say that this vast country is grappling with the headwinds of further advancing her economy and society. For 40-some years, China has had many economic and political challenges, but has overcome each one. There is no reason to believe that the same would not be the case now. This time, the only difference is the added element of hostility from the West, especially from the U.S. As explained earlier, I do not believe that a hot war will break out. Instead, it is likely that the U.S. will one day back off. In fact, America may even retreat to some form of isolationism due to primarily domestic problems but also to international challenges in many parts of the world. This is the main reason why, I believe that China may be a relatively peaceful place in the coming decades. As a result, her economy will continue to grow.

Looking around the world, I see very few places that are attractive for new investments. And if there are such places, they might not be where we can take advantage of. Moreover, I believe in focusing on one business sector and doing it well, as long as it yields promising returns. I believe that world-class commercial real estate rental in mainland China is an exemplary opportunity.

This is my 144th and last letter to shareholders. Over the past 33 years, I had increasingly felt the need to better inform shareholders and potential shareholders. This letter is the only regular platform to communicate not only what has transpired in the Company but also the thinking of management. As a result, this letter became longer over time.

Given the constraints of many managerial duties, these letters were invariably hastily put together. Missing an important point or not presenting a proper argument might be inevitable, but my attitude is: it is better to present something, imperfect or incomplete as it may be, than not presenting at all. For all the shortcomings of this set of letters, I count on your indulgence. Thank you for reading.

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

VICE CHAIR'S NOTES

Adriel Chan
Vice Chair

2023 was yet another unusual year.

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

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

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

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

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

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

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

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

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

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

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

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

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

Adriel Chan
Vice Chair
Hong Kong, January 30, 2024

Heartland 66, Wuhan

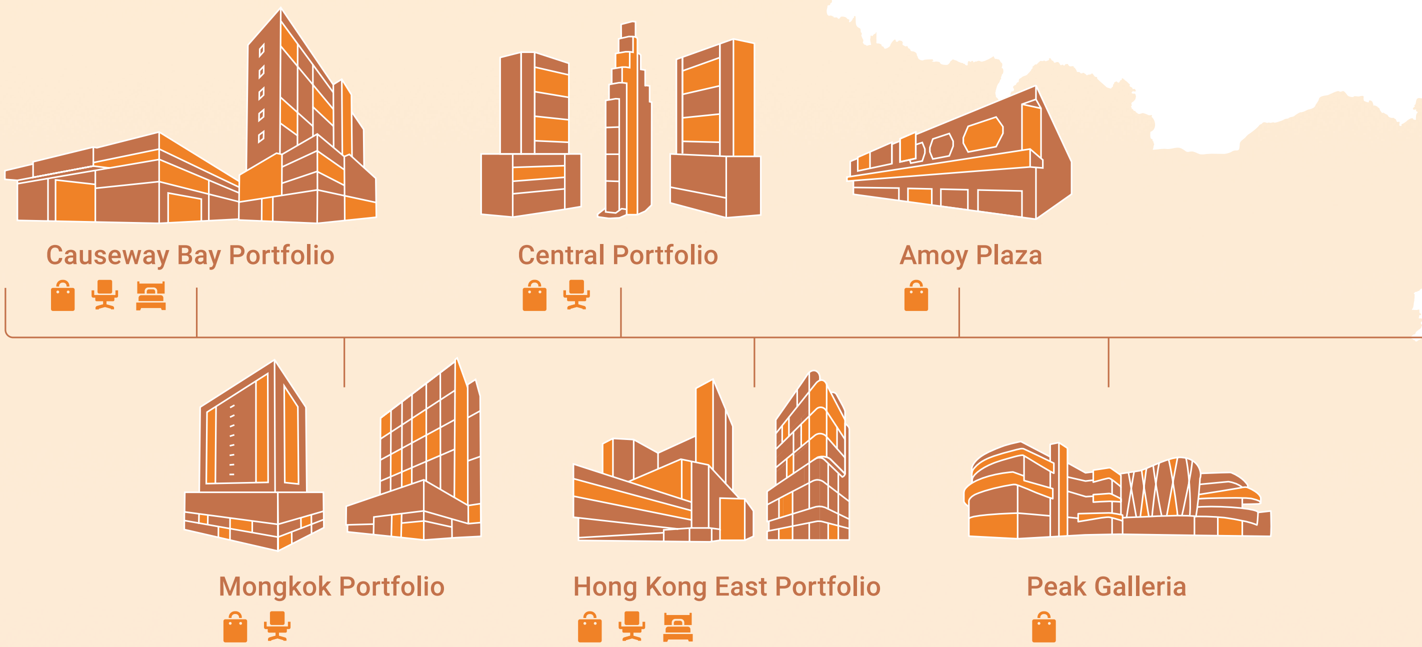
PLACES THAT INSPIRE

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

HANGOUT at Heartland 66, Wuhan

REVIEW OF OPERATIONS

OUR ROBUST PROPERTY PORTFOLIO



Palace 66, Shenyang
Forum 66, Shenyang
#
Shenyang
Riverside 66, Tianjin
Tianjin
Dalian
Olympia 66, Dalian
Parc 66, Jinan
Jinan
Center 66, Wuxi
# #
Grand Gateway 66, Shanghai
Wuxi
Shanghai
Heartland 66,
Wuhan
Wuhan
Hangzhou
Plaza 66, Shanghai
Spring City 66,
Kunming
# #
Westlake 66,
Hangzhou
# # #
Kunming
Hong Kong
Retail
Office
Residential & Serviced Apartments
Apartments for Sale
Hotel
Under Development

PORTFOLIO KEY FACTS – MAINLAND CHINA

Plaza 66, Shanghai

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

The 2 Grade A office towers at Plaza 66 combine a prime location with top-notch design and premium facilities, attracting prominent multinational and leading domestic tenants in the fields of financial and professional services, fashion, and accessories.

Total Gross Floor Area

213,255 sq.m.

Retail 25%

Office 75%

Number of Car Parking Spaces

804

Grand Gateway 66, Shanghai

Located atop one of the largest metro stations in the city, Xujiahui Station, Grand Gateway 66 boasts a spectrum of global luxury brands, along with an extensive portfolio of specialty retailers encompassing fashion, cosmetics, jewelry & watches, sports and fitness, digital home appliances, and children's products. The mall also contains many first-in-China stores, successfully establishing its position as the "Gateway to Inspiration".

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

Total Gross Floor Area

273,427 sq.m.

Retail 45%

Office 25%

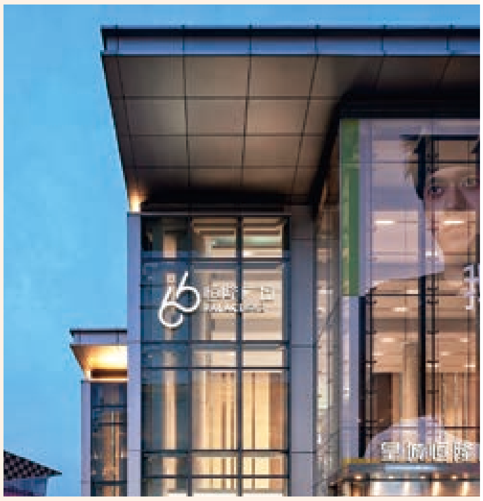
Residential & Serviced Apartments 30%

Number of Car Parking Spaces

752

Palace 66, Shenyang

Optimally positioned in Shenyang's commercial hub, Palace 66 showcases over 200 popular brands spanning fashion, leisure and entertainment, beauty and cosmetics, food and beverage, and more, making it a preferred destination for young and trendy consumers.



Total Gross Floor Area
109,307 sq.m.
Retail **100%**

Number of Car Parking Spaces
844

Forum 66, Shenyang

Located in Shenyang's core commercial area, Forum 66 is a luxury-led specialty mall housing globally acclaimed labels and numerous first-in-Shenyang stores. The mall also offers a boutique supermarket, international cuisine options, and lifestyle services.

The prestigious Grade A office tower is considered as the preferred choice in the market, drawing key multinational corporations and high-quality domestic tenants. The five-star Conrad Shenyang is the first hotel in the Company's Mainland portfolio and occupies the top 19 floors of the office tower with 315 rooms.

The remaining phases of Forum 66 consist of a retail mall and apartments complementing the existing components of this thriving commercial complex.

Total Gross Floor Area
293,905 sq.m.
Retail **35%**
Office **45%**
Hotel **20%**

Number of Car Parking Spaces
2,001

Parc 66, Jinan

Situated in Jinan's commercial center, Parc 66 is one of the city's largest and most prestigious malls. It is an established contemporary lifestyle hub offering 350 stores, including international brands, chic fashion labels, first-in-town flagship stores, children's education and entertainment services, international gourmet eateries, an upscale cinema, and a boutique supermarket. The three-year Asset Enhancement Initiative that is underway will further enhance the mall's positioning and luxury content.

Parc 66 has become 100% powered by renewable energy from January 1, 2023, making it the first commercial property in Jinan and Shandong Province to achieve net-zero carbon emission in terms of annual electricity consumption for both landlord and tenant operations, and also the second property of the Company to be fully powered by renewable energy.

Total Gross Floor Area
171,074 sq.m.
Retail 100%

Number of Car Parking Spaces
785

Center 66, Wuxi

Located in the most prosperous commercial district in downtown Wuxi, Center 66 is the "center" of luxury, featuring over 200 quality retail stores with a line-up of international luxury labels.

The 2 office towers are home to a strong mix of tenants in finance and professional services, including a large number of multinational corporations and leading domestic firms drawn to the towers' impeccable design and premium facilities, as well as our first branded and self-operated multifunctional workspace, HANGOUT.

Center Residences and the Curio Collection by Hilton-branded hotel are currently under development.

Total Gross Floor Area
259,770 sq.m.
Retail 47%
Office 53%

Number of Car Parking Spaces
1,292

Riverside 66, Tianjin

Strategically located in the heart of Tianjin's Haihe Central Business District, Riverside 66 is a trendsetting lifestyle destination with close to 240 international and local brands that offer a full-fledged contemporary consumer experience encompassing shopping, dining, leisure, and entertainment. Riverside 66 has uplifted its positioning from a family lifestyle mall to an international lifestyle and sub-luxury shopping destination by improving its tenant mix and attracting new brands and first-in-town stores.

Total Gross Floor Area
152,831 sq.m.

Retail
100%

Number of Car Parking Spaces
800

Olympia 66, Dalian

Strategically situated in the commercial hub of Dalian, Olympia 66 is a regional luxury-led mall. It features a rich line-up of top-tier stores and outlets across fashion and accessories, jewelry & watches, beauty and personal care, as well as a stunning array of international culinary delights, advanced leisure and entertainment facilities, a dynamic family zone, and an innovative range of sports sites. The mall also contains an ice-skating rink and the city's first Palace Cineplex cinema.

Total Gross Floor Area
221,900 sq.m.

Retail
100%

Number of Car Parking Spaces
1,214

Spring City 66, Kunming

Designed to "Bring the Best to Kunming; Showcase the Best of Kunming to the World", Spring City 66 is our first development project in Southwest China. It houses a portfolio of prestigious international and local brands, with around 30% of its tenants making their debuts in Kunming and Yunnan Province.

Offering an accessible location and a spectrum of high-quality facilities and services, the Grade A office tower is the preferred choice among leading multinational corporations and domestic firms. Spring City 66 is 100% powered by renewable energy, marking it the first development of the Company to achieve net-zero carbon emissions in terms of annual electricity consumption for both landlord and tenant operations.

Joining the complex is a hotel and residential tower that contains the five-star Grand Hyatt Kunming hotel and Grand Hyatt Residences Kunming, which are expected to open in 2024.

Total Gross Floor Area
333,112 sq.m.
Retail 50%
Office 50%

Number of Car Parking Spaces
1,629

Heartland 66, Wuhan

Situated in Wuhan's commercial and business heart with high accessibility, Heartland 66 is our first large-scale commercial development in Central China. The shopping mall offers world-class retail, leisure, and entertainment elements including numerous first-in-town flagship or specialty stores.

The 61-story office tower is our seventh office tower on the Mainland and has attracted Fortune 500 companies and leading local companies across the insurance, banking, and securities industries, as tenants.

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

Total Gross Floor Area
328,612 sq.m.
Retail 54%
Office 46%

Number of Car Parking Spaces
2,265

PORTFOLIO KEY FACTS – HONG KONG

Causeway Bay Portfolio

An elite shopping destination spanning 3 core areas – Paterson, Food Street, and Kingston – Fashion Walk features numerous internationally renowned fashion, beauty, jewelry & watch and lifestyle brands. It is also home to a diverse array of culinary delights.

Containing a variety of businesses across lifestyle, beauty, and medical, Hang Lung Centre – a key element of Fashion Walk – is a commercial complex strategically situated in the heart of Causeway Bay.

Total Gross Floor Area
70,487 sq.m.

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

Number of Car Parking Spaces
126

Central Portfolio

Our Central portfolio consists of 4 office buildings with retail components.

A prestigious Grade A building positioned in the heart of the financial district in Central, the Standard Chartered Bank Building is an ideal office location with superb architectural design that blends the artistic with the practical. It is the headquarters of Hang Lung Group and Hang Lung Properties, as well as Standard Chartered Bank (Hong Kong).

1 Duddell Street, Printing House, and Baskerville House contain influential tenants from the financial and professional services sectors and are also known for their fine-dining establishments. Together with restaurants in the Standard Chartered Bank Building, these 4 buildings form a thriving fine-dining hub in Central.

Total Gross Floor Area
50,041 sq.m.

Retail 21% | Office 79%

Number of Car Parking Spaces
16

Peak Galleria

Ideally located atop Hong Kong's most famous attraction, Victoria Peak, Peak Galleria is a major tourist landmark that houses close to 50 popular brands, many of which have made their Hong Kong debuts here, including the world's first Monopoly-themed pavilion, Monopoly Dreams Hong Kong. Peak Galleria is also renowned for being one of the most popular pet-friendly shopping malls in town.

Total Gross Floor Area
12,446 sq.m.

Retail **100%**

Number of Car Parking Spaces
493

Hong Kong East Portfolio

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

Conveniently positioned in the east of Hong Kong Island atop the MTR Tai Koo Station, Kornhill Plaza is a community mall offering the largest Japanese department store in Hong Kong, AEON STYLE, and a new supermarket concept that integrates traditional fresh market and modern supermarket elements, FRESH. The mall also houses diverse and updated food and beverage locations, a cinema with MX4D technology, and an all-in-one education hub.

Attached to Kornhill Plaza is an office tower accommodating a variety of education providers and prominent businesses, and Kornhill Apartments, which features 450 units and is one of the largest serviced apartments in the area.

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

Total Gross Floor Area
108,687 sq.m.

Retail **50%**

Office **18%**

Residential & Serviced Apartments **32%**

Number of Car Parking Spaces
1,069

Mongkok Portfolio

Optimally located at the junction of Dundas Street and Nathan Road with high footfall, Gala Place houses a diverse array of merchants as well as a car park that offers about 500 car parking spaces. Accommodating the mega lifestyle concept store AEON STYLE, along with a 15,000-square-foot dining floor at the basement level and a 18,000-square-foot dining floor on the eighth floor, Gala Place has strengthened its position as a one-stop shopping and dining destination.

Grand Plaza, situated beside the MTR Mong Kok Station on Nathan Road, is home to a stellar line-up of global jewelry & watch brands, concept stores, and fashion, lifestyle, and sports labels. The dedicated dining floor features gourmet dining venues where international cuisines are served in stylish surroundings. The office towers house leading operators in the medical and beauty sectors with semi-retail trades.

Total Gross Floor Area
89,815 sq.m.

Retail 32%
Office 68%

Number of Car Parking Spaces
518

Amoy Plaza

Opportunely located close to the MTR Kowloon Bay Station, Amoy Plaza is a one-stop community hub in Kowloon East, comprising extensive casual dining options and business trades like grocery stores, education providers, and entertainment brands. Also containing a number of first-in-Hong Kong concept stores, renowned local delicacies and restaurants, the mall offers a spectrum of lifestyle experiences for residents and office workers in the neighborhood.

Total Gross Floor Area
49,006 sq.m.

Retail 100%

Number of Car Parking Spaces
620

MAINLAND CHINA PROPERTY LEASING

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

Market Landscape

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

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

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

Business Overview

The initial post-pandemic rebound from a low base lifted overall tenant sales and revenue during the year's first half. Our full-year rental revenue soared 7% year-on-year in RMB terms, reflecting the ongoing normalization of the Mainland market.

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

Plaza 66, Shanghai

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

Luxury Malls

↑9%

Sub-luxury Malls

Stay flat

Offices

↑3%

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

Completed Investment Properties

2.36 million square meters*

* For a detailed breakdown of gross floor area of our completed investment properties, please refer to table "C. Major Investment Properties" on page 67

Properties under Development

0.90 million square meters#

For a detailed breakdown of gross floor area of our properties under development, please refer to table "A. Major Properties under Development" on page 64

Plaza 66, Shanghai

Shopping Mall

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

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

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

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

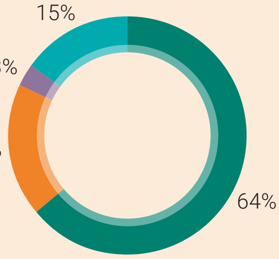
Office Towers

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

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

Retail Segment Distribution (by Leased Floor Area)

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



Occupancy Rate

Retail 100%

Office 96%

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

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

Grand Gateway 66, Shanghai

Shopping Mall

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

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

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

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

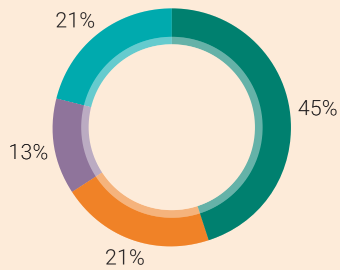
Office Tower

Over the past few years, Grand Gateway 66 Office Tower has cemented its position as the landmark development in Xuhui District. The Grade A office tower houses the headquarters of several esteemed marketing and advertising agencies, and rental revenue remains steady.

The new supply of office spaces will continue to surge in the area and Xuhui District. To stay competitive, efforts will focus on retention and recruiting new tenants.

Retail Segment Distribution (by Leased Floor Area)

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



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

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

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

Residential and Serviced Apartments

Led by first-class leisure facilities and personalized services, the 623 furnished apartments remain a top choice among families in the city. Demand from business visitors and affluent local customers is expected to increase.

Palace 66, Shenyang

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

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

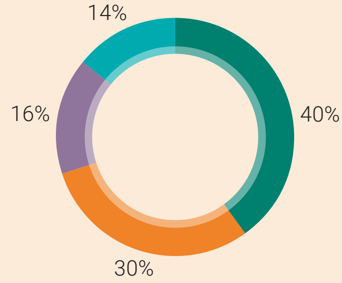
In 2023, Palace 66 welcomed athleisure brands On and The North Face joined the likes of Descente and Lululemon; upgraded almost 50% of its food & beverage tenants; and enriched its fashion and accessories offering with Emporio Armani and Meilleur Moment among others.

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

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

Retail Segment Distribution (by Leased Floor Area)

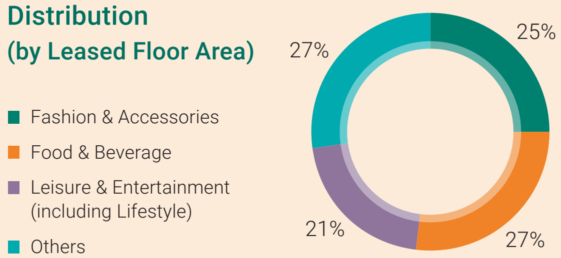
- Fashion & Accessories
- Food & Beverage
- Leisure & Entertainment (including Lifestyle)
- Others



Occupancy Rate	Retail **90%**
Number of shopping mall tenants (at year-end)	**229**

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

Retail Segment Distribution (by Leased Floor Area)



	Retail	Office
Occupancy Rate	81%	89%

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

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

Forum 66, Shenyang

Shopping Mall

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

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

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

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

Office Tower

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

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

Hotel

Capitalizing on a fast-recovering domestic tourism market, particularly over the summer months, Conrad Shenyang enjoyed a positive 2023. While corporate demand saw a steady return, international tourism remained flat. The market remains hesitant toward restaurant and event spending.

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

Parc 66, Jinan

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

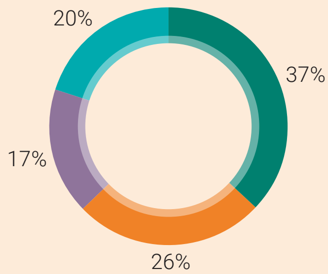
Parc 66 debuted a new look following the completion of the first phase of its Asset Enhancement Initiative (AEI). Major interior renovation works on L1 and L2 in both East and West Wings included new shops, lifts and escalators, washrooms, arcade floor and ceiling, and mechanical and electrical services.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

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

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

Retail Segment Distribution (by Leased Floor Area)

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



Occupancy Rate

Retail
93%

Number of shopping mall tenants
(at year-end)

342

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

Center 66, Wuxi

Shopping Mall

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

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

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

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

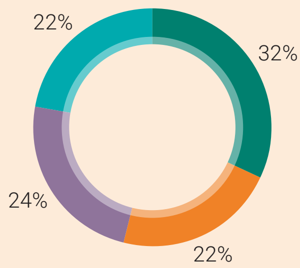
Office Towers

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

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

Retail Segment Distribution (by Leased Floor Area)

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



Occupancy Rate	Retail **98%**	Office **85%**
Number of shopping mall tenants (at year-end)	**250**	

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

Riverside 66, Tianjin

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

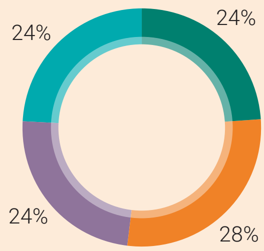
Riverside 66 further diversified its tenant mix, adding more food & beverage, jewelry & watch, and fashion and accessories brands. Highlights among the new leases secured include 16 first-in-town stores like Manner Coffee, OTF, and Chun K.

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

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

Retail Segment Distribution (by Leased Floor Area)

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



Occupancy Rate

Retail
90%

Number of shopping mall tenants
(at year-end)

256

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

Olympia 66, Dalian

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

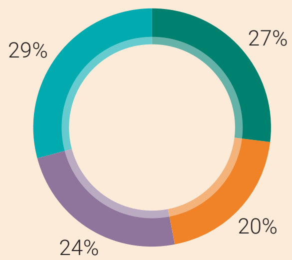
Following the opening of borders, the mall leveraged its prime location in a tourist hotspot to increase tenant sales, particularly during the summer months, despite sluggish economic growth and lackluster consumer sentiment.

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

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

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

Retail Segment Distribution (by Leased Floor Area)



Occupancy Rate
Retail
90%

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

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

Spring City 66, Kunming

Shopping Mall

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

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

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

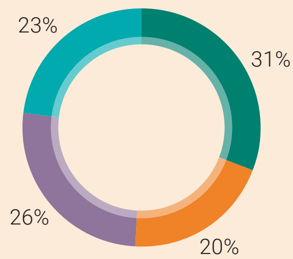
Office Tower

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

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

Retail Segment Distribution (by Leased Floor Area)

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



	Retail	Office
Occupancy Rate	98%	88%

Number of shopping mall tenants (at year-end): **312**

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

Heartland 66, Wuhan

Shopping Mall

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

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

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

Office Tower

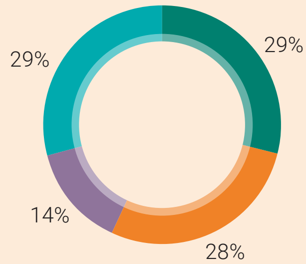
The abundant office supply in Wuhan, compounded by a softening economy and low tenant stability, has impacted leasing progress at Heartland 66 Office Tower despite a growth of new leased area in 2023. Occupancy incrementally improved owing to recent entrant Amgen and new professional services and TMT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

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

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

Retail Segment Distribution (by Leased Floor Area)

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



Occupancy Rate

Retail 82%

Office 76%

Number of shopping mall tenants (at year-end)

262

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

New Projects Under Development

The Company has high-end malls, office towers, and hotels currently under development in prime locations across mainland China.

Grand Hyatt Kunming

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

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

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

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

Total gross floor area
98,054 square meters*

Expected year of completion
2024

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

Curio Collection by Hilton, Wuxi

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

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

Location
Jiankang Lu, Liangxi District, Wuxi

Total gross floor area
7,165 square meters

Expected year of completion
2025

Westlake 66, Hangzhou

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

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

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

Location
Bai Jing Fang, Gongshu District, Hangzhou

Total gross floor area
194,100 square meters*

Main usage
Retail, office, hotel

Expected year of completion
2024 onwards

* This includes the above-ground area only.

Plaza 66, Shanghai (Pavilion Extension)

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

Location
Nanjing Xi Lu, Jing'an District, Shanghai

Total gross floor area
3,080 square meters

Main usage
Retail

Expected year of completion
2026

Forum 66, Shenyang

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

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

Location
Qingnian Da Jie, Shenhe District, Shenyang

Total gross floor area
502,660 square meters

Main usage
Retail, office, apartments for sale

Expected year of completion
2028 onwards

HONG KONG PROPERTY LEASING

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

Market Landscape

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

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

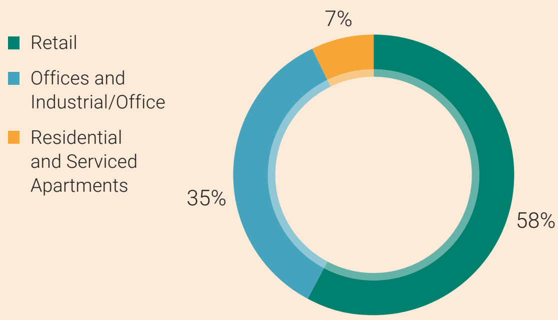
The economy achieved a healthy recovery in 2023, particularly in the retail market.

Business Overview

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

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

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



Hong Kong Property Leasing Continued to Demonstrate Resilience

Tenant Sales

↑13% Year-on-year

Retail

Occupancy Rate# 95%

Offices and Industrial/Office

Occupancy Rate# 89%

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

Causeway Bay Portfolio

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

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

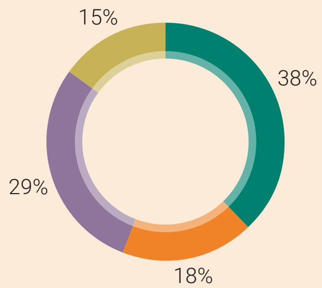
Several well-received tenant collaborations and customer engagements throughout the year further bolstered footfall, tenant sales, and media exposure. Most notably, its "Fashion Walk x Neopets 25th Anniversary Festival", which marked the virtual pet game's first offline activation in Asia Pacific, drew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

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

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

Retail Segment Distribution (by Leased Floor Area)

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



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

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

Central Portfolio

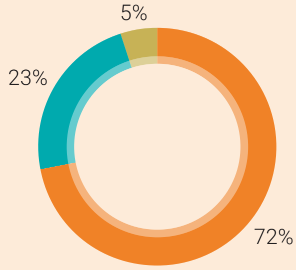
The Central portfolio comprises Standard Chartered Bank Building, 1 Duddell Street, Printing House, and Baskerville House. Popular among banking, finance, and professional services tenants, the portfolio improved its occupancy rate despite a softening demand by offering fitted offices and flexible leasing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

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

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

Retail Segment Distribution (by Leased Floor Area)

- Food & Beverage
- Bank
- Others



Occupancy Rate

Retail **88%**

Office **90%**

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

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

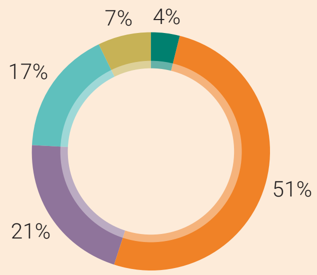
Peak Galleria

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

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

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

Retail Segment Distribution (by Leased Floor Area)



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

Occupancy Rate

Retail
81%

Number of shopping mall tenants
(at year-end)
42

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

Hong Kong East Portfolio

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

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

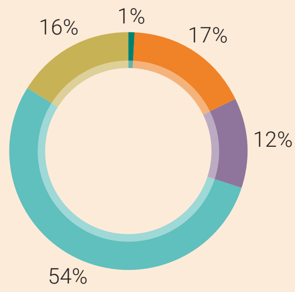
In 2023, Kornhill Plaza introduced new food & beverage outlets, expanded its wellness zone, and oversaw upgrades to several shops. Going forward, the mall will continue refining its tenant mix, particularly food & beverage, and brand mix revamp of AEON STYLE.

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

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

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

Retail Segment Distribution* (by Leased Floor Area)



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

Occupancy Rate	Retail*	Office*	Residential & Serviced Apartments
	98%	99%	67%

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

* Include Kornhill Plaza only

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

Mongkok Portfolio

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

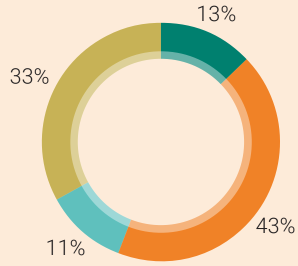
Occupancy and footfall remain stable given the portfolio's prime location, and rental revenue is on par with the market average despite instances of negative rental reversions. Both malls upgraded their tenant mix with the addition of Matsumoto Kiyoshi at Grand Plaza and the Lung Fung flagship at Gala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

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

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

Retail Segment Distribution (by Leased Floor Area)

- Fashion & Accessories
- Food & Beverage
- Department Store
- Others



Occupancy Rate

	Retail	Office
	100%	96%

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

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

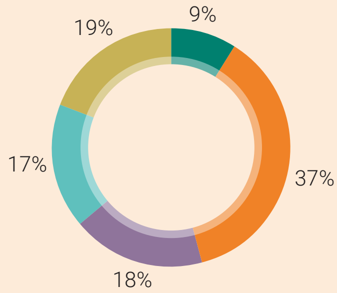
Amoy Plaza

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

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

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

Retail Segment Distribution (by Leased Floor Area)



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

Occupancy Rate

Retail
89%

Number of shopping mall tenants
(at year-end)
237

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

MAINLAND CHINA PROPERTY SALES AND DEVELOPMENT

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

Market Landscape

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

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

Business Overview

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

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

Introduction to our Hang Lung Residences

Heartland Residences, Wuhan

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

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

Location
Jinghan Avenue, Qiaokou District, Wuhan

Total gross floor area
131,493 square meters

Center Residences, Wuxi

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

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

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

Location
Jiankang Lu, Liangxi District, Wuxi

Total gross floor area
99,953 square meters

Expected year of completion
2025 onwards

Grand Hyatt Residences, Kunming

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

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

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

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

Total gross floor area
98,054 square meters*

Expected year of completion
2024 onwards

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

HONG KONG PROPERTY SALES AND DEVELOPMENT

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

Market Landscape

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

Business Overview

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

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

New Projects Under Development

The Aperture

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

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

Location
11 Ngau Tau Kok Road, NKIL 1744, Kowloon Bay

Total gross floor area
16,226 square meters

Main usage
Residential, retail

Expected year of completion
2024

Shouson Hill Road Redevelopment

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

Location
37 Shouson Hill Road, RBL 357, Southern District, Hong Kong Island

Total gross floor area
4,403 square meters

Main usage
Residential

Expected year of completion
2027 onwards

OUTLOOK

In the lead-up to 2024, we remain cautious due to ongoing uncertainties and difficulties in the markets in which we operate. While Hong Kong strives to reengineer its international competitiveness and attractiveness, geopolitical concerns on the Mainland continue to cause slow economic growth and negative currency outlooks. A rather high interest rate environment is also expected to persist in the background. To combat these challenges, we will use our distinctive positioning and CRM platforms to improve tenant engagement and maintain our revenue growth trend.

In mainland China, we continue to strengthen our leasing portfolio in tandem with targeted marketing initiatives and our portfolio-wide HOUSE 66 CRM program in order to attain growth. Following the success of our 2 sister malls in Shanghai, Plaza 66 and Grand Gateway 66, the maturation of our luxury malls outside Shanghai will contribute to future growth. Our sub-luxury malls will see steady expansion in both occupancy and foot traffic. In the meantime, our office portfolio will welcome its newest sibling in late 2024, Westlake 66 in Hangzhou, which will provide a steady source of revenue. Grand Hyatt Kunming will join Conrad Shenyang in mid-2024, just in time to capitalize on the post-pandemic rise in business and leisure tourism.

The years of embattlement that Hong Kong has faced since 2018 will naturally take time to fully recover; therefore, its general leasing market outlook for 2024 remains tough. Through our "hello Hang Lung Malls Rewards Program", we will continue to concentrate on improving our customers' shopping experience and interactivity. We will also look for ways to maximize our Hong Kong portfolio by utilizing AEI and capital recycling initiatives.

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

MAJOR PROPERTIES OF THE GROUP

A. Major Properties under Development

At December 31, 2023

	Location	Site Area (sq.m.)	Main Usage	Total Gross Floor Area (sq.m.)	% Held by the Group	Stage of Completion	Expected Completion Year
MAINLAND CHINA							
WUXI							
Center 66 (Phase 2)	Jiankang Lu, Liangxi District	16,767	Apartments for Sale, Hotel	107,118	61.2%	Superstructure (Center Residences) Foundation (Hotel)	2025 onwards
KUNMING							
Spring City 66	Dongfeng Dong Lu/ Beijing Lu, Panlong District	56,043	Apartments for Sale, Hotel	98,054	61.2%	Superstructure	2024 (Grand Hyatt Kunming) 2024 onwards (Grand Hyatt Residences Kunming)
HANGZHOU							
Westlake 66	Bai Jing Fang, Gongshu District	44,827	Retail, Office, Hotel	194,100	61.2%	Foundation and basement construction	2024 onwards
SHENYANG							
Forum 66	Qingnian Da Jie, Shenhe District	92,065	Retail, Office, Apartments for Sale	502,660	61.2%	Foundation	2028 onwards
HONG KONG							
KOWLOON BAY							
The Aperture	11 Ngau Tau Kok Road, NKIL 1744	1,923	Retail, Apartments for Sale	16,226	61.2%	Superstructure	2024
SOUTHERN DISTRICT							
Shouson Hill Road Redevelopment	37 Shouson Hill Road, RBL 357	8,806	Apartments for Sale	4,403	61.2%	Planning	2027 onwards

Retail Office Apartments for Sale Hotel

B. Residential Properties Completed for Sale

At December 31, 2023

	Location	Site Area (sq.m.)	Total Saleable Area (sq.m.)	% Held by the Group	No. of Residential Unit for Sale
MAINLAND CHINA					
Heartland Residences	600 Jinghan Avenue, Qiaokou District	16,687	125,979	61.2%	492
HONG KONG					
23-39 Blue Pool Road	23-39 Blue Pool Road, IL 5747	7,850	3,409	61.2%	8

C. Major Investment Properties

At December 31, 2023

			Total Gross Floor Area (sq.m.)			
	Location	Lease Expiry	Retail	Office and Industrial/ Office	Residential & Serviced Apartments	No. of Car Parking Spaces
HONG KONG						
CENTRAL						
Printing House	6 Duddell Street, IL 339	2848	1,709	5,980	–	–
1 Duddell Street	1 Duddell Street, IL 7310	2848	2,340	6,616	–	–
Baskerville House	22 Ice House Street, IL 644	2880	1,473	3,379	–	–
Standard Chartered Bank Building	4-4A Des Voeux Road Central, Sections A&B of ML 103	2854	4,814	23,730	–	16
CAUSEWAY BAY AND WAN CHAI						
Hang Lung Centre	2-20 Paterson Street, IL 524 & IL 749	2864	8,777	22,131	–	126
Fashion Walk	Paterson Street, Houston Street, Great George Street, Cleveland Street, Kingston Street, Gloucester Road, ML 231 & ML 52, IL 469 & IL 470	2842, 2864 & 2868	31,072	–	8,507	–
Shui On Centre	15/F-28/F, 6-8 Harbour Road, IL 8633	2060*	–	16,313	–	42
HAPPY VALLEY						
23-39 Blue Pool Road	Unit 25B, 35B 23-39 Blue Pool Road, IL 5747	2090	–	–	855	4

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

C. Major Investment Properties

At December 31, 2023

	Location	Lease Expiry	Total Gross Floor Area (sq.m.) Retail	Office and Industrial/ Office	Residential & Serviced Apartments	No. of Car Parking Spaces
HONG KONG						
KORNHILL (QUARRY BAY)						
Kornhill Plaza	1-2 Kornhill Road, IL 8566	2059*	53,080	10,577	–	1,069
Kornhill Apartments	2 Kornhill Road, IL 8566	2059*	–	–	35,275	–
NORTH POINT						
228 Electric Road	228 Electric Road, IL 1618	2050	1,196	8,559	–	–
THE PEAK AND MID-LEVELS						
Peak Galleria	118 Peak Road, RBL 3	2047	12,446	–	–	493
The Summit	41C Stubbs Road, IL 8870	2047	–	–	15,225	54
HONG KONG SOUTH						
Burnside Villa	9 South Bay Road, RBL 994	2072	–	–	9,212	89
MONGKOK						
Grand Plaza	625 & 639 Nathan Road, KIL 10234 & KIL 10246	2060	20,905	31,251	–	40
Hang Tung Building	1112-1120 Canton Road, KIL 9708	2045*	–	–	–	1,000
Gala Place	56 Dundas Street, KIL 9590	2044*	7,454	30,205	–	478
TSIM SHA TSUI AND WEST KOWLOON						
Grand Centre	8 Humphreys Avenue, KIL 7725 & KIL 8026	2038	3,688	7,198	–	–
Hanford Commercial Centre	221B-E Nathan Road, KIL 10619 & KIL 8132	2037	1,444	4,891	–	–
AquaMarine	8 Sham Shing Road, NKIL 6338	2050	22,350	–	–	346
The Long Beach	8 Hoi Fai Road, KIL 11152	2050	20,174	–	–	82
KOWLOON BAY						
Amoy Plaza	77 Ngau Tau Kok Road, NKIL 53, NKIL 1482, NKIL 2660 & NKIL 3947	2047	49,006	–	–	620
CHEUNG SHA WAN AND KWAI CHUNG						
9 Wing Hong Street	9 Wing Hong Street, NKIL 6229	2047	–	35,223	–	95
Laichikok Bay Garden	Shops 1A1, 1A2, 5A, 5B and 5C on Ground Floor, Shops 6A, 6A1 & 6B1 and 6B on Upper Ground Floor, Lai King Hill Road, Lot 3336 of SD 4	2047	2,361	–	–	–
TUEN MUN						
Tai Hing Gardens	11 Tsun Wen Road and 10A Ho Hing Circuit, Tuen Mun, TMTL 312	2047	10,970	–	–	387
Luen Cheong Can Centre	8 Yip Wong Road, Tuen Mun, Lot 1169 in DD131	2047	–	7,856	–	37

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

C. Major Investment Properties

At December 31, 2023

	Location	Lease Expiry	Total Gross Floor Area (sq.m.)# Retail	Office	Hotel	Residential & Serviced Apartments	No. of Car Parking Spaces
MAINLAND CHINA							
SHANGHAI							
Grand Gateway 66 Gardens 1 & 2	2118 Hua Shan Lu, Xuhui District	2063	–	–	–	65,587	–
Grand Gateway 66	1 Hong Qiao Lu, Xuhui District	2043	122,262	67,223	–	18,355	752
Plaza 66	1266 Nanjing Xi Lu, Jing'an District	2044	53,700	159,555	–	–	804
SHENYANG							
Palace 66	128 Zhongjie Lu, Shenhe District	2057	109,307	–	–	–	844
Forum 66	1 Qingnian Da Jie, Shenhe District	2058	101,960	131,723	60,222	–	2,001
JINAN							
Parc 66	188 Quancheng Lu, Lixia District	2059	171,074	–	–	–	785
WUXI							
Center 66	139 Renmin Zhong Lu, Liangxi District	2059	122,227	137,543	–	–	1,292
TIANJIN							
Riverside 66	166 Xing'an Lu, Heping District	2061	152,831	–	–	–	800
DALIAN							
Olympia 66	66 Wusi Lu, Xigang District	2050	221,900	–	–	–	1,214
KUNMING							
Spring City 66	21-23 Dongfeng Dong Lu/ 433 Beijing Lu, Panlong District	2051	165,375	167,737	–	–	1,629
WUHAN							
Heartland 66	688 Jinghan Avenue, Qiaokou District	2053	177,140	151,472	–	–	2,265

Gross floor area of mainland China investment properties includes gross floor area above and below ground

Grand Hyatt Residences at Spring City 66, Kunming

PLACES THAT ENRICH

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

The Conrad at Forum 66, Shenyang

FINANCIAL REVIEW

Consolidated Results

The overall revenue of Hang Lung Group Limited (the Company) and its subsidiaries (collectively known as "the Group") for the year ended December 31, 2023, decreased by 1% against last year to HK$10,881 million, as the solid leasing performance achieved by our unique positioning, unwavering customer focus, and disciplined execution was adversely affected by the depreciation of the Renminbi ("RMB") and lower contributions from property sales. Revenue from property leasing rose by 2% to HK$10,879 million, and revenue from property sales was HK$2 million (2022: HK$316 million). The overall operating profit increased by 1% to HK$7,794 million.

The underlying net profit attributable to shareholders dropped by 2% to HK$2,931 million due to higher net interest expense, and the underlying earnings per share decreased correspondingly to HK$2.15.

Including a net revaluation loss on properties attributable to shareholders of HK$120 million (2022: net revaluation loss of HK$284 million), the Group reported a net profit attributable to shareholders of HK$2,811 million (2022: HK$2,718 million). The corresponding earnings per share was HK$2.06 (2022: HK$2.00).

Revenue and Operating Profit

	Revenue			Operating Profit/(Loss)		
	2023 HK$ Million	2022 HK$ Million	Change	**2023 HK$ Million**	2022 HK$ Million	Change
Property Leasing	**10,879**	10,625	2%	**7,844**	7,596	3%
Mainland China	**7,399**	7,218	3%	**5,051**	4,886	3%
Hong Kong	**3,480**	3,407	2%	**2,793**	2,710	3%
Property Sales	**2**	316	-99%	**(50)**	87	N/A
Total	**10,881**	10,941	-1%	**7,794**	7,683	1%

Dividend

The Board of Directors has recommended a final dividend of HK65 cents per share for 2023 (2022: HK65 cents) to be paid in cash on June 14, 2024, to shareholders whose names are listed on the register of members on May 10, 2024. Together with an interim dividend of HK21 cents per share (2022: HK21 cents), the full-year dividends for 2023 amounted to HK86 cents per share (2022: HK86 cents).

Property Leasing

During the year ended December 31, 2023, the overall rental revenue increased by 2% to HK$10,879 million. Rental revenue from our Mainland portfolio rose by 7% in RMB terms and 3% in HKD terms after accounting for the RMB depreciation against last year. Our Hong Kong portfolio recorded 2% growth in rental revenue.

On the Mainland, our total tenant sales and rental revenue for the first half of the year grew by 42% and 12%, respectively, after an initial recovery from a low base. The market is now continuing to normalize, with full-year tenant sales and rental revenue rising by 23% and 7%, respectively, in RMB terms against last year. Building on the initial upsurge in the first quarter of

2023, we leveraged HOUSE 66 – our customer relationship management (CRM) program – and launched several promotional events and marketing initiatives throughout the year to solidify our market position and engage loyal customers and new members.

Following the reopening of the border with the Mainland, Hong Kong's business environment is gradually improving; however, the city is experiencing increased competition from other cities and regions in the vicinity. Consequently, we continue to actively optimize our tenant mix and promote our "hello Hang Lung Malls Rewards Program" to boost foot traffic and customer loyalty as Hong Kong evolves in this new environment. As a result, our rental revenue climbed by 2%, and our tenant sales increased by 13% over the previous year.

Mainland China[1]

Property Leasing – Mainland China Portfolio

	Revenue		
	2023 RMB Million	2022 RMB Million	Change
Malls	**4,963**	4,607	8%
Offices	**1,401**	1,361	3%
Residential & Serviced Apartments	**148**	149	-1%
Hotel	**139**	73	90%
Total	**6,651**	6,190	7%
Total in HK$ Million equivalent	**7,399**	7,218	3%

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

Overall rental revenue and operating profit rose by 7% and 8%, respectively. These increases were diluted to 3% in HKD terms due to the depreciation of the RMB. The malls saw a revenue growth of 8% due to improved tenant sales and consumer sentiment. This followed a relatively static performance in 2022, marked by a series of COVID-19-related business disruptions, including mall closures. Our premium office portfolio maintained solid growth and climbed by 3%, mainly driven by higher rentals from our office tower at Plaza 66 in Shanghai and growing occupancy rates at our younger office towers in Kunming and Wuhan. After travel restrictions were relaxed, our hotel operations saw a meaningful and strong recovery, resulting in a notable revenue growth of 90% year-on-year.

Malls

Revenue of our mall portfolio increased by 8%. The revenue of our luxury-positioned malls grew by 9%, while our sub-luxury malls' revenue remained flat compared to last year. Our luxury malls achieved solid growth with the exception of Forum 66 in Shenyang which faced intense competition in the market, ranging from 6% at Grand Gateway 66 in Shanghai to 19% at Olympia 66 in Dalian, as the latter became the city's leading luxury mall. Our sub-luxury malls' revenue continued to improve with higher occupancy rates.

Property Leasing – Mainland China Mall Portfolio

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

Our luxury malls' revenue climbed by 9% during the year. While revenue at Forum 66 in Shenyang decreased by 1%, primarily due to intense competition in the market, revenue from the other luxury malls grew by a range of 6% to 19% across the year. A gradual recovery of occupancy at our sub-luxury malls maintained revenue at a stable level when compared to prior year. After the first phase of the Asset Enhancement Initiative (AEI) was completed at Parc 66 in Jinan, multiple beauty and first-in-town brands opened there in the second half of 2022, resulting in a 4% rise in revenue.

Luxury malls

Our flagship **Plaza 66** mall in Shanghai recorded another excellent year with solid growth in revenue and tenant sales of 10% and 24%, respectively, compared to last year. Our proactive CRM programs and impeccable service elevated customer engagement and provided shoppers with extraordinary experiences. Our annual "HOME TO LUXURY" Party, which took place in November, successfully stimulated tenant sales and deepened customer loyalty. We also improved consumer sentiment and solidified our luxury position with innovative marketing campaigns, such as "Game of Wonder" in April. By the end of the year, the mall continued to be entirely occupied. To enhance our offering at this prime location, we have recently obtained approval from local government to utilize an existing landscape area to build a retail structure, with a gross floor area of approximately 3,000 square meters. The development will provide a more comprehensive shopping experience to our customers and further strengthen our leading position in the city.

Our other mall in Shanghai, **Grand Gateway 66**, which offers an even greater selection of retailers than its flagship sister, saw a revenue growth of 6% year-on-year, with tenant sales rising by 30%. The "Gateway to Inspiration" anniversary celebration, held in October, reinforced the mall's positioning as a regional landmark of lifestyle and retail experiences.

We also hosted an exclusive in-mall event connected with the Chinese premiere of "The Phantom of the Opera" in May, which became the talk of the town and attracted social media buzz and excellent foot traffic. The occupancy rate remained high at 99% at the year-end.

The revenue of **Forum 66** mall in Shenyang reduced by 1% as a result of intense competition in the market. Collaborative marketing campaigns with Conrad Shenyang and Palace 66 in Shenyang generated positive synergy and improved customer experiences. To celebrate our anniversary, we hosted an enthralling circus performance by the world-famous Cirque du Soleil that attracted footfall and media attention. The occupancy rate as of December 2023 dropped by 6 points to 81%.

Center 66, the leading luxury retail mall in Wuxi, enjoyed another record-breaking year, with revenue and tenant sales growing by 12% and 19%, respectively. The opening of several top-tier luxury brands enhanced the mall's reputation as a leading luxury destination. For the third year in a row, our annual three-day "Take Center Stage" event, which occurred in September together with targeted promotions, significantly increased consumption and foot traffic. The occupancy rate remained high at 98% at the end of the year.

Rewarded by its transformation into a regional luxury landmark, **Olympia 66** in Dalian reported year-on-year growth in revenue and tenant sales of 19% and 29%, respectively. Effective marketing initiatives, such as the mall's iconic "Shining Olympia" event in April, continued to boost consumer sentiment and footfall. The occupancy rate as of December 2023 rose by 1 point to 90%.

The revenue and tenant sales of **Spring City 66** mall in Kunming experienced growth of 7% and 8%, respectively, as successful marketing campaigns were rolled out to strengthen customer engagement and leverage the return of tourists to the city. One such event was our anniversary celebration held in November, "Spring into Life". Entering its fourth year of operations, the mall continues to deliver solid base rents with favorable rental reversions and high occupancy rates, which stood at 98% at the end of the year.

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

Sub-luxury malls

Palace 66 in Shenyang saw a 2% decrease in revenue as a result of the low occupancy rate brought on by COVID-19 disruptions at the beginning of the year. During the year under review, we broadened our food and beverage outlets to appeal to a wider range of preferences and enhanced our brand mix to expand our target customer base. Capturing the local government's commitment to capitalize on Zhongjie District's historical legacy and transform it into a placemaking destination, a weekend lineup of events and musical performances was organized for customers from near and far. Tenant sales surged by 44%, and the occupancy rate recovered by 9 points to 90% against the close of December 2022.

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

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

Offices

Our office portfolio continued to provide a stable (or dependable) source of growth and income, comprising around 21% of our total Mainland rental revenue. The strong performance of Plaza 66 and growth from our newer office towers in Kunming and Wuhan were the main drivers of the total revenue rise of 3% to RMB1,401 million year-on-year.

Property Leasing – Mainland China Office Portfolio

	Revenue			Year-End Occupancy Rate	
Name of Office and City	2023 RMB Million	2022 RMB Million	Change	2023	2022
Plaza 66, Shanghai	668	639	5%	96%	96%
Grand Gateway 66, Shanghai	240	251	-4%	86%	97%
Forum 66, Shenyang	126	130	-3%	89%	91%
Center 66, Wuxi	117	119	-2%	85%	85%
Spring City 66, Kunming	140	126	11%	88%	88%
Heartland 66, Wuhan	110	96	15%	76%	73%
Total	1,401	1,361	3%		

Our 2 Grade A office towers at **Plaza 66** in Shanghai continued to record satisfactory rental performance during the year, reaching growth of 5%, which we attribute primarily to our solid tenant base, professional management services, and prominent location in the city's traditional central business district. We are also introducing an innovative digital tool to further improve our tenant experiences and service quality. By the end of the year, the occupancy rate remained high at 96%.

Revenue of the office tower at **Grand Gateway 66** in Shanghai recorded a drop of 4%. The occupancy rate decreased to 86% due to overall weak market sentiment.

The office tower at **Forum 66** in Shenyang experienced a 3% decline in revenue. Due to the growing supply of office space and continuing soft demand, the local market conditions remain challenging. The occupancy rate dropped by 2 points to 89% as of December 2023.

Mostly because of low occupancy at the beginning of the year inherited from 2022, the total revenue of the 2 office towers at **Center 66** in Wuxi dropped by 2%. Our high-quality offerings allowed us to keep unit rents at a consistent level all year, however, and the occupancy rate at the end of the year stood at 85%.

Thanks to the superior quality of its facilities and services, our office tower at **Spring City 66** in Kunming enjoyed revenue growth of 11%. The occupancy rate held steady at 88%.

The **Heartland 66** Office Tower in Wuhan recorded a 15% increase in revenue and a three-point increase in occupancy to 76%. The enhanced occupancy rate can be credited to the premium building quality, high specifications, and easily accessible transport network. Since its opening in March 2023, our self-operated multifunctional workspace, HANGOUT, has provided tenants with adaptable spaces and amenities, enhancing the Grade A office tower's competitiveness and market positioning. HANGOUT has already attracted numerous influential corporations, including Fortune 500 pharmaceutical companies and several of China's top 500 insurance companies.

Residential & Serviced Apartments

Revenue from the residential and serviced apartments at Grand Gateway 66 in Shanghai remained steady. Revenue generated by a higher average room rate was offset by a slight decline in the occupancy rate.

Hotel

Encouraged by the rebound of the tourism industry after the relaxation of travel restrictions and the resumption of international travel in early 2023, revenue climbed by 90% year-on-year. Following an increase in business and leisure travel, both our room and food and beverage businesses performed well, with room revenue recording a remarkable 1.1 times growth, while food and beverage achieved 68% growth in revenue.

Hong Kong

Overall, the Hong Kong market recovered well after its borders reopened, and the city gradually adapted to a new normal. In 2023, Hong Kong's economy saw a healthy recovery, particularly in the retail sector.

In addition to various government-organized campaigns, such as "Happy Hong Kong" and "Night Vibes Hong Kong", a number of robust marketing promotions and the launch of the "hello dollar" rewards program in 2023 developed new sales momentum, boosted local consumption, and elevated our customer shopping experiences.

Revenue and operating profit increased by 2% to HK$3,480 million and by 3% to HK$2,793 million, respectively, with a rental margin of 80%.

Property Leasing – Hong Kong Portfolio

	Revenue			Year-End Occupancy Rate	
	2023 HK$ Million	2022 HK$ Million	Change	**2023**	2022
Retail	**2,027**	1,950	4%	**95%**	98%
Offices and Industrial/Office	**1,219**	1,205	1%	**89%**	90%
Residential & Serviced Apartments	**234**	252	-7%	**77%**	73%
Total	**3,480**	3,407	2%		

Retail

Revenue from our Hong Kong retail portfolio grew by 4% to HK$2,027 million. As a result of the ongoing refinement and diversification of our brand mix, the overall occupancy slightly dropped to 95%.

Retail leasing sentiment remained positive, and demand from tourist-oriented trades kept improving. The "hello Hang Lung Malls Rewards Program" and another round of government consumption vouchers, along with several promotional campaigns, helped to boost total tenant sales and sales rent by 13% and 17%, respectively. The food and beverage, jewelry and watches, and personal care and beauty segments saw the biggest increases in these categories.

We observed a notable rise in overall rental growth of 6% from retail properties in our **Central Business and Tourist District Portfolio**. The performance of our retail properties at Mongkok, Causeway Bay, and The Peak benefited from improved inbound tourism. Overall occupancy stayed high at 95%.

Our **Community Mall Portfolio** maintained its strong performance, with overall revenue increasing by 2% from the previous year. The occupancy rate of Kornhill Plaza in Hong Kong East remained high at 98% while the refinement at Amoy Plaza in Kowloon East has led the occupancy rate to 89% as of the reporting date.

Offices and Industrial/Office

Despite a sluggish leasing market that reflected significant economic uncertainty, low demand, and increased availability (due to oversupply and higher vacancies on Hong Kong Island, particularly in Central), our office revenue grew by 1%. Proactive measures were implemented to keep the occupancy rate at a relatively high level of 89%.

Amid the challenging market environment, revenue rose by 1% for our **Hong Kong Island Portfolio**, and the average occupancy rate increased to 84%. The leased spaces at 228 Electric Road, our newest office tower, have been gradually handed over to tenants and began earning revenue from May 2023. If the revenue contribution from 228 Electric Road is excluded, our overall revenue grew by 1% year-on-year.

Revenue from our **Kowloon Portfolio** climbed by 2%, with the occupancy rate rising to 94% due to a more resilient semi-retail positioning of Grand Plaza and Gala Place and medically focused business offerings in Grand Centre.

Residential & Serviced Apartments

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

Property Sales

Revenue of HK$2 million was recognized during the reporting year for the sale of 4 car parking spaces classified under properties for sale following sale completion in May 2023. In 2022, revenue of HK$316 million was recognized for the sale of 1 house on Blue Pool Road following its completion. During the reporting year, an operating loss of HK$50 million was recorded for property sales, consisting primarily of selling expenses for The Aperture in Kowloon Bay and marketing expenses for Grand Hyatt Residences in Kunming, Center Residences in Wuxi, and Heartland Residences in Wuhan.

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

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

Share of Results of Joint Ventures

Our share of results from joint ventures was HK$127 million (2022: HK$153 million) in the year under review. In 2022, we recorded a one-off gain of HK$94 million from our acquisition of additional 6.67% interests in Citygate – the mixed-use commercial complex in Tung Chung, Hong Kong. Following the acquisition, our interests in Citygate increased to 26.67%. No such one-off gain was recorded in 2023.

Property Revaluation

As of December 31, 2023, the total value of our investment properties and those under development amounted to HK$201,068 million, including the mainland China portfolio of HK$137,093 million and the Hong Kong portfolio of HK$63,975 million. These properties were appraised by Savills, an independent valuer, as of December 31, 2023.

A revaluation loss of HK$62 million was recorded (2022: loss of HK$352 million).

The mainland China portfolio recorded a revaluation gain of HK$260 million (2022: loss of HK$108 million), representing less than 1% of the portfolio value.

The Hong Kong portfolio had a revaluation loss of HK$322 million (2022: loss of HK$244 million), representing a less than 1% decrease against the value as of December 31, 2022.

Net revaluation loss after tax and non-controlling interests of HK$120 million was reported (2022: net revaluation loss of HK$284 million).

Property Development and Capital Commitment

The aggregated values of our projects under development for leasing and sale were HK$23,610 million and HK$9,866 million, respectively. These comprised mainland China projects in Wuhan, Wuxi, Kunming, Hangzhou, and Shenyang, and redevelopment projects in Hong Kong. As of the reporting date, our capital commitments for the development of investment properties amounted to HK$15 billion.

Mainland China

Heartland Residences (武漢恒隆府) in Wuhan – the inaugural project of our premium serviced residences brand on the Mainland – is situated in the immediate proximity of Heartland 66 and comprises 3 towers offering a total of 492 units. Completion certificates of all 3 towers were obtained by the end of October 2023. The sales campaign for Tower 3 is in progress.

Grand Hyatt Residences Kunming (昆明君悅居) and **Grand Hyatt Kunming** are integral components of the remaining Spring City 66 development. The Residences sit above the hotel and house 254 apartment units, including 3 premium penthouses. Grand Hyatt Kunming features 331 guestrooms and suites. Sales launch for the Residences commenced in October 2023. Completion is scheduled in phases from 2024, and the opening of the Grand Hyatt Kunming is planned for mid-2024.

Center Residences (無錫恒隆府) in Wuxi and **Curio Collection by Hilton**, a lifestyle boutique hotel, form the Phase 2 development of Center 66. The Residences comprise 2 high-rise residential towers housing 573 units. In addition, there will be a seven-story new-build tower and a three-floor heritage building offering a combined total of 105 hotel rooms. Construction is progressing on track with the topping-out in December, and the project is scheduled for completion in phases from 2025 onwards. The Center Residences pre-sale is subject to market conditions, while the opening of Curio Collection by Hilton is planned for the first half of 2025.

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

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

Hong Kong

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

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

Financing Management

We aim to ensure that financial resources are always available to meet operational needs and developments. We have maintained an appropriate capital structure with multiple financing channels. A sufficient level of standby banking facilities and other debt capital funding is sustained to protect the Group from unexpected market dislocations. All financial risk management, including debt refinancing, foreign exchange exposure, and interest rate volatility, is centrally managed and controlled at the corporate level.

We closely monitor and regularly review our funding needs to allow a fair degree of financial flexibility and liquidity while optimizing the cost of funds. Various sources of debt financing are in place to mitigate concentration risks.

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

As part of our environmental, social and governance (ESG) initiatives, the Group continues to make more use of sustainable finance. During the year, we issued green bonds worth HK$0.4 billion, obtained RMB0.5 billion in green loan facilities, and secured HK$6.3 billion in sustainability-linked loan facilities. These are collectively considered sustainable finance, accounting for 55% of our total debts and available facilities.

Cash Management

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

	At December 31, 2023		At December 31, 2022	
	HK$ Million	% of Total	HK$ Million	% of Total
Denominated in:				
HKD	**3,798**	60%	2,124	37%
RMB	**2,370**	37%	3,498	60%
USD	**175**	3%	163	3%
Total cash and bank balances	**6,343**	100%	5,785	100%

All deposits are placed with banks carrying strong credit ratings. The counterparty risk is routinely monitored.

Debt Portfolio

At the balance sheet date, total borrowings amounted to HK$50,693 million (December 31, 2022: HK$45,953 million), of which 29% was denominated in RMB to act as a natural hedge to net investments in mainland China.

Our fixed-rate borrowings primarily consist of medium-term notes (MTNs) and bank loans that are converted to fixed-rate through the use of interest rate swaps. The percentage of fixed-rate borrowings decreased to 37% of total borrowings as of December 31, 2023. After excluding the onshore floating-rate debts, the percentage of fixed-rate borrowings would be 50% of the total offshore borrowings as of December 31, 2023 (December 31, 2022: 52%).

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

(i) by currency (after currency swap):

	At December 31, 2023		At December 31, 2022	
	HK$ Million	% of Total	HK$ Million	% of Total
Denominated in:				
HKD	**35,909**	71%	33,152	72%
RMB	**14,784**	29%	12,801	28%
Total borrowings	**50,693**	100%	45,953	100%

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

	At December 31, 2023		At December 31, 2022	
	HK$ Million	% of Total	HK$ Million	% of Total
Fixed	**18,576**	37%	17,376	38%
Floating	**32,117**	63%	28,577	62%
Total borrowings	**50,693**	100%	45,953	100%

Gearing Ratios

At the reporting date, the net debt balance amounted to HK$44,350 million (December 31, 2022: HK$40,168 million). The net debt to equity ratio was 28.6% (December 31, 2022: 25.9%), and the debt to equity ratio was 32.7% (December 31, 2022: 29.6%). The net debt to equity ratio increase was largely due to capital expenditures in both mainland China and Hong Kong.

Excluding the balances of Hang Lung Properties Limited and its subsidiaries (collectively known as "Hang Lung Properties"), the Company and its other subsidiaries had a net cash balance of HK$1,002 million (December 31, 2022: HK$127 million).

Maturity Profile and Refinancing

At the balance sheet date, the average tenure of our debt portfolio was 3.0 years (December 31, 2022: 3.1 years). The maturity profile was staggered over more than 10 years. Around 63% of our outstanding debts would be repayable after 2 years.

	At December 31, 2023		At December 31, 2022	
	HK$ Million	% of Total	HK$ Million	% of Total
Repayable:				
Within 1 year	**4,434**	9%	4,729	11%
After 1 but within 2 years	**14,091**	28%	8,345	18%
After 2 but within 5 years	**27,768**	55%	27,621	60%
Over 5 years	**4,400**	8%	5,258	11%
Total borrowings	**50,693**	100%	45,953	100%

As of December 31, 2023, total undrawn committed banking facilities amounted to HK$18,567 million (December 31, 2022: HK$24,789 million). The available balances of the US$4 billion (December 31, 2022: US$4 billion) MTN program amounted to US$2,251 million, equivalent to HK$17,584 million (December 31, 2022: HK$18,343 million).

Excluding the balances of Hang Lung Properties, the undrawn committed banking facilities of the Company and its other subsidiaries amounted to HK$2,850 million (December 31, 2022: HK$3,415 million).

Net Finance Costs and Interest Cover

For the year ended December 31, 2023, gross finance costs rose by 29% to HK$1,987 million following the higher average effective cost of borrowing of 4.3% (2022: 3.5%) (attributed to the hike in average interest rates) and the increase in borrowings for capital expenditure.

The net amount charged to the statement of profit or loss (after excluding capitalized amounts) increased to HK$720 million accordingly.

Interest cover for 2023 was 3.8 times (2022: 4.8 times).

Foreign Exchange Management

RMB fluctuations are our principal exchange rate risk. Our exposure is primarily determined by the currency translation risk from our subsidiaries' net assets in mainland China.

We refrain from speculating on the movement of the RMB against the HKD. Considering the cash inflows from local operations and RMB borrowings, we maintain an appropriate level of RMB resources to meet our capital needs in mainland China. We regularly conduct business reviews to assess the funding required for our mainland China projects, guided by regulatory restrictions, project development schedules, and the market environment. Our funding plan is modified to accommodate any changes in circumstances.

As of December 31, 2023, net assets denominated in RMB accounted for approximately 71% of our total net assets. Compared to December 31, 2022, the RMB depreciated against the HKD by 1.4%. An exchange loss of HK$1,693 million (2022: loss of HK$10,320 million) was recognized in other comprehensive income/exchange reserve following the translation of these assets from RMB into HKD at the exchange rate on the reporting date.

Charge of Assets

The Group's assets were not charged to third parties as of December 31, 2023.

Contingent Liabilities

The Group had no material contingent liabilities as of December 31, 2023.

Parc 66, Jinan

PLACES THAT IMPACT

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

Hang Lung As One Volunteer Team at Palace 66, Shenyang

SUSTAINABILITY

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

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

Scan the QR code for *Sustainability Report 2023*

Key Highlights in 2023

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

Awards and Recognitions

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

Excellence Award in Environmental, Social and Governance Reporting

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

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

Hong Kong ESG Reporting Awards (HERA) 2023

2023 Top CSR Company

Social Responsibility Conference

Best Companies to Work for in Asia 2023

HR Asia

OSH Report Award – Bronze Award

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

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

Yicai

Distinction Award (Large Organization Category)

Hong Kong Sustainability Award 2023, The Hong Kong Management Association

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

Hong Kong Institute of Certified Public Accountants (HKICPA)

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

BRE China Awards 2023

Major Milestones

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

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

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

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

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

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

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

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

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

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

Climate Resilience

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

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

Collaboration in Reducing Embodied Carbon

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

Collaboration to Decarbonize Real Estate

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

Renewable Electricity Procurement in mainland China

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

Climate Adaptation

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

Resources Management

Recycling and Waste Management

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

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

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

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

Wellbeing

Employee Wellbeing and Engagement

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

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

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

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

Promote Youth Development

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

Diversity and Inclusion

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

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

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

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

Sustainable Transactions

Tenant Engagement

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

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

Sustainable Building Certifications

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

Sustainable Finance

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

CORPORATE GOVERNANCE REPORT

Our vision, mission, and values are the guiding principles by which we do business and will guide us to sustainable growth.

Vision
We create compelling spaces that enrich lives

Mission
We pursue sustainable growth by connecting our customers and communities

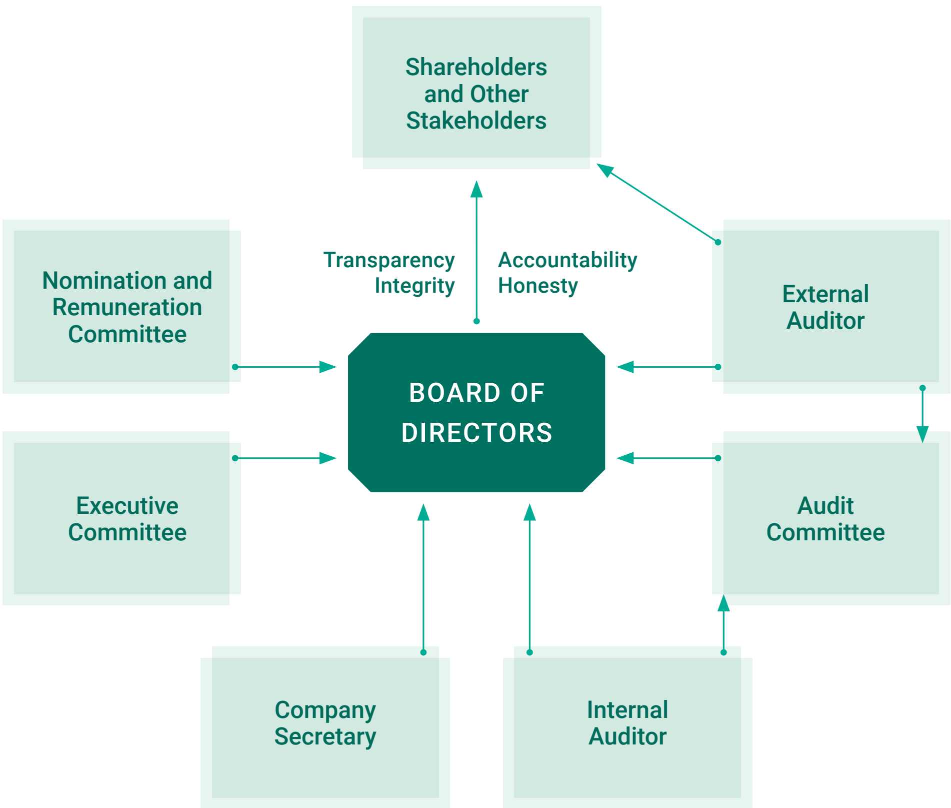
Values
Integrity, Sustainability, Excellence, Openness

The Board believes that strong corporate governance provides a solid foundation for sustainable growth and long-term success. The Board will continue to focus on enhancing sound corporate governance, and promoting the corporate values and culture that reflects the essence of **We Do It Well** at all levels within Hang Lung.

Our Strong Belief in Good Governance

Good governance starts at the top. At the core of our governance structure is a diverse and effective Board, which is committed to maintaining the highest standard of corporate governance, implementing sound internal controls and effective risk management mechanism, enhancing transparency and instilling accountability, and being a standard-bearer for integrity and honesty.

Corporate Governance Structure



Sound Corporate Culture

Corporate belief must be supported and practiced by all levels of employees. The **We Do It Well** business philosophy extends from the Board to all of our employees of different positions and at all levels all of who strive to uphold the highest standard of integrity and honesty in every aspect of our business.

Professional and Accountable Board

The Board comprises professionals from different sectors of the society, who bring with them a wide range of business and financial experience and expertise. The balanced composition of the Board has a strong independent element, which provides invaluable perspectives and facilitates impartial decision-making. To enhance the function of the Board, 3 Board committees, namely, the Executive Committee, Audit Committee and Nomination and Remuneration Committee have been established to assume different responsibilities.

Prudent Risk Management and Effective Internal Controls

The Company recognizes the challenges it faces in its operations and manages with them in a prudent manner with the support of an effective internal control environment which is responsive to ever changing environment and business needs. Further details are disclosed in the latter part of this report.

Compliance with Corporate Governance Code

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

Board and Board Committees

- 6 Board meetings were held, exceeding the requirement of 4 times a year
- 2 Board trips to visit the Company's operations in mainland China
- 36% of the Board are INEDs, exceeding the requirement that at least one-third of the Board shall be INEDs
- Audit Committee comprises 75% INEDs
- 4 Audit Committee meetings were held with the External Auditor, exceeding the requirement of 2 times a year
- Nomination and Remuneration Committee comprises 100% INEDs
- Board and Board committee papers were sent to Directors and Board committees' members 7 days before the date of meetings, exceeding the 3 days' requirement

Sustainability

- Published a sustainability report separate from the annual report
- The Sustainability Steering Committee established in 2013 continued to be in place
- The Green Finance Subcommittee established in 2019 (renamed as Sustainable Finance Subcommittee In 2020) continued to be in place
- The Health and Safety Subcommittee established in 2022 continued to be in place
- Continued to implement 10 Sustainability Goals and Targets for 2030 announced in 2020
- Continued to implement 25 Sustainability Targets to be achieved by the end of 2025 (25 x 25) announced in 2021

Risk Management

- ERM Working Group continued to serve as a robust forum for risk management
- A well established framework for responsive crisis management continued to be in place

Accountability

- Annual and interim results were published within 1 month after the end of the respective accounting periods
- All executive staff confirmed their compliance with the "Code of Conduct regarding Transactions in the Company's Shares" and declared potential conflict of interests on a half-yearly basis

Communications

- Chair's detailed explanation of business strategies and outlook of the Group in the "Letter to Shareholders"
- Vice Chair shared his thoughts on issues relating to business, including corporate values, sustainability and technology, in the "Vice Chair's Notes"
- Open and direct dialogue between the Chair, all the Directors, and the shareholders at the AGM

(I) Effective and Qualified Board

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

Composition

The Board comprises 11 Directors:

- 4 Executive Directors
  Mr. Ronnie C. Chan (Chair)
  Mr. Adriel Chan (Vice Chair)
  Mr. Weber W.P. Lo (CEO)
  Mr. Kenneth K.K. Chiu (CFO)
- 3 Non-Executive Directors
  Mr. Gerald L. Chan
  Mr. George K.K. Chang
  Mr. Roy Y.C. Chen
- 4 Independent Non-Executive Directors
  Mr. Simon S.O. Ip
  Prof. P.W. Liu
  Prof. L.C. Tsui
  Mr. Martin C.K. Liao

Our NEDs and INEDs possess diverse academic and professional qualifications, financial and management expertise and bring a wide range of business and financial experience to the Board.

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

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

Board Diversity

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

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

The Nomination and Remuneration Committee endeavors to identify female candidates through internal promotion, referrals, engaging employment agencies and other reasonable means, and recommends for the Board's consideration any potential appointments as Director. The Board appointed Ms. May S.B. Tan as an INED with effect from March 20, 2024. For details of Ms. Tan's appointment and biography, please refer to the Company's announcement dated January 30, 2024. The Board will continue to strive to ensure the Board is made up of a reasonable and justifiable proportion of women by reference to stakeholders' expectations and international and local recommended best practices and the pool of qualified candidates.

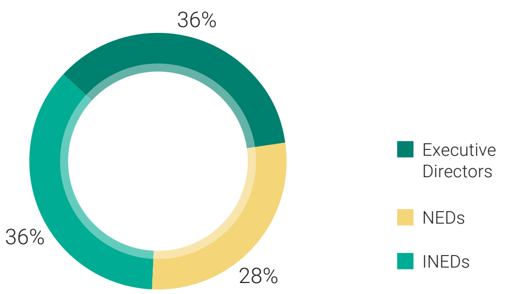
The Nomination and Remuneration Committee will conduct annual review of the effectiveness of the Board Diversity Policy. During the year, the Board Diversity Policy was duly implemented and considered as effective, taken into account of full compliance with the relevant and up-to-date requirements under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

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

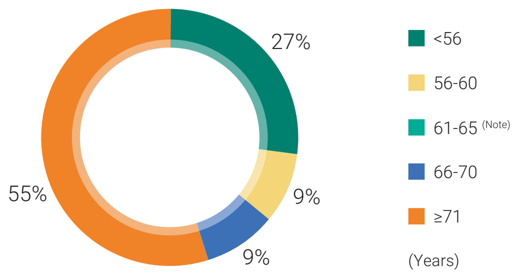
Close to 42% of the overall workforce are female among which, close to 60% of administrative staff are female. An appropriate balance of gender diversity of workforce is maintained taking into account the business models and operational needs.

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

Designation

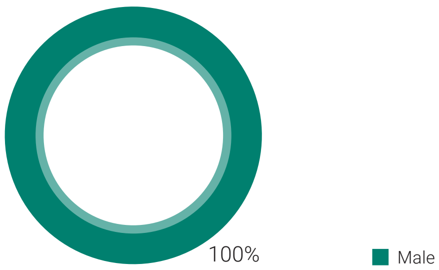


Age

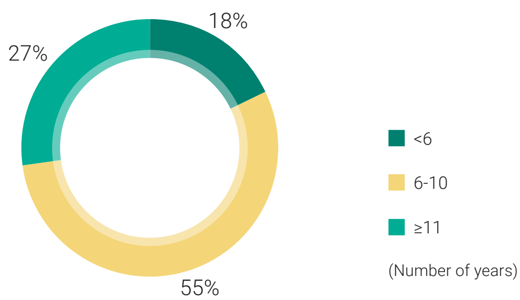


Note: None of the Directors is included in this age range

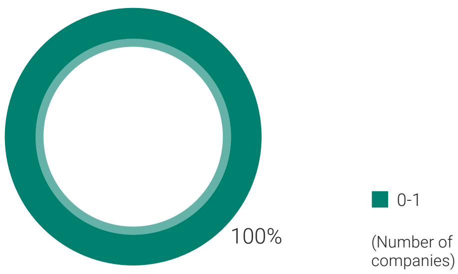
Gender



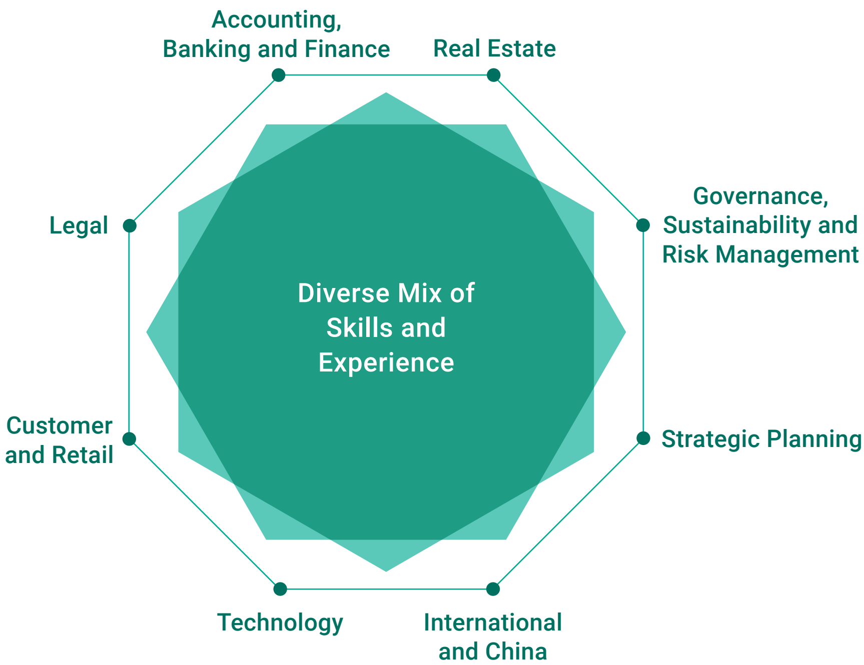
Directorship with the Company



Other Public Company's Directorship



The Board consists of a diverse mix of Directors with skills and experience apposite to leading and overseeing of the Company's business. Depending on the needs of our growing business and the availability of competent candidates to fulfill those needs, suitably qualified individuals will be considered for directorship in the future.



Functions

An updated list of Directors identifying their roles and functions and whether they are INEDs is maintained on our website and the website of HKEX. Their biographical details, disclosed on pages 122 to 126 of this annual report, are also maintained on our website under "Our Management" of the "Corporate Governance" section.

The Board is responsible for, among other things:

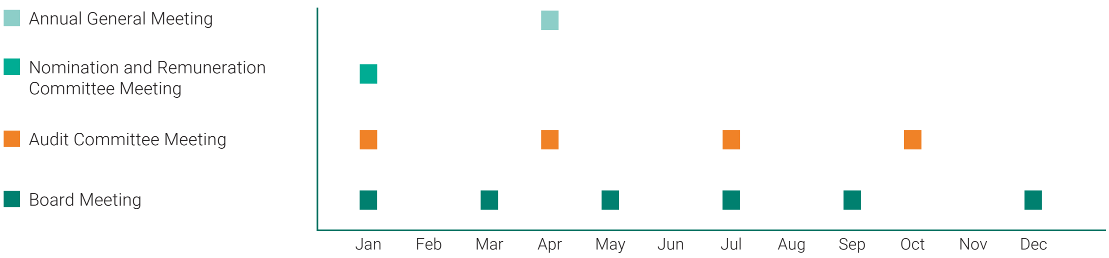
- ensuring continuity of leadership;
- the development of sound business strategies;
- the deployment of adequate capital and managerial resources to implement the business strategies adopted; and
- the adequacy of systems of financial and internal control, risk management, and the conduct of business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

The NEDs and INEDs have made an invaluable contribution to the development of the Company's strategies and policies, providing the Board with independent, constructive, and informed advice. They have given the Board and the Board committees on which they serve, the benefit of their skills, expertise, and diversified backgrounds and qualifications through regular attendance and active participation. The balanced composition between Executive Directors and NEDs (including INEDs) provided the checks and balances necessary for safeguarding the interests of shareholders.

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

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

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



In 2023, the average attendance rate of the Directors at Board meetings was 92%. To ensure attendance and active participation, the dates of Board meetings and meetings of the Board committees for the full year 2023 as well as the date of 2023 AGM were set in the preceding year and management arranged video conference participation for those Directors who were unable to attend Board meetings in person.

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

	Meetings Attended/Held			
Directors	Board	Audit Committee	Nomination and Remuneration Committee	2023 AGM
Executive Directors				
Ronnie C. Chan	6/6	N/A	N/A	1/1
Adriel Chan	6/6	N/A	N/A	1/1
Weber W.P. Lo	6/6	N/A	N/A	1/1
Kenneth K.K. Chiu	6/6	N/A	N/A	1/1
Non-Executive Directors				
Gerald L. Chan	2/6	N/A	N/A	0/1
George K.K. Chang	6/6	4/4	N/A	1/1
Roy Y.C. Chen	6/6	N/A	N/A	1/1
Independent Non-Executive Directors				
Simon S.O. Ip	6/6	4/4	1/1	1/1
P.W. Liu	6/6	4/4	1/1	1/1
L.C. Tsui	6/6	4/4	N/A	1/1
Martin C.K. Liao	5/6	N/A	0/1	1/1

Board Processes and Access to Information

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

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

All Directors are entitled to have access to timely information in relation to our business and to make further enquiries where necessary, and each also has separate and independent access to management.

Management also provides the Board and the Board committees with sufficient information and analyses to enable them to make informed assessments of the Company's financial and other information put before the Board and the Board committees for discussion. Management is also invited to join Board meetings, where appropriate. The Company Secretary keeps minutes of Board meetings and the Board committees meetings together with related Board or Board committees papers and materials, which are available for inspection by Directors.

Furthermore, management provides all Directors with monthly updates which give a balanced and up-to-date assessment of the Company's performance, position, and prospects in sufficient detail to enable the Board as a whole and each Director to discharge his duties under the Listing Rules.

In addition, all Directors have access to the advice and services of the Company Secretary, a full time employee of the Company, who is responsible to the Board for ensuring that procedures are followed and that all applicable laws, rules and regulations are complied with. The Company Secretary supports the Board by ensuring good information flow within the Board and advises the Chair and the Board on corporate governance issues and the implementation of the CG Code. The Company Secretary has taken more than 15 hours of relevant professional training in 2023 to keep her skills and knowledge updated.

Procedures have also been agreed by the Board to enable the Directors to seek independent professional advice at the Company's expense. The procedures in place are reviewed on an annual basis and considered as effective.

Pursuant to the Articles of Association, a Director shall not vote or be counted in the quorum in respect of any transaction, contract or arrangement in which he or any of his associates is/are materially interested, unless otherwise stated.

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

2. Clear Division of Responsibilities between Chair and CEO

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

Chair

The Chair, Mr. Ronnie C. Chan, provides leadership for the Board. He is responsible for ensuring that all Directors receive adequate, accurate, clear, complete and reliable information in a timely manner, and that the Directors are properly briefed on issues arising at Board meetings. He also ensures that:

- the Board works effectively and discharges its responsibilities;
- all key and appropriate issues are approved by the Board in a timely manner;
- good corporate governance practices and procedures are established; and
- appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole.

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

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

He encourages all Directors to make an active contribution to the Board's affairs and takes the lead in ensuring that the Board acts in the best interests of the Company. He encourages Directors with different views to share their opinion and ensures sufficient time for discussion of issues which the Board is charged to deliberate and reach decisions on.

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

He also arranges suitable trainings for Directors to refresh their knowledge and skills.

CEO

The CEO, Mr. Weber W.P. Lo, is a member of the Executive Committee of the Company and is responsible for:

- leading the management team in business operations and in the implementation of policies and strategies adopted by the Board;
- the Company's day-to-day management in accordance with the instructions issued by the Board;
- developing strategic operating plans that reflect the objectives and priorities established by the Board and maintaining operational performance;
- ensuring the adequacy of risk management, financial, and internal control systems, and the conduct of business in conformity with applicable laws and regulations; and
- reporting to the Board from time to time on matters of material importance.

To cope with the ever-changing operating environment, management, under the leadership of the CEO, has put great effort into enhancing our operating systems as well as enriching our corporate culture with an integrity program that reflects the essence of **We Do It Well** as the way Hang Lung engages in business.

In support of our vision to create compelling spaces that enrich lives, the CEO has also formulated and led the management team to implement the following 5 overarching strategies for sustainable growth:

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

3. Independence of INEDs

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

In respect of the re-election of an INED who has served on the Board for more than 9 years in the AGM, we will state in the notice of the AGM the reason why we consider the INED to remain to be independent and our recommendation to shareholders to vote in favor of the re-election of such INED.

4. Appointment, Re-election and Removal

In accordance with the Articles of Association, one-third of the Directors are required to retire from office by rotation for re-election by shareholders at an AGM, and new appointments to the Board are subject to re-election by shareholders at the next general meeting. In addition, every Director is subject to retirement by rotation at least once every 3 years.

The names of such Directors who are eligible and will offer themselves for re-election, accompanied by detailed biographies, will be presented in the notice of the general meeting. In relation to the appointment or re-election of an INED, we will also state in the notice of the general meeting the identifying process, the reason why we consider the INED to be independent, the perspectives, skills and experience that the INED can bring to the Board, and how the INED contributes to the diversity of the Board.

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

5. Continuous Professional Development

Each newly appointed Director first meets with fellow Directors and key executives, and receives a comprehensive, formal, and tailored induction upon his/her appointment. Subsequently, he/she receives the briefings and professional development necessary to ensure he/she has a proper understanding of the Company's operations and business, and full awareness of his/her responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements, and, in particular, the Company's business and governance policies. The Company Secretary facilitates the induction and professional development of Directors.

All Directors are encouraged to participate in continuous professional development to broaden and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Chair also arranges suitable training for Directors from time to time.

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

Directors	Types of Training
Ronnie C. Chan	A, B, C
Adriel Chan	A, B, C
Weber W.P. Lo	A, B, C
Gerald L. Chan	A, B, C
Simon S.O. Ip	A, B, C
P.W. Liu	A, B, C
L.C. Tsui	A, B, C
Martin C.K. Liao	A, B, C
George K.K. Chang	A, B, C
Roy Y.C. Chen	A, B, C
Kenneth K.K. Chiu	A, B, C

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

B Reading materials relating to the business or directors' duties

C Corporate event

(II) Delegation by the Board

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

1. Executive Committee

An Executive Committee was formed in 1989. The chair of the Committee is Mr. Ronnie C. Chan and its members are all the Executive Directors of the Company, who meet regularly to establish the strategic direction of the Company and to monitor the performance of the management. Clear terms of reference have been adopted by the Board, and guidelines have also been set up for certain issues requiring Board approval. All Committee members have full understanding for determining which issues require a decision of the full Board and which may be delegated by the Board to the Committee or management.

2. Audit Committee

An Audit Committee was established by the Board in 1999. The Committee currently comprises 3 INEDs, namely, Mr. Simon S.O. Ip (Chair of the Committee), Prof. P.W. Liu and Prof. L.C. Tsui, and 1 NED, namely Mr. George K.K. Chang, all of whom possess appropriate academic and professional qualifications or related financial management expertise.

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

The terms of reference detailing the Committee's role and authority, which include duties pertaining to corporate governance functions and the oversight of risk management, are available on both our website, under "Audit Committee" of the "Corporate Governance" section, and the website of HKEX.

The Committee is authorized by the Board to investigate any activity within its terms of reference; to seek any information it requires from any employee (and all employees are directed to co-operate with any requests made by the Committee); to obtain outside legal or other independent professional advice; and to secure the attendance of outsiders with relevant experience and expertise at their meetings if necessary. Sufficient resources are provided to the Committee to discharge its duty.

In 2023, the Audit Committee executed, inter alia, the following:

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

- reviewed and obtained explanation from management and the External Auditor on the interim and annual results, including any change from the previous accounting period, the effects on the application of new accounting policies, compliance with the Listing Rules and relevant legislation, and any audit issues, before recommending their adoption by the Board;
- held meetings with the External Auditor in the absence of management to discuss any material audit issues;
- reviewed the procedures and guidelines for employing the External Auditor to perform non-audit assignments for the Company, and approved the scopes and fees for non-audit assignments; and
- considered and proposed to the Board the re-appointment of KPMG as the Company's External Auditor and approved its terms of engagement.

Risk Management and Internal Control Systems

- carried out reviews of the effectiveness of the Company's risk management and internal control systems including the structure of senior management, the adequacy of resources, staff qualifications and experience, training program and budget of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's ESG performance and reporting;

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

Corporate Governance Functions

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

- reviewed the Company's compliance with the CG Code and disclosure in annual report on corporate governance and sustainable development;
- reviewed and monitored the training and continuous professional development of the Directors;
- reviewed the Company's policies and practices on corporate governance, compliance with legal and regulatory requirements and the "Code of Conduct", and made recommendations to the Board; and
- reviewed ESG related risks and confirmed that the ESG risk management and internal control systems were in place and remained effective throughout 2023.

3. Nomination and Remuneration Committee

The Nomination and Remuneration Committee, set up in 2003, comprises entirely INEDs, namely, Prof. P.W. Liu (Chair of the Committee), Mr. Simon S.O. Ip and Mr. Martin C.K. Liao. Regular reviews of significant changes to the salary structure within the Group and the terms and conditions affecting Executive Directors and senior management are conducted. The Committee met once in 2023 to review, inter alia, the composition of the Directors and the Directors' remuneration.

The terms of reference of the Committee contain the criteria and principles for nomination of Directors. These criteria and principles are formally regarded as the nomination policy for Directors. The terms of reference of the Committee can be accessed on both our website, under "Nomination & Remuneration Committee" of the "Corporate Governance" section, and the website of HKEX.

The major works performed by the Committee in 2023 included the following:

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

Pursuant to the Nomination Policy, the Committee will:

- review the structure, size and diversity of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identify individuals suitably qualified to become Directors and select or make recommendations to the Board. In identifying suitable candidates, the Committee shall consider candidates on merits and against objective criteria, with due regard for the benefit of diversity on the Board; and
- make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chair of the Board and the CEO, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience, and diversity needed in the future.

The remuneration package of Executive Directors and senior management, including discretionary bonuses and share options, is based on the following criteria:

- individual performance;
- skills and knowledge;
- involvement in the Group's affairs;
- achievement of business targets; and
- the performance and profitability of the Group.

The Committee also considers factors such as salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group.

The Committee obtains benchmark reports for the evaluation of market trends and the competitiveness of the remuneration being offered to Directors and senior management. The Committee may consult the Chair and the CEO about the remuneration proposals for Executive Directors and has access to independent professional advice if necessary. Sufficient resources are provided to the Committee to discharge its duties.

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

4. Management Functions

"Senior Management" refers to our Executive Directors. Their duties are explained in the paragraph headed "Executive Committee" above. Key executives are responsible for day-to-day operations and the administration function of the Group under the leadership of the Executive Directors. The Board has given clear directions to management as to matters that must be approved by the Board before decisions are made on behalf of the Company. The types of decisions to be delegated by the Board to management include implementation of strategies and direction determined by the Board, operation of the Group's businesses, preparation of financial statements and operating budgets, and compliance with applicable laws and regulations. These arrangements are reviewed periodically to ensure that they remain appropriate to our needs.

(III) Securities Transactions and Share Interests

1. Securities Transactions

We have set out guidelines regarding securities transactions by the Directors under "Transactions in the Company's Shares" in our "Code of Conduct" according to the required standard set out in the Model Code. The Company has made specific enquiries with all Directors and confirmed that they have complied with the required standard set out in the Model Code and the "Code of Conduct" regarding Directors' securities transactions.

The Company has also set out guidelines regarding securities transactions by relevant employees who, because of their offices in the Company or its subsidiaries, are likely to be in possession of inside information. The relevant employees are also required to comply with the required standard set out in the Model Code. All the relevant employees are reminded of the necessity for compliance with the guidelines every 6 months.

2. Share Interests

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

	The Company	HLP	
Board Members	Number of Shares	Number of Shares	Number of Share Options
Ronnie C. Chan (Note 3)	40,369,500 (Note 1)	17,155,000	17,600,000
Adriel Chan (Note 3)	551,002,580 (Notes 1 & 2)	2,783,898,340 (Note 2)	13,200,000
Weber W.P. Lo	460,000	965,000	21,750,000
Gerald L. Chan (Note 3)	–	–	–
Simon S.O. Ip	–	–	–
P.W. Liu	–	100,000	–
L.C. Tsui	–	–	–
Martin C.K. Liao	–	–	–
George K.K. Chang (Note 3)	–	–	–
Roy Y.C. Chen (Note 3)	–	–	–
Kenneth K.K. Chiu	–	–	6,200,000

Notes

1. These interests included 28,579,500 shares of the Company held by a trust of which Mr. Ronnie C. Chan was a discretionary beneficiary, and Mr. Adriel Chan was a settlor and discretionary beneficiary. Accordingly, Mr. Ronnie C. Chan and Mr. Adriel Chan were deemed to be interested in such shares under the SFO.
2. These interests included another 522,423,080 shares of the Company and 2,783,898,340 shares of HLP held or deemed to be held by another trust of which Mr. Adriel Chan was a discretionary beneficiary. Accordingly, Mr. Adriel Chan was deemed to be interested in such shares under the SFO.
3. Mr. Ronnie C. Chan is a brother of Mr. Gerald L. Chan, a cousin of Mr. Roy Y.C. Chen and the father of Mr. Adriel Chan. Mr. George K.K. Chang is an employee of Morningside Group, which was co-founded by Mr. Ronnie C. Chan and Mr. Gerald L. Chan and is currently chaired by Mr. Gerald L. Chan.

(IV) Accountability and Audit

1. Financial Reporting

The Directors acknowledge their responsibility for preparing the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Company's financial statements are prepared in accordance with the Listing Rules, the Companies Ordinance, and also the accounting principles and practices generally accepted in Hong Kong. Appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable. A statement by the External Auditor, KPMG, about its reporting responsibilities is included in the Independent Auditor's Report on the Company's consolidated financial statements.

The Directors endeavor to ensure a balanced, clear and coherent assessment of the Company's position and prospects in annual reports, interim reports, inside information announcements, and other disclosures required under the Listing Rules and other statutory regulations.

2. Risk Management and Internal Controls

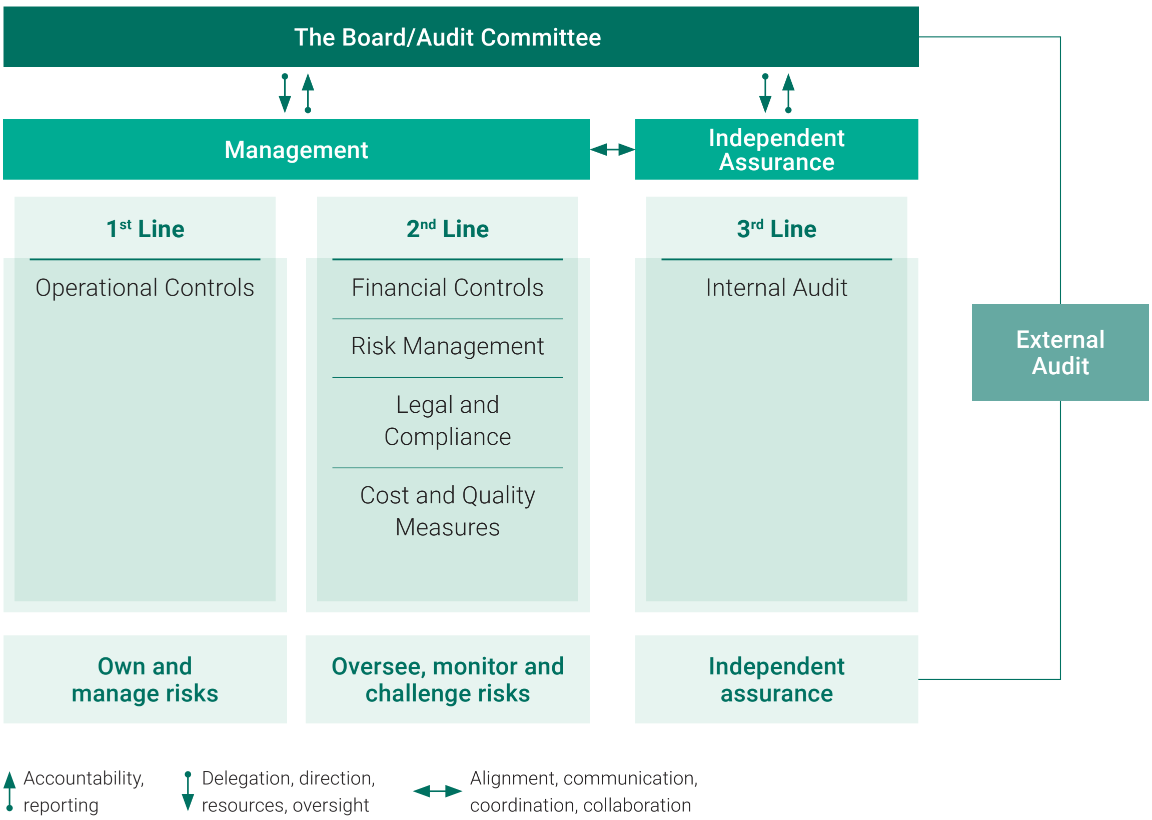
A robust risk management and internal control framework is an integral part of the Company to achieve strategic objectives and maintain sustainable business growth.

The Board has overall responsibility for the risk management and internal control systems of the Company, in addition to evaluate and determine the nature and extent of the risks it is willing to take in order to achieve the Company's strategic objectives. The Audit Committee supports the Board to oversee the effectiveness of our systems on an ongoing basis. Management is tasked with the design, implementation, and maintenance of a sound and effective risk management and internal control framework with reference to the COSO (Committee of Sponsoring Organizations of the Treadway Commission) principles, which is crucial in bringing corporate strategies to fruition and ensuring the sustainability of the Company. Like any others, our systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management Framework

Risks are inherent in every area of our business. It is essential to maintain a risk-aware culture throughout the organization, and a systematic approach to identify and assess risks so they can be mitigated, transferred, avoided or accepted. We are committed to continually enhancing our risk management framework, linking it to our corporate strategies, and integrating it into our day-to-day operations and decision-making processes. Our risk governance structure is guided by the "Three Lines Model", as illustrated below:

Three Lines Model



As the first line functions, risk owners of all corporate departments and business units regularly conduct risk and control assessments to evaluate the implications of respective risks identified and the adequacy and effectiveness of actions in place to mitigate these risks.

As the second line, specific functions are established to effectuate risk management and ensure the first line is performing properly. The responsibilities of these functions include but are not limited to financial controls, risk management, legal and compliance, as well as cost and quality measures. Under its approved terms of reference, the ERM Working Group (comprising our CEO as Chair and unit heads from major business units and support divisions) oversees risk management activities across all functions and makes a robust assessment of the principal risks and uncertainties that the Company is exposed to.

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

- reviewed the effectiveness of the Company's ERM framework;
- reviewed risk assessment criteria to ensure they were appropriately defined and continued to be relevant in light of the Company's business and risk profile;
- organized various workshops for management and operational staff to promote understanding of the ERM framework and to embed a risk-aware culture for monitoring and reporting risks within the Company;
- identified and evaluated the Company's principal risks and key emerging risks;
- evaluated the comprehensiveness of identified risks at the operational level;
- challenged the risk owners on mitigation actions and their effectiveness;
- analyzed root causes and checked risk enforcement in key areas where controls were previously inadequate or ineffective;
- examined crisis management capacities for handling large-scale, sudden operational adversities; and
- compiled relevant and timely risk reports, including "deep-dives" for the Board and the Audit Committee.

As the third line, the Internal Audit Department plays a crucial role in assessing the effectiveness of the risk management system, reports regularly to the Audit Committee on key findings, and provides recommendations for improving and tracking the implementation of such measures.

The Board and the Audit Committee reviewed the Company's principal and emerging risks and conducted an annual review of the effectiveness of the ERM framework. Taking into consideration the principal risks and mitigation actions, the Board believes the Company has the ability to adequately respond to changes to our business and the external environment.

Risk Management Process

The Company takes proactive measures to identify, evaluate, and manage significant risks arising from our business and the constantly changing business environment at different levels within the organization. This integrated approach combines a top-down strategic view with complementary bottom-up operational processes, as illustrated below:

A list of principal risks (including ESG-related risks), covering both strategic and operational risks as identified by our risk assessment process, is compiled with reference to their residual risk impact and likelihood (after considering mitigation actions and controls). Risk ownership is assigned for each principal risk. The risk owners then coordinate and develop action plans to ensure the proper implementation of these mitigation actions. They are also required to continuously monitor, evaluate, and report on risks for which they bear responsibility. The ERM Working Group reviews and challenges the adequacy of mitigation actions. Relevant controls are also subject to internal audit review and testing.

The Company has put in continuous efforts in fine-tuning the risk management system for operating sites and sites under development. Various risk management workshops have been conducted for local management teams to further promote risk awareness across all levels of the organization and fully engage our teams in the risk assessment process. When compiling their risk registers, each site identifies key risks and mitigation actions and rates the residual risks according to likelihood and impact parameters at the operational level (scaled down from the enterprise level parameters). Top risks at the operational level are then extracted from each site's detailed risk register and reviewed by the ERM Working Group, which are then reported to the Audit Committee.

Through this integrated top-down and bottom-up risk management process, which enables the identification and prioritization of risks throughout the Company, we maintain effective lines of communication to ensure the timely escalation of potential risks and the initiation of mitigation actions to manage them.

Internal Control Framework

The Board is responsible for maintaining an effective internal control system.

Our internal control system monitors the Company's overall financial position and ensures it is accurately reflected in our financial and management reporting while safeguarding our assets against major losses and misappropriation; providing reasonable assurance against material fraud and error; and efficiently identifying and correcting non-compliance.

To ensure efficient and effective operations in our business units and functions, relevant internal control policies and procedures, committees, and working groups are in place to achieve, monitor, and enforce internal controls. These policies and procedures are periodically reviewed and updated when necessary. All employees are made aware of the policies and procedures, with comprehensive staff communications and training programs in place to ensure understanding and awareness.

The Audit Committee supports the Board to oversee the effectiveness of internal controls, while management is responsible for designing, implementing, and maintaining an effective internal control system with reference to the COSO principles. In particular, appropriate policies and procedures governing the activities of the Executive Committee, Directors, executives, and senior staff, such as delegation of authority, approval of annual and mid-year budgets for all capital, revenue, and expenditure items, etc., have been put in place. Management also continually reviews, updates, and refines the internal control system to anticipate future challenges.

Our Internal Audit Department is independent of our operations and accounting functions. The Head of Corporate Audit reports directly to the Audit Committee.

A risk-based internal audit plan is approved by the Audit Committee each year. Based on the audit plan, the Internal Auditor performs an assessment of risks and testing of controls across all business and support units of the Company in order to provide reasonable assurance that adequate controls and governance are in effect. In line with the Company's zero tolerance for fraud and bribery, the Internal Auditor is responsible for the conduct of relevant investigations should fraud or irregularities be uncovered or suspected.

In 2023, the Audit Committee met quarterly to discuss internal audit issues with the Internal Auditor and to discuss financial and internal control matters with the External Auditor. The Audit Committee held 4 direct discussions with the External Auditor in the absence of management. The Audit Committee reported any key issues arising from these meetings to the Board.

There were no significant control failings or weaknesses identified in 2023. Following previous practices, an annual assessment to evaluate the effectiveness of the internal audit operations and activities was also conducted during the year. It was concluded that our internal audit function has been operating effectively in accordance with the Internal Audit Charter.

Annual Assessment

With the management confirmation covering all material controls (including financial, operational and compliance controls) as well as risk management functions of the Company and its subsidiaries for the financial year ended December 31, 2023, and the foregoing review by the Audit Committee, the Board concluded that effective and adequate risk management and internal control systems were in operation during the year.

The level of resources, staff qualifications and experience, training programs, and budget for the Company's internal audit, accounting, financial reporting functions, as well as those relating to the Company's ESG performance and reporting were also assessed and considered adequate.

Principal Risks of the Company

The principal risks the Company faces may not change significantly from year to year, although the magnitude and significance of these risks can and do vary. Our ongoing review of these principal risks focuses on how changes might arise and how our controls need to be adapted in response to evolving business conditions and organizational changes. The Company's principal risks in 2023 are outlined below:

Business and Market Risk

The ability to acquire suitable land for development is critical for the Company to sustain continuous growth and the desired return on investment. Sophisticated designs, tight deadlines, and several waves of the pandemic between 2020 and 2022 have created implementation challenges in delivering our projects safely, on budget, on time, and to the desired quality.

The advent of digital technologies and evolving consumer behaviors always present new challenges to our business. The stagnant economic environment and the behavioral changes of tourists after travel resumption compelled us to redefine our leasing strategy and reposition our Hong Kong properties with a better balance between local consumers and tourists.

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Heavy capital investment coupled with a long investment period and market cycles provide opportunities and challenges in land acquisition	Risk trend remains similar	• Set investment strategy, criteria, and risk appetite prior to land acquisition • Consolidate local market and industry information • Conduct appropriate due diligence, including third-party expert reviews • Identify critical resource constraints in funding or human resources for proper planning • Undertake structured analyses of business opportunities with early involvement of business operation • Focus on product quality and core location as our differentiator • Exercise financial prudence and continually monitor our return on investment

Key – Risk trend (change from last year) Upward/increasing risk trend Risk trend remains similar

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Project complexity, tight deadlines, and fluctuations in material costs after tender award present implementation challenges in delivering projects safely, on budget, on time, and in line with the required quality		• Establish clear roles and responsibilities for accountability and division of duties among design, project management, and business operations at various stages of the development cycle • Establish clear and comprehensive policies and procedures with periodic enhancements to tighten controls • Compress overlapping activities to expedite construction progress in post COVID era and review all aspects of a development site's planning and construction, including sustainable initiatives • Closely monitor the price fluctuations and supply of materials, conduct careful tender analysis, tighten controls on price variation claims, extension of time and final accounts • Carry out factory inspections to ensure the quality of materials before delivery to the site, and set up workmanship mockups for review before the commencement of works • Identify and monitor the rectification of any non-compliance cases by the designated safety manager and external safety consultant • Provide regular and comprehensive reports to the Board and the Audit Committee, and strengthen management supervision
Fast-paced technological innovations such as e-commerce and artificial intelligence, as well as rapidly changing consumer behaviors and tastes, could impact the Company's business model or strategy	Advances in technology and changing consumer tastes undermine competitiveness	• Provide a comprehensive view on customer preference and feedback of our service standards through structured customer survey, and track for prompt follow-ups on service pain points • Stay in touch with the latest relevant technologies and assess the impact to our business through data analytics and smart retail solutions • Explore and adopt applicable new technologies, such as virtual augmented reality, computer vision, indoor navigation, intelligent marketing engine, and innovative digital platforms to uplifting the overall user experiences • Ensure IT infrastructure readiness for big data to enhance data analytics and security capabilities, such as our data journey project and WeChat mini programs • Grow customer engagement and loyalty via well-established CRM programs to better engage customers and drive sales
Challenges to reposition or redefine our leasing strategy for Hong Kong projects under fast changing market		• Refine our leasing strategy to cope with new consumer behaviors and preferences • Act fast on market changes to recruit blooming trades under our leasing portfolios, enhance F&B offerings, introduce exclusive concepts and experience flagships • Conduct ongoing branding and marketing programs as well as joint-tenant promotions to attract and excite both local customers and tourists • Encourage customer loyalty by unveiling "hello dollar" under the "hello Hang Lung Mall Rewards Program" • Carry out asset enhancement initiatives to maintain our properties' competitiveness and create a decent shopping environment to our customers

Social and Political Risk

We ensure that our properties remain highly competitive by closely monitoring and responding to changing business environments and market trends. However, dynamic sociopolitical and economic conditions as well as changes in government policy and the regulatory environment in mainland China present implementation challenges to our project development and leasing strategies.

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

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Introduction of new government regulations or sudden policy changes without sufficient consultation and guidelines could adversely affect a project's development and/or our business operations		• Closely monitor regulatory developments and market/public sentiment • Actively engage with regulatory bodies and professional firms on updates to laws and regulations • Allocate sufficient internal resources to ensure timely responses to and compliance with regulatory changes • Monitor the impacts of significant breaches or non-compliance with regulatory requirements, as well as exposure to potential litigation or claims, if any, and their magnitude • Continue monitoring and assessing the practical implications and impacts of regulatory changes, prepare legal updates on a quarterly basis, and conduct legislative trend analyses • Maintain proper and sufficient documentation as much as possible
Major external disasters or crises beyond control or reasonable expectations, such as epidemics, extreme weather, floods, earthquakes, cyber-crimes, a sudden financial collapse of the real estate industry, etc., could impact assets or business continuity	The property crisis as well as the growing frequency and intensity of extreme weather adversely affect our business operations	• Review, update, and validate business continuity plans of critical functions on an annual basis • Continue our sustainability efforts across all portfolios and promote tenant partnership in climate resilience and resource management initiatives • Reinforce internal policies on IT/cyber security, digital media and corporate communications guidelines, such as conducting IT disaster recovery drills and penetration tests, and publishing cyber security newsletters • Strengthen crisis handling skills with refined online Crisis Management Orientation and Refresher programs, ongoing crisis audits / surprise drills and media trainings • Ensure appropriate insurance coverage for properties and business

People and Governance Risk

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

Climate change is a growing strategic risk that our cross-functional management team is addressing through both physical risk and transition risk controls to ensure sustainable assets and operations.

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Failure to recruit, develop, or retain staff with suitable capabilities and the capacity to support the operation and to pursue the ambition of the Company	Challenges in recruiting qualified and competent talent in both Hong Kong and mainland China	• Formulate manpower plan to match existing and future human capital needs against our business strategy • Fully utilize the Headquarters (Shanghai) as an extended arm of the Headquarters (Hong Kong) to facilitate talent development and attract local talent • Formalize talent and organizational review to identify and retain staff with development potential for critical roles • Provide structured leadership training to support the learning needs of our key talent and enhance functional knowledge and key competencies of the workforce • Build up the young talent pipeline, promote the internal job posting platform "CareerConnect" to encourage staff mobility, and enhance the employee referral program policy • Review the competitiveness of our compensation and conduct benefits enhancements periodically • Continue to launch Employee Engagement Survey to engage and retain our staff
Fraud and corruption activities could result in significant financial losses and/or impact the reputation of the business		• Strengthen and reinforce the Company's commitment to the highest standards of integrity and accountability • Provide ongoing training and reinforce communication with staff on integrity, impartiality, and honesty • Operate an effective whistleblowing mechanism with a refined whistleblowing policy and formalize investigation mechanism • Formalize anti-corruption policy that benchmarks industry best practices • Periodically review and update the Staff Handbook and "Code of Conduct" to emphasize zero tolerance for unethical behavior

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

Financial Risk

In keeping with the principle of prudent financial management, we have processes in place to identify and manage financial risks associated with our operations. Key financial risks include interest rate and foreign exchange rate risks, funding and liquidity risks, credit/counterparty risks, and property valuation risks.

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Prolonged economic downturn and unfavorable market conditions could impact property valuations and affect the Company's borrowing capabilities		• Understand the basis of the asset valuation models of our properties and review capitalization rates with our independent valuer • Periodically review our exposure to potential decreases in property valuation and carry out stress tests • Review financial risk exposure in accordance with the covenants of our borrowings • Perform gearing ratio projections based on reasonable assumptions, taking future financial commitments into account
Portions of the Company's borrowings are floating-rate bank loans, which could expose us to rising interest rates	US and HK interest rates rise	• Continually track and monitor interest rates • Utilize a spectrum of financing instruments, such as the issuance of fixed rate bonds and loans, and the use of derivatives such as interest rate swaps for achieving an appropriate mix of fixed/floating debts • Perform a stress test on borrowing capacity, and maintain a relatively conservative gearing ratio
Our business in mainland China has, by nature, currency risk derived from capital investment, as well as risks from revenue/debt currency mismatch		• Continually track and monitor the RMB exchange rate • Maintain an appropriate level of RMB resources for the Company's capital requirements in mainland China • Monitor currency risks and perform periodic sensitivity analyses • Modify our currency hedging strategy as necessary
Market liquidity may change from time to time and inhibit our ability to acquire adequate and cost-effective funding		• Centralize the management of cash and financing at the corporate level by the Treasury Team • Maintain closer relationships with banks and intermediaries; Effective management of concentration of bank loans • Manage the maturity profile of deposits and loans to minimize refinancing risk • Establish and maintain diversified channels of debt financing
Credit/counterparty risk exposure primarily from rents receivable and deposits placed with banks		• Undertake comprehensive credit assessments of prospective tenants • Require rental deposits and rent in advance, and closely monitor outstanding rents to mitigate our rents receivable risk • Assign bank exposure limits to mitigate concentration risk on our deposits • Only make deposits with banks that have sound financial strength and/or good credit ratings

In addition to the principal risk categories outlined above, the Company has identified and monitored specific emerging risks, such as the property crisis in mainland China and its potential impact to our serviced apartments for sale. We have evaluated the potential impacts of these emerging risks to our business operations and have taken appropriate mitigation actions during the year. Periodic assessment would be carried out in case any of these emerging risks may become more significant in the future.

3. Code of Conduct

The Company adopted a corporate "Code of Conduct" in 1994 and has maintained it with regular reviews and updates from time to time, as necessary. The latest update was made in December 2022. The "Code of Conduct" is accessible on our intranet and website to enable easy accessibility by our employees and the public.

The "Code of Conduct" sets out the Group's policy regarding legal requirements, conflicts of interest, the handling of confidential information and company property, the use of information and communication systems, personal social media activities, whistleblowing policy, anti-corruption, relations with suppliers and contractors, responsibilities to shareholders and the financial community, relations with customers and consumers, employment practices, and responsibilities to the community. In essence, it details the Group's principles in running its business and acts as a benchmark for all staff to follow.

In order to monitor and enforce compliance with the "Code of Conduct", functional managers are responsible for ensuring their subordinates fully understand and adhere to the standards and requirements stipulated. Violations result in disciplinary action which may include termination of employment or reporting of the offense to the appropriate authorities, if necessary. Executive Directors answer directly to the Board on the impartial and efficient handling of complaints received from shareholders and potential shareholders, customers and consumers, suppliers and contractors, and our employees. As part of our commitment to good governance, all executive staff are required to declare their compliance with the "Code of Conduct regarding Transactions in the Company's Shares", on a half-yearly basis.

A well-defined whistleblowing mechanism has been put in place, to support the whistleblowing policy, for our employees and other third parties who have business dealings with the Group, such as contractors and tenants. It is designed to encourage the confidential reporting of concerns regarding misconduct, fraudulent activities, or malpractices in any matter related to the Group. An email account (whistleblowing@hanglung.com) has been set up for this purpose. The Head of Corporate Audit has the responsibility for monitoring and overseeing the mechanism, and all reported cases are investigated by the Internal Audit Department in complete confidence. Our Internal Audit Department reports cases to the Audit Committee on a half-yearly basis.

Employees at all levels of the organization are made aware of the Company's emphasis on integrity and zero-tolerance of unethical behavior through the "Code of Conduct" as well as policies and procedures issued from time to time. In addition, the Hang Lung Integrity Program, established in 2013, is a channel through which the highest standards of integrity and honesty are promoted to every employee and in every process of our diverse functions across our operations in Hong Kong and mainland China. The program espouses the centricity of ethical conduct to our business through the e-learning programs for all employees. In 2023, about 126,704 training hours were delivered to our employees, of which about 3,690 training hours were delivered as part of the program.

In addition, to ensure that all operations are managed in accordance with our high standards of professional practice and corporate governance, all employees are reminded of the policy governing conflict of interest situations every 6 months. All executive staff are also required to declare every 6 months their interest (if any), directly or indirectly, with the Company, its subsidiaries, or associated companies.

4. Inside Information

The Company has adopted a "Policy on Disclosure of Inside Information" since 2013 setting out the procedures and controls for handling and dissemination of inside information in compliance with the SFO and the Listing Rules, including:

- disclosure of inside information as soon as reasonably practicable under the applicable laws and regulations;
- publication of interim and annual results within 1 month from the end of accounting periods to minimize the risk of leakage;
- conduct of its affairs with close adherence to the "Guidelines on Disclosure of Inside Information" issued by Securities and Futures Commission;
- authorizing designated person(s) as spokespersons for communications with stakeholders;
- imposing a strict prohibition on the unauthorized disclosure and use of inside information in its "Code of Conduct"; and
- sending reminders to the Directors and staff of the importance of policy compliance every 6 months.

5. Independence of External Auditor

KPMG conducts audits on the annual consolidated financial statements of the Company and confirms every year its independence and objectivity. To ensure the independence of KPMG,

- the Audit Committee regularly reviews and monitors the independence of KPMG;
- the Audit Committee reviews the audit scope as well as the scope and fees for non-audit services;
- the policy on engaging the External Auditor for non-audit services is in place and regularly reviewed by the Audit Committee. KPMG will confirm its independence before accepting the engagement of non-audit services; and
- the Audit Committee considers and proposes to the Board every year for the re-appointment of KPMG as the auditor.

KPMG confirms its independence with regard to The Code of Ethics for Professional Accountants issued by Hong Kong Institute of Certified Public Accountants regarding auditor independence.

Total remuneration in respect of services provided by KPMG is as follows:

	Year ended December 31, 2023 HK$ (in million)	Year ended December 31, 2022 HK$ (in million)
Statutory audit services	**13**	13
Non-audit services	**3**	3

(V) Communication With Stakeholders

1. Shareholders

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

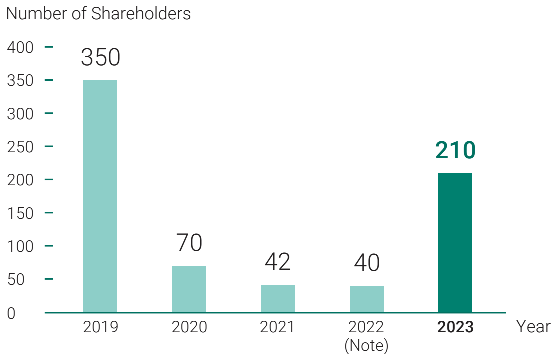
Letters to Shareholders and AGMs

Our commitment to transparency and clarity of communication with our shareholders is perhaps most keenly evidenced in the Letters to Shareholders from the Chair and the Vice Chair's Notes from the Vice Chair. These communications, personally penned by the Chair and the Vice Chair and accompanying each annual and interim report, have consistently provided in-depth discussion and analyses of the Group's business, the markets in which we operate, and the regional and global socio-economic developments impacting our markets.

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

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

Shareholder participation in AGMs is illustrated as follows:



Note

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

2023 AGM

Our last AGM was held on April 28, 2023 at Grand Ballroom, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong. The meeting was attended by 210 shareholders present in person or by proxy. For shareholders unable to attend in person, they could join the AGM webcast online. At the meeting, the Chair had demanded a poll on each of the resolutions submitted for voting, and the shareholders were provided with detailed procedures for conducting the poll.

The resolutions tabled at the 2023 AGM included:

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

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

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

The important shareholders' dates for the coming financial year, which include the Board meetings for considering the payments of interim and final dividends for the year ending December 31, 2024, and the AGM, are expected to be held in late July 2024, late January 2025, and in April 2025 respectively.

Procedure for Shareholders to Convene General Meetings

Shareholder(s) representing at least 5% of the total voting rights of all the shareholders of the Company may make a request to convene a general meeting pursuant to the Companies Ordinance. The request must state the business to be dealt with at the meeting and be signed by the relevant shareholder(s) and deposited at the registered office for the attention of the Company Secretary. The same request, authenticated by the person or persons making it, may also be sent to the Company in electronic form to ir@hanglung.com.

Procedure for Shareholders to Put Forward Proposals in General Meetings

Furthermore, the Companies Ordinance provides that (i) shareholder(s) representing at least 2.5% of the total voting rights of all the shareholders of the Company, or (ii) at least 50 shareholders entitled to vote, can put forward proposals for consideration at a general meeting of the Company by sending a request in writing to the registered office for the attention of the Company Secretary. The same request, authenticated by the person or persons making it, may also be sent to the Company in electronic form to ir@hanglung.com.

Procedure for Shareholders to Propose a Person for Election as a Director

According to the Articles of Association, if any shareholder(s), representing not less than 10% of the total voting rights of all the shareholders of the Company, wish(es) to propose a person (other than a retiring Director) for election as a Director (the Candidate) at a general meeting of the Company, the following documents must be lodged at the registered office:

(i) a written notice of such a proposal duly signed by the shareholder(s) concerned; and

(ii) a written consent duly signed by the Candidate indicating his/her willingness to be elected.

The period for lodgment of the above documents (being a period of at least 7 days) shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such an election, and end no later than 7 days prior to the date of said meeting.

Enquiries from Shareholders

Specific enquiries and suggestions by shareholders can be sent in writing to the Board or the Company Secretary at the registered address or by email to the Company at ir@hanglung.com. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings or entitlement to dividend. Relevant contact details are set out under the Listing Information section of this annual report.

2. Investors

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

	Shareholders		Shareholdings	
Domicile	**Number**	**%**	**Number of Shares**	**%**
Hong Kong	1,778	98.07	1,017,132,284	74.70
Mainland China	8	0.44	139,375	0.01
Macau	3	0.17	112,700	0.01
Taiwan	2	0.11	2,874	0.00
Australia and New Zealand	3	0.17	16,250	0.00
Canada and United States of America	13	0.71	95,923	0.01
United Kingdom	2	0.11	508	0.00
Others	4	0.22	344,118,328	25.27
TOTAL	**1,813**	**100.00**	**1,361,618,242**	**100.00**

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

	Shareholders*		Shareholdings*	
Holding Range	**Number**	**%**	**Number of Shares**	**%**
1 – 1,000 shares	474	26.14	209,441	0.02
1,001 – 5,000 shares	598	32.98	1,808,727	0.13
5,001 – 10,000 shares	290	16.00	2,397,424	0.18
10,001 – 100,000 shares	404	22.29	11,085,127	0.81
Over 100,000 shares	47	2.59	1,346,117,523	98.86
TOTAL	**1,813**	**100.00**	**1,361,618,242**	**100.00**

* incorporating, in their respective shareholdings range, 265 participants of Central Clearing and Settlement System holding a total of 842,953,135 shares registered in the name of HKSCC Nominees Limited

Based on information that is publicly available to the Company and within the knowledge of the Directors as of the date of this annual report, the Company has maintained a public float of 32.65% exceeding the prescribed percentage under the Listing Rules.

Investor Engagement

To engage effectively with our investors, management maintains consistent and regular dialogue with institutional investors and analysts through presentations, meetings, conference calls, and roadshows in Hong Kong, Mainland and overseas.

We are committed to disclosing relevant information on our activities to our shareholders and investors through regular analysts' briefings, press conferences and press releases, emails and through our website in addition to through annual and interim reports. All enquiries and proposals received from shareholders, investors, the media or the public are responded to by Executive Directors, the Company Secretary, or appropriate key executives.

The Company's information is accessible to all via our website. Besides providing traditional financial data, our website contains the most current information including properties available for sale and leasing, the latest number of issued shares, updated substantial shareholders' interests in shares, corporate brochures, newsletters, details of major corporate events, and webcast and presentation.

Moving Forward

Strong corporate governance is integral to sustainable business. Although our long track record of good corporate governance speaks for itself, we recognize that the environment is constantly changing, and that we must continue to adapt and improve. For example, sustainability has been highlighted repeatedly by stakeholders as a key concern. Yet, despite already having a strong reputation for sustainability, the Board has additionally educated and informed itself on the topic over the past 12 months, and continues to do so.

The Board and management are committed to ongoing excellence in corporate governance. As expectations and norms evolve, shareholders should be confident that we will adapt to maintain our leadership position.

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

PROFILE OF THE DIRECTORS

1. Mr. Ronnie Chichung Chan
2. Mr. Adriel Wenbwo Chan
3. Mr. Weber Wai Pak Lo
4. Mr. Gerald Lokchung Chan
5. Mr. Simon Sik On Ip
6. Prof. Pak Wai Liu
7. Prof. Lap-Chee Tsui
8. Mr. Martin Cheung Kong Liao
9. Mr. George Ka Ki Chang
10. Mr. Roy Yang Chung Chen
11. Mr. Kenneth Ka Kui Chiu

Mr. Ronnie Chichung Chan GBM

Chair

Aged 74, Mr. Chan joined the Group in 1972, and became the Chair in 1991. He also serves as the Chair of HLP, the Company's major listed subsidiary. Mr. Chan is a Director of The Real Estate Developers Association of Hong Kong, Chair Emeritus of Asia Society and the Chairman of its Hong Kong Center, Chairman of the Executive Committee of The Better Hong Kong Foundation and the former Chairman of the Executive Committee of One Country Two Systems Research Institute. He is also a former Vice President and a former Advisor of China Development Research Foundation in Beijing. Mr. Chan sits on the governing or advisory bodies of several universities, including The Hong Kong University of Science and Technology. He is a Life Trustee of The University of Southern California, where he received his MBA. Mr. Chan is a Fellow of American Academy of Arts and Sciences. He is the brother of Mr. Gerald Chan, a Non-Executive Director of the Company and the father of Mr. Adriel Chan, the Vice Chair of the Company.

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

Mr. Adriel Wenbwo Chan

Vice Chair

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

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

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

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

Mr. Weber Wai Pak Lo

Chief Executive Officer

Aged 53, Mr. Lo joined the Company and its major listed subsidiary, HLP, as the Chief Executive Officer Designate in May 2018, and became the Chief Executive Officer in July 2018. He has more than 30 years of experience in business management across the banking and fast-moving consumer goods sectors in Hong Kong and mainland China. Mr. Lo is a Member of the Board of Inland Revenue of the Government of the HKSAR, the Advisory Committee of The Jockey Club CPS Limited (Tai Kwun) and a Voting Member of The Hong Kong Jockey Club. He was a Director of The Real Estate Developers Association of Hong Kong. Mr. Lo graduated from The University of Hong Kong in 1993 with a Bachelor of Social Sciences degree.

Mr. Gerald Lokchung Chan

Non-Executive Director

Aged 72, Mr. Chan has been a Director of the Company since 1986. As a co-founder of Morningside, Mr. Chan has been active in venture capital and private equity investments since 1987. He also serves on the advisory boards of numerous universities including the University of California, Los Angeles, Harvard University and also the Chair of Overseers Committee of Morningside College, The Chinese University of Hong Kong. Mr. Chan received his undergraduate training in engineering at the University of California, Los Angeles, and his Doctor of Science degree from Harvard University. He is the Chairman of Apellis Pharmaceuticals, Inc. and Stealth BioTherapeutics Corp (become a private entity in November 2022) and he was a Non-Executive Director of Aduro Biotech, Inc. and a Director of LumiraDx Limited. He is a brother of Mr. Ronnie Chan, the Chair of the Group.

Mr. Simon Sik On Ip GBS, CBE, JP

Independent Non-Executive Director

Aged 75, Mr. Ip joined the Board as an Independent Non-Executive Director in 1998. He is a solicitor and Notary Public. Mr. Ip has a distinguished record of public service. He is a former Legislative Councillor, past President of the Law Society of Hong Kong, a past Member of the Exchange Fund Advisory Committee, a past Member of The Advisory Committee on Post-service Employment of Civil Servants and the Chairman of the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials. Mr. Ip is also a former Chairman of the Hong Kong Jockey Club. He is the Founding Chairman of the Hong Kong Institute of Education (now known as The Education University of Hong Kong) and holds honorary positions in 2 local universities and Tsinghua University. Mr. Ip was an Independent Non-Executive Director of 長飛光纖光纜股份有限公司 (Yangtze Optical Fibre and Cable Joint Stock Limited Company). He was awarded the Gold Bauhinia Star in July 2017.

Prof. Pak Wai Liu SBS, JP

Independent Non-Executive Director

Aged 76, Prof. Liu joined the Board as an Independent Non-Executive Director in March 2015. He is a Distinguished Research Fellow and was formerly Pro-Vice-Chancellor of The Chinese University of Hong Kong. He was formerly the Director of the Institute of Global Economics and Finance and was appointed a Distinguished Fulbright Scholar in 2000-01. Prof. Liu serves on many government advisory bodies. He is a Member of the Judicial Officers Recommendation Commission. Prof. Liu was the Chairman of the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials, a past Member of the Working Group on Long-Term Fiscal Planning of the HKSAR, the Commission on Strategic Development, the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR, the Provisional Minimum Wage Commission, the Independent Commission on Remuneration for the Members of the District Councils of the HKSAR and the Aviation Development Advisory Committee. He is also a Director of the Hong Kong Institute for Monetary and Financial Research of the Hong Kong Monetary Authority and the Shenzhen Finance Institute. He was a Non-Executive Director of the Securities and Futures Commission and the Chairman of its Remuneration Committee. Prof. Liu received his AB degree from Princeton University and Ph.D degree from Stanford University in the U.S. He is an Independent Non-Executive Director of Transport International Holdings Limited, and was an Independent Non-Executive Director of China Zheshang Bank Co., Ltd. and Hang Lung Properties Limited, the listed subsidiary of the Company. Prof. Liu was awarded the Silver Bauhinia Star (SBS) in 1999, and appointed Justice of Peace (JP) in 2006.

Prof. Lap-Chee Tsui OC, GBM, GBS, JP

Independent Non-Executive Director

Aged 73, Prof. Tsui joined the Board as an Independent Non-Executive Director in November 2014. Prof. Tsui was the fourteenth Vice-Chancellor of the University of Hong Kong. He was a Member of the Research Institute at The Hospital for Sick Children in Toronto, Canada since 1981, rising to Geneticist-in-Chief of the Hospital in 1996 and Head of the Genetics and Genomic Biology Program in 1998. Prof. Tsui also held academic appointments at the University of Toronto since 1983, and was awarded the title of University Professor in 1994 and has held an Emeritus status since 2006. He was also the President of the Human Genome Organization from 2000 to 2002. Prof. Tsui has received numerous awards for his work, including the Royal Society of Canada Centennial Award in 1989, Gairdner International Award in 1990, Cresson Medal of Franklin Institute in 1992, XII Sanremo International Award for Genetic Research in 1993, the Distinguished Scientist Award from the Medical Research Council, Canada in 2000, Killam Prize of Canada Council in 2002, the European Cystic Fibrosis Society Award in 2009, 2018 Warren Alpert Foundation Prize and 16 honorary degrees from universities worldwide. He was elected as Fellow of the Royal Society of Canada in 1990, Fellow of the Royal Society of London in 1991, Member of Academia Sinica in 1992, Foreign Associate (now International Member) of the National Academy of Sciences of the U.S. in 2004, Foreign Member of the Chinese Academy of Sciences in 2009, and Founding President of The Hong Kong Academy of Sciences in 2015. Prof. Tsui obtained a Bachelor's degree and Master's degree in biology from The Chinese University of Hong Kong in 1972 and 1974 respectively. He also obtained a Doctorate degree in biological sciences from the University of Pittsburgh in 1979. Prof. Tsui is an Independent Non-Executive Director of PuraPharm Corporation Limited. He is also a Member of Board of Directors of Hong Kong-Shenzhen Innovation and Technology Park Limited, a wholly owned subsidiary of Hong Kong Science and Technology Parks Corporation. He was awarded the Grand Bauhinia Medal in July 2016.

Mr. Martin Cheung Kong Liao GBS, JP

Independent Non-Executive Director

Aged 66, Mr. Liao joined the Board as an Independent Non-Executive Director in November 2014. Mr. Liao was elected Deputy (representing Hong Kong Special Administrative Region ("HKSAR")) to the 11th to 13th National People's Congress of the People's Republic of China. He is currently a Member of the 14th National Committee of the Chinese People's Political Consultative Conference. He has been appointed as a Non-Official Member of the Executive Council of the HKSAR since November 2016. He also serves as a Member of the Legislative Council of the HKSAR, the Chairman of The Advisory Committee on Corruption of the ICAC and the Deputy Chairman of The Hong Kong Jockey Club. Mr. Liao previously served as the Chairman of the Anti-Money Laundering and Counter-Terrorist Financing Review Tribunal. He graduated with a Bachelor of Economic Science (Hons) degree and a Master of Laws degree from University College London. Mr. Liao is a practising barrister in Hong Kong and was called to the Bar in England and Wales in 1984 and was called to the Bar in Hong Kong in 1985. He is also an advocate and a solicitor admitted in Singapore since 1992. Mr. Liao is an Independent Non-Executive Director of Bank of China Limited. He was awarded the Silver Bauhinia Star in 2014 and Gold Bauhinia Star in 2019, and appointed Justice of the Peace in 2004.

Mr. George Ka Ki Chang

Non-Executive Director

Aged 71, Mr. Chang joined the Board as a Non-Executive Director in March 2015. He is the Managing Director of Morningside Group, chaired by Mr. Gerald Chan and co-founded by Mr. Ronnie Chan and Mr. Gerald Chan. Mr. Chang started his professional career in a major international accounting firm and has over 8 years of experience in public accounting in Hong Kong and Toronto. Prior to joining Morningside Group in 1991, he held senior financial positions in several international manufacturing and trading companies. Mr. Chang received his M.B.A. degree from the University of Wisconsin at Madison and is a Member of the American Institute of Certified Public Accountants, Canadian Institute of Chartered Accountants and Hong Kong Institute of Certified Public Accountants. He sits on the board of several private companies in Asia and North America. Mr. Chang formerly served as a board member of publicly-traded companies and accumulated experience in high technology companies. He is an Independent Non-Executive Director of Crystal International Group Limited.

Mr. Roy Yang Chung Chen

Non-Executive Director

Aged 60, Mr. Chen joined the Board as a Non-Executive Director in September 2015. He is a Director of Sterling Enterprises Limited responsible for managing various investments in global markets, and was formerly the Chairman and the Chief Executive Officer of Grace Financial Limited, specializing in wealth management. Starting his career as a merchant banker in the U.S. and the U.K. until joining Sterling Enterprises Limited in 1993, Mr. Chen has accumulated extensive experience in international banking, finance and investment. He has been actively involved in promoting and improving corporate governance with a special interest in family business situations since 2000 and was appointed the Founding Director of the Family Business Network Pacific Asia Ltd. (FBNPA) from 2008 to 2012. Mr. Chen is also the Vice Chairman of Seeds Foundation and serves on the grants committee of ZeShan Foundation and Seeds Foundation. He previously served as a Member of the Listing Committee of Hong Kong Stock Exchange, Takeovers and Mergers Panel and the Public Shareholders Group of the Securities and Futures Commission of Hong Kong. Mr. Chen received his Bachelor of Arts degree in Economics from Claremont McKenna College, and an M.B.A. from Columbia University in the U.S.

Mr. Kenneth Ka Kui Chiu

Chief Financial Officer

Aged 48, Mr. Chiu joined the boards of the Company and its major listed subsidiary, HLP, as an Executive Director and the Chief Financial Officer Designate in October 2021, and became the Chief Financial Officer in March 2022. He has over 25 years of experience in investment management, corporate finance, and accounting in the Asia Pacific region. Mr. Chiu previously served as the Chief Financial Officer of Gaw Capital Partners, where he headed the finance function from 2013 to 2021. Prior to joining Gaw Capital Partners, Mr. Chiu worked at Temasek Holdings as a Director in its Investment Group. He served Temasek Holdings from 2007 to 2013 and oversaw its real estate related investments in the Greater China region. Mr. Chiu also worked at Deutsche Bank AG in mergers & acquisitions advisory, and at PricewaterhouseCoopers and Arthur Andersen in audit and assurance. He is a qualified Certified Public Accountant in Hong Kong, and a Chartered Accountant in England and Wales. Mr. Chiu holds a Bachelor of Business Administration in Accounting from The Hong Kong University of Science and Technology and a Master of Science in Finance from the London Business School.

PROFILE OF KEY EXECUTIVE

Ms. Winnie Yuen Wah Ma

Director – General Counsel & Company Secretary

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

REPORT OF THE DIRECTORS

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

Principal Activities

The principal activities of the Company are investment holding, and through its subsidiaries, property development for sales and leasing, property investment for rental income, and other investments. The Company and its subsidiaries (collectively referred to as the Group) also operate in car park management and property management, and through its joint ventures, are involved in the provision of dry and laundry cleaning services.

An analysis of the revenue and trading results of the Group by operating segments during the financial year is set out in Note 2 to the Financial Statements.

Principal Subsidiaries and Joint Ventures

A list of principal subsidiaries and joint ventures, their places of incorporation and operations and particulars of their issued share capital/registered capital is set out in Notes 33 and 34 to the Financial Statements.

Financial Results

The results of the Group for the year ended December 31, 2023 are set out in the consolidated Financial Statements on pages 143 to 205.

Dividends

The Board recommends a final dividend of HK65 cents per share which, together with the interim dividend of HK21 cents per share paid on September 29, 2023, makes a total of HK86 cents per share in respect of the year ended December 31, 2023. The proposed final dividend, if approved by the shareholders at the AGM on April 26, 2024, will be paid on June 14, 2024 to shareholders whose names appear on the register of members on May 10, 2024. In recommending a dividend, the Company takes into account the return to shareholders and its funding requirements for future business growth.

Business Review

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year, along with the material factors underlying its results and financial position are included in the Review of Operations and Financial Review sections on pages 26 to 67 and pages 70 to 81 respectively. A description of the principal risks and uncertainties facing the Company can be found throughout this annual report, particularly in the Corporate Governance Report on pages 91 to 121. The particulars of important events affecting the Company which have occurred since the end of the financial year 2023, if any, can also be found in the abovementioned sections and the Notes to the Financial Statements. The outlook of the Group's business is discussed in the Review of Operations section on pages 26 to 67.

An analysis of the Group's performance using financial key performance indicators is provided in the Financial Highlights and Financial Review sections on pages 4 to 5 and pages 70 to 81 respectively. A brief discussion of the Company's sustainability performance, including but not limited to environmental issues across its operations, is provided in the Sustainability section on pages 84 to 90. For details of the Company's sustainability policies, an account of the Company's relationships with its key stakeholders, and further details of its sustainability performance, please refer to our parallel publication Sustainability Report 2023, which is available on our website under "Sustainability Report" in the "ESG Management" subsection of the "Sustainability" section.

Compliance procedures are in place to ensure adherence to relevant laws and regulations, in particular, those which have a significant impact on the Group. The Audit Committee of the Company is delegated by the Board to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements. Any new enactment of, or changes in, the relevant laws and regulations are communicated through regular legal updates to ensure compliance. The legal updates are circulated to all executive staff to ensure that they are aware of the changes and can disseminate relevant information to their teams. Reminders to relevant staff on compliance are also sent out regularly, where necessary. Training is provided, as needs arise, to build awareness.

The Group has set up systems and policies to ensure compliance with the relevant laws and regulations which have a significant impact on the Group in conducting its business, including but not limited to, the Buildings Ordinance, the Residential Properties (First-hand Sales) Ordinance, the Competition Ordinance, the Personal Data (Privacy) Ordinance, the Minimum Wage Ordinance, the Employment Ordinance, and the Occupational Safety and Health Ordinance in Hong Kong; and the Construction Law, the Fire Safety Law, the Anti-Monopoly Law, the Anti-Unfair Competition Law, the Cyber Security Law, the Data Security Law, the Personal Information Protection Law, the Labour Law, the Labour Contract Law and the Trade Union Law in mainland China. At a corporate level, the Company also complies with the Listing Rules, the Companies Ordinance and the SFO.

Ten-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last 10 financial years is set out on pages 206 and 207.

Major Suppliers and Customers

During the year, both the percentage of purchases attributable to the Group's 5 largest suppliers combined and the percentage of revenue from sales of goods or rendering of services attributable to the Group's 5 largest customers combined were less than 30% of the total purchases and total revenue of the Group respectively.

Distributable Reserves

The Company's reserves available for distribution to shareholders as at December 31, 2023 amounted to HK$22,305 million (2022: HK$21,113 million).

Donations

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

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at December 31, 2023 are set out in Note 17 to the Financial Statements.

Borrowing Costs Capitalization

Borrowing costs capitalized by the Group during the year amounted to HK$1,267 million (2022: HK$1,000 million).

Major Group Properties

Details of major properties of the Group as at December 31, 2023 are set out on pages 64 to 67.

Share Capital

During the year, the Company did not issue any shares (2022: Nil).

Details of the movement in the share capital of the Company during the year are set out in Note 20 to the Financial Statements.

Share Capital of the Company's Listed Subsidiary

During the year, the Company's listed subsidiary, HLP did not issue any share (2022: Nil).

Equity-Linked Agreements

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

Directors

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

Mr. Ronnie C. Chan
Mr. Adriel Chan
Mr. Weber W.P. Lo
Mr. Gerald L. Chan
Mr. Simon S.O. Ip
Prof. P.W. Liu
Prof. L.C. Tsui
Mr. Martin C.K. Liao
Mr. George K.K. Chang
Mr. Roy Y.C. Chen
Mr. Kenneth K.K. Chiu

The biographical details of the Directors are set out on pages 122 to 126. Details of their remuneration are set out in Note 6 to the Financial Statements.

In accordance with article 103 of the Articles of Association, Mr. Ronnie C. Chan, Prof. P.W. Liu, Mr. George K.K. Chang and Mr. Roy Y.C. Chen will retire from the Board by rotation at the forthcoming AGM. Prof. P.W. Liu, Mr. George K.K. Chang and Mr. Roy Y.C. Chen being eligible, will offer themselves for re-election. Mr. Ronnie C. Chan will not offer himself for re-election and will retire from the Board with effect from the conclusion of the forthcoming AGM. Ms. May S.B. Tan, appointed as an INED with effect from March 20, 2024, will retire from the Board at the forthcoming AGM in accordance with article 94 of the Articles of Association and, being eligible, offer herself for re-election.

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

Directors' Service Contracts

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

Directors' Interests in Transaction, Arrangement or Contract

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

Permitted Indemnity

Pursuant to the Articles of Association, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto subject to the Companies Ordinance. Such permitted indemnity provision for the benefit of the Directors was in force during the year and remained in force as of the date of this report.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at December 31, 2023, the interests or short positions of each Director in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which were recorded in the register required to be kept by the Company under section 352 of the SFO were as follows:

		The Company (Long Positions)		HLP (Long Positions)		
Name	Capacity	Number of Shares	% of Total Number of Issued Shares	Number of Shares	% of Total Number of Issued Shares	Number of Share Options (Note 3)
Ronnie C. Chan	Personal & Other	40,369,500 (Note 1)	2.96	17,155,000	0.38	17,600,000
Adriel Chan	Personal & Other	551,002,580 (Notes 1 & 2)	40.47	2,783,898,340 (Note 2)	61.87	13,200,000
Weber W.P. Lo	Personal	460,000	0.03	965,000	0.02	21,750,000
Gerald L. Chan	–	–	–	–	–	–
Simon S.O. Ip	–	–	–	–	–	–
P.W. Liu	Personal & Family	–	–	100,000	–	–
L.C. Tsui	–	–	–	–	–	–
Martin C.K. Liao	–	–	–	–	–	–
George K.K. Chang	–	–	–	–	–	–
Roy Y.C. Chen	–	–	–	–	–	–
Kenneth K.K. Chiu	Personal	–	–	–	–	6,200,000

Notes:

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

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

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

Share Option Schemes

The purposes of the 2012 Share Option Scheme and the 2022 Share Option Scheme (together, the "Share Option Schemes") are to enable HLP to grant options to selected participants as incentives or rewards for their contributions to HLP and its subsidiaries (the "HLP Group"), to attract skilled and experienced personnel, to incentivize them to remain with the HLP Group and to motivate them to strive for the future development and expansion of the HLP Group by providing them with the opportunity to acquire equity interest in HLP.

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

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

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

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

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

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

Date of Grant	Category of Participants (Note 1)	Number of Share Options: Outstanding as at Jan 1, 2023	Granted during the Year	Exercised during the Year	Lapsed/ Forfeited during the Year	Outstanding as at Dec 31, 2023	Exercise Price per Share HK$	Vesting Dates (Note 2)	Expiry Date (Note 2)
Jun 4, 2013	*Current Directors:*						28.20	Jun 4, 2015 : 10%	Jun 3, 2023
	Ronnie C. Chan	4,500,000	–	–	(4,500,000)	–		Jun 4, 2016 : 20%	
	Adriel Chan	200,000	–	–	(200,000)	–		Jun 4, 2017 : 30%	
	Employees	17,560,000	–	–	(17,560,000)	–		Jun 4, 2018 : 40%	
		22,260,000	**–**	**–**	**(22,260,000)**	**–**			
Dec 5, 2014	*Current Directors:*						22.60	Dec 5, 2016 : 10%	Dec 4, 2024
	Ronnie C. Chan	2,750,000	–	–	–	2,750,000		Dec 5, 2017 : 20%	
	Adriel Chan	150,000	–	–	–	150,000		Dec 5, 2018 : 30%	
	Employees	16,390,000	–	–	(540,000)	15,850,000		Dec 5, 2019 : 40%	
		19,290,000	**–**	**–**	**(540,000)**	**18,750,000**			
Aug 10, 2017	*Current Directors:*						19.98	Aug 10, 2019 : 10%	Aug 9, 2027
	Ronnie C. Chan	1,925,000	–	–	–	1,925,000		Aug 10, 2020 : 20%	
	Adriel Chan	1,850,000	–	–	–	1,850,000		Aug 10, 2021 : 30%	
	Employees	24,880,000	–	–	(1,000,000)	23,880,000		Aug 10, 2022 : 40%	
		28,655,000	**–**	**–**	**(1,000,000)**	**27,655,000**			
May 16, 2018	*Current Director:*						18.98	May 16, 2020 : 10%	May 15, 2028
	Weber W.P. Lo	10,000,000	–	–	–	10,000,000		May 16, 2021 : 20%	
		10,000,000	**–**	**–**	**–**	**10,000,000**		May 16, 2022 : 30%	
								May 16, 2023 : 40%	
Jun 28, 2019	*Current Directors:*						18.58	Jun 28, 2021 : 10%	Jun 27, 2029
	Ronnie C. Chan	3,025,000	–	–	–	3,025,000		Jun 28, 2022 : 20%	
	Adriel Chan	2,200,000	–	–	–	2,200,000		Jun 28, 2023 : 30%	
	Weber W.P. Lo	2,750,000	–	–	–	2,750,000		Jun 28, 2024 : 40%	
	Employees	33,891,700	–	–	(2,175,600)	31,716,100			
		41,866,700	**–**	**–**	**(2,175,600)**	**39,691,100**			
May 12, 2021	*Current Directors:*						19.95	May 12, 2023 : 10%	May 11, 2031
	Ronnie C. Chan	3,300,000	–	–	–	3,300,000		May 12, 2024 : 20%	
	Adriel Chan	3,000,000	–	–	–	3,000,000		May 12, 2025 : 30%	
	Weber W.P. Lo	3,000,000	–	–	–	3,000,000		May 12, 2026 : 40%	
	Employees	49,095,000	–	–	(3,874,000)	45,221,000			
		58,395,000	**–**	**–**	**(3,874,000)**	**54,521,000**			
Oct 6, 2021	*Current Director:*						17.65	Oct 6, 2023 : 10%	Oct 5, 2031
	Kenneth K.K. Chiu	2,000,000	–	–	–	2,000,000		Oct 6, 2024 : 20%	
		2,000,000	**–**	**–**	**–**	**2,000,000**		Oct 6, 2025 : 30%	
								Oct 6, 2026 : 40%	
Feb 21, 2022	*Current Directors:*						16.38	Feb 21, 2024 : 10%	Feb 20, 2032
	Ronnie C. Chan	3,300,000	–	–	–	3,300,000		Feb 21, 2025 : 20%	
	Adriel Chan	3,000,000	–	–	–	3,000,000		Feb 21, 2026 : 30%	
	Weber W.P. Lo	3,000,000	–	–	–	3,000,000		Feb 21, 2027 : 40%	
	Kenneth K.K. Chiu	2,100,000	–	–	–	2,100,000			
	Employees	52,830,000	–	–	(5,090,000)	47,740,000			
		64,230,000	**–**	**–**	**(5,090,000)**	**59,140,000**			
	Current Directors	**52,050,000**	**–**	**–**	**(4,700,000)**	**47,350,000**			
	Employees	**194,646,700**	**–**	**–**	**(30,239,600)**	**164,407,100**			
Total		**246,696,700**	**–**	**–**	**(34,939,600)**	**211,757,100**			

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

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

Notes:

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

Please also refer to Note 25 to the Financial Statements for further details of the share option schemes of HLP.

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

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

Name	Note	Number of Shares or Underlying Shares Held (Long Positions)	% of Total Number of Issued Shares (Long Positions) (Note 5)
Adriel Chan	1	551,002,580	40.47
Chan Tan Ching Fen	2	522,423,080	38.37
Cole Enterprises Holdings (PTC) Limited	2	522,423,080	38.37
Merssion Limited	2	522,423,080	38.37
Kingswick Investment Limited	3	103,609,000	7.61
Silchester International Investors LLP	4	110,342,000	8.10
Dodge & Cox	4	105,320,900	7.73

Notes:

1. These shares were the same parcel of shares held by 2 trusts, 522,423,080 shares of which were held by Merssion Limited under a trust and 28,579,500 shares of which were held by another trust. As Mr. Adriel Chan was a discretionary beneficiary (for 522,423,080 shares) of a trust and both a settlor and discretionary beneficiary (for 28,579,500 shares) of another trust, he was deemed to be interested in such shares under the SFO.
2. These shares were the same parcel of shares held by Merssion Limited which was held under a trust. As Ms. Chan Tan Ching Fen was the founder and Cole Enterprises Holdings (PTC) Limited was the trustee, they were deemed to be interested in such shares under the SFO.

   These share were included in the 551,002,580 shares deemed to be interested by Mr. Adriel Chan.
3. This company was a wholly-owned subsidiary of Merssion Limited, its interests were included in 522,423,080 shares held by Merssion Limited.
4. These shares were held in the capacity of investment managers.
5. Shareholding percentages were calculated based on the total number of issued shares of the Company as at December 31, 2023, being 1,361,618,242 shares.

Save as disclosed above, as at December 31, 2023, no other interests or short positions in the shares or underlying shares of the Company required to be recorded in the register kept under section 336 of the SFO has been notified to the Company.

Related Party Transactions

Details of the material related party transactions undertaken in the usual course of business of the Group are set out in Note 26 to the Financial Statements. None of these related party transactions constitutes a discloseable connected transaction under the Listing Rules.

Management Contracts

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Purchase, Sale or Redemption of Listed Securities

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

Corporate Governance

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 91 to 121.

Auditor

The consolidated Financial Statements for the year ended December 31, 2023 have been audited by KPMG. A resolution to re-appoint KPMG as the auditor of the Company until the conclusion of the next AGM will be proposed at the forthcoming AGM.

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

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

Opinion

We have audited the consolidated financial statements of Hang Lung Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 143 to 205, which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Valuation of investment properties and investment properties under development

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

The Key Audit Matter	How the matter was addressed in our audit
The aggregate fair values of the Group's investment properties and investment properties under development as at December 31, 2023 amounted to HK$201,068 million, representing 87% of the Group's total assets as at that date. The decrease in fair values of the Group's investment properties and investment properties under development recorded in the consolidated statement of profit or loss for the year ended December 31, 2023 amounted to HK$62 million. The Group's investment properties, which are located in Hong Kong and Mainland China, mainly comprise shopping malls, office premises, industrial premises, residential premises and car parking bays. The fair values of the Group's investment properties and investment properties under development were assessed by management based on independent valuations prepared by an external property valuer. We identified valuation of the Group's investment properties and investment properties under development as a key audit matter because of the significance of investment properties and investment properties under development to the Group's consolidated financial statements and because the determination of the fair values involves significant judgement and estimation, including selecting the appropriate valuation methodology, capitalization rates and market rents and, for investment properties under development, an estimation of costs to complete each property development project.	Our audit procedures to assess the valuation of investment properties and investment properties under development included the following: • assessing the competence, capability, experience of the locations and types of properties subject to valuation and objectivity of the external property valuer; • evaluating the valuation methodology used by the external property valuer based on our knowledge of other property valuers for similar types of properties; • on a sample basis, comparing the tenancy information included in the valuation models, which included committed rents and occupancy rates, with underlying contracts and related documentation; • discussing the valuations with the external property valuer in a separate private session and challenging key estimates adopted in the valuations, including those relating to market selling prices, market rents and capitalization rates, by comparing them with historical rates and available market data, taking into consideration comparability and other local market factors, with the assistance of our internal property valuation specialists; and • for investment properties under development, comparing the estimated construction costs to complete each property development project with the Group's updated budgets (see further details set out in the key audit matter below).

Assessing the development costs of investment properties under development

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

The Key Audit Matter	How the matter was addressed in our audit
The fair value of the Group's investment properties under development is determined using the direct comparison valuation methodology, with reference to comparable market transactions, to derive the fair value of the property and, where appropriate, after deducting (1) the estimated development costs to be expended to complete each property development project and (2) the estimated profit margin. Therefore, any increase in the estimated development costs to be expended to complete each property development project compared with the original management approved budgets could have a significant negative impact on the fair value of the Group's investment properties under development and, hence, the results for the year. The Group's investment properties under development comprise shopping malls, office premises and residential premises. We identified the assessing of development costs of the Group's investment properties under development as a key audit matter because the determination of estimated development costs involves significant management judgement and estimation, in particular in relation to project feasibility studies, estimating future development costs to be expended to complete each property development project and the estimated profit margin.	Our audit procedures to assess the development costs of investment properties under development included the following: • assessing the design, implementation and operating effectiveness of management's key internal controls over the preparation and monitoring of management budgets and forecasts of construction costs for each investment property under development; • discussing the valuations of investment properties under development with the external property valuer in a separate private session and challenging key estimates adopted in the valuations including those relating to market selling prices, by comparing them with available market data, taking into consideration comparability and other local market factors; • performing a retrospective review for all investment properties under development by comparing the actual construction costs incurred during the current year with those included in the prior year's forecasts in order to assess the accuracy of the Group's budgeting process; • conducting site visits to all investment properties under development and discussing with management and the in-house quantity surveyor the development progress and the development budgets reflected in the latest forecasts for each property development project; and • comparing, on a sample basis, the quantity surveyor's reports for the construction costs incurred for property development projects with the underlying payment records and other documentation relevant to the construction cost accruals and/or payments.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. We obtained all of the other information prior to the date of this auditor's report apart from "Chair's Letter to Shareholders" and "Vice Chair's Notes". The remaining information is expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the consolidated financial statements

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cheung Wing Han, Ivy.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

January 30, 2024

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2023

	Note	2023 HK$ Million	2022 HK$ Million	*For information purpose only* 2023 RMB Million	*For information purpose only* 2022 RMB Million
Revenue	2(a)	**10,881**	10,941	**9,803**	9,380
Direct costs and operating expenses		**(3,087)**	(3,258)	**(2,781)**	(2,791)
		7,794	7,683	**7,022**	6,589
Other net income	3	**13**	5	**11**	4
Administrative expenses		**(680)**	(673)	**(615)**	(581)
Profit from operations before changes in fair value of properties		**7,127**	7,015	**6,418**	6,012
Decrease in fair value of properties		**(62)**	(352)	**(57)**	(307)
Profit from operations after changes in fair value of properties		**7,065**	6,663	**6,361**	5,705
Interest income		**102**	73	**92**	63
Finance costs		**(720)**	(537)	**(653)**	(463)
Net interest expense	4	**(618)**	(464)	**(561)**	(400)
Share of profits of joint ventures	12	**127**	153	**115**	131
Profit before taxation	5	**6,574**	6,352	**5,915**	5,436
Taxation	7(a)	**(1,659)**	(1,557)	**(1,494)**	(1,336)
Profit for the year	2(b)	**4,915**	4,795	**4,421**	4,100
Attributable to:					
Shareholders	21(a)	**2,811**	2,718	**2,529**	2,324
Non-controlling interests		**2,104**	2,077	**1,892**	1,776
Profit for the year		**4,915**	4,795	**4,421**	4,100
Earnings per share	9(a)				
Basic		**HK$2.06**	HK$2.00	**RMB1.86**	RMB1.71
Diluted		**HK$2.06**	HK$2.00	**RMB1.86**	RMB1.71

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2023

	Note	2023 HK$ Million	2022 HK$ Million	For information purpose only 2023 RMB Million	For information purpose only 2022 RMB Million
Profit for the year		**4,915**	4,795	**4,421**	4,100
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Movement in exchange reserve:					
Exchange difference arising from translation to presentation currency		**(1,684)**	(10,329)	**669**	3,382
(Loss)/gain on net investment hedge	27(d)	**(9)**	9	**(8)**	7
Movement in hedging reserve:					
Effective portion of changes in fair value		**2**	121	**2**	102
Net amount transferred to profit or loss		**(86)**	(42)	**(78)**	(37)
Deferred tax		**11**	(12)	**10**	(10)
Item that will not be reclassified to profit or loss:					
Net change in fair value of equity investments		**(1)**	(1)	**(1)**	(1)
Other comprehensive income for the year, net of tax		**(1,767)**	(10,254)	**594**	3,443
Total comprehensive income for the year		**3,148**	(5,459)	**5,015**	7,543
Attributable to:					
Shareholders		**1,765**	(3,042)	**2,883**	4,572
Non-controlling interests		**1,383**	(2,417)	**2,132**	2,971
Total comprehensive income for the year		**3,148**	(5,459)	**5,015**	7,543

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2023

	Note	2023 HK$ Million	2022 HK$ Million	2023 RMB Million (For information purpose only)	2022 RMB Million (For information purpose only)
Non-current assets					
Property, plant and equipment					
Investment properties		**177,458**	176,381	**161,144**	157,657
Investment properties under development		**23,610**	22,703	**21,398**	20,283
Other property, plant and equipment		**328**	317	**298**	283
	10	**201,396**	199,401	**182,840**	178,223
Interests in joint ventures	12	**4,450**	4,492	**4,056**	4,020
Other assets	13	**1,433**	1,434	**1,306**	1,283
Deferred tax assets	19(b)	**145**	144	**132**	129
		207,424	205,471	**188,334**	183,655
Current assets					
Cash and deposits with banks	14	**6,343**	5,785	**5,768**	5,173
Trade and other receivables	15	**3,441**	3,589	**3,125**	3,208
Properties for sale	16	**14,244**	11,689	**12,948**	10,451
		24,028	21,063	**21,841**	18,832
Current liabilities					
Bank loans and other borrowings	17	**4,434**	4,729	**4,029**	4,229
Trade and other payables	18	**10,136**	9,712	**9,200**	8,680
Lease liabilities	11(a)	**30**	27	**27**	24
Current tax payable	19(a)	**479**	457	**435**	408
		15,079	14,925	**13,691**	13,341
Net current assets		**8,949**	6,138	**8,150**	5,491
Total assets less current liabilities		**216,373**	211,609	**196,484**	189,146
Non-current liabilities					
Bank loans and other borrowings	17	**46,259**	41,224	**42,100**	36,875
Lease liabilities	11(a)	**248**	266	**225**	238
Deferred tax liabilities	19(b)	**14,950**	14,906	**13,551**	13,315
		61,457	56,396	**55,876**	50,428
NET ASSETS		**154,916**	155,213	**140,608**	138,718
Capital and reserves					
Share capital	20	**4,065**	4,065	**3,164**	3,164
Reserves	21	**90,295**	88,754	**82,497**	79,795
Shareholders' equity		**94,360**	92,819	**85,661**	82,959
Non-controlling interests		**60,556**	62,394	**54,947**	55,759
TOTAL EQUITY		**154,916**	155,213	**140,608**	138,718

Weber W.P. Lo
Chief Executive Officer

Kenneth K.K. Chiu
Chief Financial Officer

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2023

HK$ Million	Shareholders' equity				Non-controlling interests	Total equity
	Share capital (Note 20)	Other reserves (Note 21)	Retained profits (Note 21)	Total		
At January 1, 2022	4,065	9,167	82,610	95,842	68,645	164,487
Profit for the year	–	–	2,718	2,718	2,077	4,795
Exchange difference arising from translation to presentation currency	–	(5,805)	–	(5,805)	(4,524)	(10,329)
Gain on net investment hedge	–	5	–	5	4	9
Cash flow hedges: net movement in hedging reserve	–	40	–	40	27	67
Net change in fair value of equity investments	–	–	–	–	(1)	(1)
Total comprehensive income for the year	–	(5,760)	2,718	(3,042)	(2,417)	(5,459)
Final dividend in respect of previous year	–	–	(885)	(885)	–	(885)
Interim dividend in respect of current year	–	–	(286)	(286)	–	(286)
Employee share-based payments	–	53	7	60	28	88
Changes arising from increase of the Group's shareholding in a subsidiary	–	1,130	–	1,130	(1,996)	(866)
Dividends paid to non-controlling interests	–	–	–	–	(1,866)	(1,866)
At December 31, 2022 and January 1, 2023	4,065	4,590	84,164	92,819	62,394	155,213
Profit for the year	**–**	**–**	**2,811**	**2,811**	**2,104**	**4,915**
Exchange difference arising from translation to presentation currency	**–**	**(995)**	**–**	**(995)**	**(689)**	**(1,684)**
Loss on net investment hedge	**–**	**(6)**	**–**	**(6)**	**(3)**	**(9)**
Cash flow hedges: net movement in hedging reserve	**–**	**(45)**	**–**	**(45)**	**(28)**	**(73)**
Net change in fair value of equity investments	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Total comprehensive income for the year	**–**	**(1,046)**	**2,811**	**1,765**	**1,383**	**3,148**
Final dividend in respect of previous year	**–**	**–**	**(885)**	**(885)**	**–**	**(885)**
Interim dividend in respect of current year	**–**	**–**	**(286)**	**(286)**	**–**	**(286)**
Employee share-based payments	**–**	**(58)**	**118**	**60**	**23**	**83**
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	**–**	**887**	**–**	**887**	**(1,412)**	**(525)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**(1,832)**	**(1,832)**
At December 31, 2023	**4,065**	**4,373**	**85,922**	**94,360**	**60,556**	**154,916**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2023

For information purpose only

RMB Million	Shareholders' equity				Non-controlling interests	Total equity
	Share capital	Other reserves	Retained profits	Total		
At January 1, 2022	3,164	6,318	68,878	78,360	56,124	134,484
Profit for the year	–	–	2,324	2,324	1,776	4,100
Exchange difference arising from translation to presentation currency	–	2,211	–	2,211	1,171	3,382
Gain on net investment hedge	–	4	–	4	3	7
Cash flow hedges: net movement in hedging reserve	–	33	–	33	22	55
Net change in fair value of equity investments	–	–	–	–	(1)	(1)
Total comprehensive income for the year	–	2,248	2,324	4,572	2,971	7,543
Final dividend in respect of previous year	–	–	(758)	(758)	–	(758)
Interim dividend in respect of current year	–	–	(256)	(256)	–	(256)
Employee share-based payments	–	46	6	52	24	76
Changes arising from increase of the Group's shareholding in a subsidiary	–	989	–	989	(1,735)	(746)
Dividends paid to non-controlling interests	–	–	–	–	(1,625)	(1,625)
At December 31, 2022 and January 1, 2023	3,164	9,601	70,194	82,959	55,759	138,718
Profit for the year	**–**	**–**	**2,529**	**2,529**	**1,892**	**4,421**
Exchange difference arising from translation to presentation currency	**–**	**399**	**–**	**399**	**270**	**669**
Loss on net investment hedge	**–**	**(5)**	**–**	**(5)**	**(3)**	**(8)**
Cash flow hedges: net movement in hedging reserve	**–**	**(40)**	**–**	**(40)**	**(26)**	**(66)**
Net change in fair value of equity investments	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Total comprehensive income for the year	**–**	**354**	**2,529**	**2,883**	**2,132**	**5,015**
Final dividend in respect of previous year	**–**	**–**	**(790)**	**(790)**	**–**	**(790)**
Interim dividend in respect of current year	**–**	**–**	**(266)**	**(266)**	**–**	**(266)**
Employee share-based payments	**–**	**(53)**	**105**	**52**	**23**	**75**
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	**–**	**823**	**–**	**823**	**(1,309)**	**(486)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**(1,658)**	**(1,658)**
At December 31, 2023	**3,164**	**10,725**	**71,772**	**85,661**	**54,947**	**140,608**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2023

	Note	2023 HK$ Million	2022 HK$ Million	*For information purpose only* 2023 RMB Million	2022 RMB Million
Operating activities					
Cash generated from operations	22	**5,401**	5,915	**4,865**	5,086
Tax paid					
Hong Kong Profits Tax paid		**(262)**	(273)	**(236)**	(234)
Mainland China Income Tax paid		**(1,117)**	(1,199)	**(1,004)**	(1,039)
Net cash generated from operating activities		**4,022**	4,443	**3,625**	3,813
Investing activities					
Payment for property, plant and equipment		**(3,132)**	(2,721)	**(2,816)**	(2,323)
Acquisition of additional interests in joint ventures	12	**–**	(879)	**–**	(729)
Net sale proceeds from disposal of property, plant and equipment		**19**	15	**17**	13
Interest received		**99**	72	**89**	62
Dividends received from joint ventures		**50**	28	**45**	24
Repayment from a joint venture		**119**	241	**108**	206
Decrease in bank deposits with maturity greater than 3 months		**–**	41	**–**	35
Net cash used in investing activities		**(2,845)**	(3,203)	**(2,557)**	(2,712)
Financing activities					
Proceeds from new bank loans and other borrowings	23	**44,802**	37,035	**40,509**	31,807
Repayment of bank loans and other borrowings	23	**(39,944)**	(35,896)	**(36,122)**	(30,837)
Capital element of lease rentals paid	23	**(14)**	(15)	**(13)**	(12)
Interest and other borrowing costs paid		**(1,879)**	(1,444)	**(1,701)**	(1,237)
Interest element of lease rentals paid	23	**(14)**	(15)	**(12)**	(13)
Dividends paid		**(1,171)**	(1,171)	**(1,056)**	(1,014)
Dividends paid to non-controlling interests		**(1,832)**	(1,866)	**(1,658)**	(1,625)
Decrease in non-controlling interests in a subsidiary		**(514)**	(878)	**(476)**	(756)
Net cash used in financing activities		**(566)**	(4,250)	**(529)**	(3,687)
Increase/(decrease) in cash and cash equivalents		**611**	(3,010)	**539**	(2,586)
Effect of foreign exchange rate changes		**(53)**	(302)	**55**	316
Cash and cash equivalents at January 1		**5,704**	9,016	**5,100**	7,370
Cash and cash equivalents at December 31	14	**6,262**	5,704	**5,694**	5,100

The accompanying notes form part of these financial statements.

1 Material Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Material accounting policies adopted by the Group are set out below.

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

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

(b) Basis of preparation of the financial statements

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

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

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

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

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

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

1 Material Accounting Policies (Continued)

(c) Subsidiaries and non-controlling interests

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

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

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

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

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

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

1 Material Accounting Policies (Continued)

(d) Joint ventures

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

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

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

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

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

(e) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's share of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities as of the acquisition date.

Goodwill is stated at cost less accumulated impairment losses and is tested regularly for impairment (Note 1(n)).

Any excess of the Group's share of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities as of the acquisition date over the cost of a business combination is recognized immediately in profit or loss as a gain on a bargain purchase.

On disposal of an entity, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1 Material Accounting Policies (Continued)

(f) Investment properties and investment properties under development

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

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

(g) Properties for sale

1. Properties under development for sale

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

2. Completed properties for sale

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

(h) Other property, plant and equipment

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

(i) Leases

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

1 Material Accounting Policies (Continued)

(i) Leases (Continued)

1. As a lessee

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

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

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

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

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

2. As a lessor

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

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

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

1 Material Accounting Policies (Continued)

(j) Depreciation

1. *Investment properties*

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

2. *Other property, plant and equipment*

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

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

(k) Investments in equity instruments

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

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

(l) Derivative financial instruments

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

(m) Hedging

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

1. *Cash flow hedges*

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

1 Material Accounting Policies (Continued)

(m) Hedging (Continued)

2. Hedge of net investments in foreign operations

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

(n) Impairment of assets

– For other property, plant and equipment, investments in joint ventures, goodwill and investments in subsidiaries in the Company's statement of financial position, an assessment is carried out at the end of each reporting period to determine whether there is objective evidence that these assets are impaired. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. The recoverable amount is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized in profit or loss if the carrying amount exceeds the recoverable amount. An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized. An impairment loss in respect of goodwill is not reversed.

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

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

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

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

1 Material Accounting Policies (Continued)

(n) Impairment of assets (Continued)

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

(o) Trade and other receivables

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

(p) Cash and cash equivalents

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

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

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

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

(r) Interest-bearing borrowings

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

1 Material Accounting Policies (Continued)

(s) Borrowing costs

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

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

(t) Financial guarantees issued

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

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

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

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

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

1 Material Accounting Policies (Continued)

(t) Financial guarantees issued (Continued)

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

(u) Provisions and contingent liabilities

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

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

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

(v) Revenue and other income

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

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

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

1. Rental income

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

1 Material Accounting Policies (Continued)

(v) Revenue and other income (Continued)

2. Sale of properties

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

3. Building management fees and other income from property leasing

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

4. Interest income

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

5. Dividends

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

(w) Taxation

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

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

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

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

1 Material Accounting Policies (Continued)

(w) Taxation (Continued)

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

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

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

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

(x) Translation of foreign currencies

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

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

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

1 Material Accounting Policies (Continued)

(x) Translation of foreign currencies (Continued)

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

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

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

(y) Related parties

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

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

1 Material Accounting Policies (Continued)

(z) Segment reporting

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

(aa) Employee benefits

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

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

2. Share-based payments

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

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

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

2 Revenue and Segment Information

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

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

(a) Disaggregation of revenue

Revenue for the year is analyzed as follows:

HK$ Million	**2023**	2022
Under the scope of HKFRS 16, *Leases*:		
Rental income (Note 11(b))	**9,472**	9,293
Under the scope of HKFRS 15, *Revenue from contracts with customers*:		
Sales of completed properties	**2**	316
Building management fees and other income from property leasing	**1,407**	1,332
	1,409	1,648
	10,881	10,941

As of December 31, 2023, the aggregate amount of revenue expected to be recognized in the future arising from signed property pre-sale agreements amounted to HK$1,157 million (2022: HK$1,118 million), which is expected to be recognized in 2024 when the legal assignment to buyers is completed.

The Group has applied practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date to:

– building management fees and other income from property leasing, as the Group recognizes revenue at the amount to which it has a right to invoice, which corresponds directly with the value to the customer of the Group's performance completed to date; and

– revenue from sales of completed properties, as the performance obligation is part of a contract that has an original expected duration of one year or less.

2 Revenue and Segment Information (Continued)

(b) Revenue and results by segments

HK$ Million	2023			2022		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Revenue						
– Mainland China	**7,399**	**–**	**7,399**	7,218	–	7,218
– Hong Kong	**3,480**	**2**	**3,482**	3,407	316	3,723
	10,879	**2**	**10,881**	10,625	316	10,941
Profit/(loss) from operations before changes in fair value of properties						
– Mainland China	**4,618**	**(44)**	**4,574**	4,461	(51)	4,410
– Hong Kong	**2,548**	**5**	**2,553**	2,467	138	2,605
	7,166	**(39)**	**7,127**	6,928	87	7,015
(Decrease)/increase in fair value of properties	**(62)**	**–**	**(62)**	(352)	–	(352)
– Mainland China	**260**	**–**	**260**	(108)	–	(108)
– Hong Kong	**(322)**	**–**	**(322)**	(244)	–	(244)
Net interest expense	**(618)**	**–**	**(618)**	(464)	–	(464)
– Interest income	**102**	**–**	**102**	73	–	73
– Finance costs	**(720)**	**–**	**(720)**	(537)	–	(537)
Share of profits of joint ventures	**127**	**–**	**127**	153	–	153
Profit/(loss) before taxation	**6,613**	**(39)**	**6,574**	6,265	87	6,352
Taxation	**(1,660)**	**1**	**(1,659)**	(1,534)	(23)	(1,557)
Profit/(loss) for the year	**4,953**	**(38)**	**4,915**	4,731	64	4,795
Net profit/(loss) attributable to shareholders	**2,833**	**(22)**	**2,811**	2,680	38	2,718

2 Revenue and Segment Information (Continued)

(c) Total segment assets

HK$ Million	2023			2022		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Mainland China	**139,913**	**6,452**	**146,365**	138,208	5,498	143,706
Hong Kong	**63,965**	**8,751**	**72,716**	64,576	6,397	70,973
	203,878	**15,203**	**219,081**	202,784	11,895	214,679
Interests in joint ventures			**4,450**			4,492
Other assets			**1,433**			1,434
Deferred tax assets			**145**			144
Cash and deposits with banks			**6,343**			5,785
			231,452			226,534

3 Other Net Income

HK$ Million	**2023**	2022
Government grants	**5**	11
Gain on disposal of investment properties	**11**	–
Dividend income from equity investments measured at FVTOCI	**2**	–
Others	**(5)**	(6)
	13	5

4 Net Interest Expense

HK$ Million	**2023**	2022
Interest income on bank deposits	**102**	73
Interest expense on bank loans and other borrowings	**1,876**	1,434
Interest on lease liabilities	**14**	15
Other borrowing costs	**97**	88
Total borrowing costs	**1,987**	1,537
Less: Borrowing costs capitalized (Note)	**(1,267)**	(1,000)
Finance costs	**720**	537
Net interest expense	**(618)**	(464)

Note:

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

5 Profit Before Taxation

HK$ Million	2023	2022
Profit before taxation is arrived at after charging:		
Cost of properties sold	**–**	135
Staff costs (Note)	**1,560**	1,590
Depreciation	**88**	78
Auditors' remuneration		
– audit services	**14**	14
– non-audit services	**3**	3
and after crediting:		
Rental and related income from investment properties less direct outgoings of HK$3,035 million (2022: HK$3,029 million)	**7,844**	7,596

Note:

The staff costs included employee share-based payments of HK$83 million (2022: HK$88 million). If the amounts not recognized in the statement of profit or loss, including amounts capitalized, were accounted for, staff costs would have been HK$1,873 million (2022: HK$1,873 million).

6 Emoluments of Directors and Senior Management

The Nomination and Remuneration Committee consists of three Independent Non-Executive Directors. The Committee makes recommendation to the Board on the Non-Executive Directors' and Independent Non-Executive Directors' remuneration packages and determines the remuneration package of individual Executive Directors. The emoluments of Executive Directors are determined by their scope of responsibility and accountability, and performance, taking into consideration of the Group's performance and profitability, market practice and prevailing business conditions, etc.

6 Emoluments of Directors and Senior Management (Continued)

(a) Directors' emoluments

Details of directors' emoluments are summarized below:

HK$ Million Name	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	The Group's contributions to retirement schemes	2023	2022
Executive Directors						
Ronnie C. Chan	**2.2**	**30.8**	**10.8**	**3.1**	**46.9**	46.1
Adriel Chan	**1.6**	**13.2**	**6.1**	**1.3**	**22.2**	21.9
Weber W.P. Lo	**1.6**	**20.6**	**10.0**	**1.3**	**33.5**	32.8
Kenneth K.K. Chiu	**1.6**	**5.4**	**2.8**	**0.3**	**10.1**	9.8
Non-Executive Directors						
Gerald L. Chan	**0.8**	**–**	**–**	**–**	**0.8**	0.8
George K.K. Chang	**1.0**	**–**	**–**	**–**	**1.0**	1.0
Roy Y.C. Chen	**0.8**	**–**	**–**	**–**	**0.8**	0.8
Independent Non-Executive Directors						
Simon S.O. Ip	**1.2**	**–**	**–**	**–**	**1.2**	1.2
P.W. Liu	**1.2**	**–**	**–**	**–**	**1.2**	1.2
L.C. Tsui	**1.0**	**–**	**–**	**–**	**1.0**	1.0
Martin C.K. Liao	**0.9**	**–**	**–**	**–**	**0.9**	0.9
Ex-Director						
H.C. Ho (Retired as executive director on March 1, 2022)	**–**	**–**	**–**	**–**	**–**	11.6
2023	**13.9**	**70.0**	**29.7**	**6.0**	**119.6**	129.1
2022	14.1	69.8	39.5	5.7	129.1	

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, four (2022: all) are existing or retired directors of the Company whose emoluments are disclosed in note 6(a). The emoluments in respect of the remaining one individual in 2023 are as follows:

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

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

7 Taxation in the Consolidated Statement of Profit or Loss

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

HK$ Million	2023	2022
Current tax		
Hong Kong Profits Tax	293	357
Under/(over)-provision in prior years	5	(16)
	298	341
Mainland China Income Tax	1,104	1,063
Total current tax	1,402	1,404
Deferred tax		
Changes in fair value of properties	94	22
Other origination and reversal of temporary differences	163	131
Total deferred tax (Note 19(b))	257	153
Total income tax expense	1,659	1,557

Provision for Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year. Mainland China Income Tax represents mainland China Corporate Income Tax calculated at 25% (2022: 25%) and mainland China withholding income tax calculated at the applicable rates. The withholding tax rate applicable to Hong Kong companies in respect of dividend distributions from foreign investment enterprises in mainland China was 5% (2022: 5%).

(b) Share of joint ventures' taxation for the year ended December 31, 2023 of HK$21 million (2022: HK$24 million) is included in the "share of profits of joint ventures".

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

HK$ Million	2023	2022
Profit before taxation	6,574	6,352
Notional tax on profit before taxation at applicable rates	1,176	1,156
Tax effect of non-taxable income	(155)	(186)
Tax effect of non-deductible expenses	301	315
Tax effect of unrecognized temporary differences	(18)	(105)
Tax effect of unrecognized tax losses	350	393
Under/(over)-provision in prior years	5	(16)
Actual tax expense	1,659	1,557

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

8 Dividends

(a) Dividends attributable to the year

HK$ Million	2023	2022
Interim dividend declared and paid of HK21 cents (2022: HK21 cents) per share	286	286
Final dividend of HK65 cents (2022: HK65 cents) per share proposed after the end of the reporting period	885	885
	1,171	1,171

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

(b) The final dividend of HK$885 million (calculated based on HK65 cents per share and the total number of issued shares as of the dividend pay-out date) for the year ended December 31, 2022 were approved and paid in the year ended December 31, 2023 (2022: HK$885 million).

9 Earnings Per Share

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

HK$ Million	2023	2022
Net profit attributable to shareholders	2,811	2,718

	Number of shares	
	2023	2022
Weighted average number of shares used in calculating basic and diluted earnings per share (Note)	1,361,618,242	1,361,618,242

Note:

Diluted earnings per share was the same as the basic earnings per share for the years as there were no dilutive potential ordinary shares in existence during both years.

(b) The underlying net profit attributable to shareholders, which excluded changes in fair value of properties net of related income tax and non-controlling interests, is calculated as follows:

HK$ Million	2023	2022
Net profit attributable to shareholders	2,811	2,718
Effect of changes in fair value of properties	62	352
Effect of income tax for changes in fair value of properties	94	22
Effect of changes in fair value of investment properties of joint ventures	(5)	43
	151	417
Non-controlling interests	(31)	(133)
	120	284
Underlying net profit attributable to shareholders	2,931	3,002

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

	2023	2022
Basic	HK$2.15	HK$2.20
Diluted	HK$2.15	HK$2.20

10 Property, Plant and Equipment

HK$ Million	Investment properties	Investment properties under development	Others	Total
Cost or valuation:				
At January 1, 2022	186,582	22,399	992	209,973
Exchange adjustment	(10,597)	(1,839)	(49)	(12,485)
Additions	599	2,307	132	3,038
Disposals	(15)	–	(19)	(34)
Decrease in fair value	(188)	(164)	–	(352)
At December 31, 2022 and January 1, 2023	176,381	22,703	1,056	200,140
Exchange adjustment	**(1,640)**	**(306)**	**(7)**	**(1,953)**
Additions	**1,005**	**2,648**	**115**	**3,768**
Disposals	**(8)**	**–**	**(192)**	**(200)**
(Decrease)/increase in fair value	**(238)**	**176**	**–**	**(62)**
Transfer in/(out)	**1,958**	**(1,958)**	**–**	**–**
Transfer from properties for sale (Note 16)	**–**	**347**	**–**	**347**
At December 31, 2023	**177,458**	**23,610**	**972**	**202,040**
Accumulated depreciation:				
At January 1, 2022	–	–	706	706
Exchange adjustment	–	–	(30)	(30)
Charge for the year	–	–	78	78
Written back on disposals	–	–	(15)	(15)
At December 31, 2022 and January 1, 2023	–	–	739	739
Exchange adjustment	**–**	**–**	**(4)**	**(4)**
Charge for the year	**–**	**–**	**88**	**88**
Written back on disposals	**–**	**–**	**(179)**	**(179)**
At December 31, 2023	**–**	**–**	**644**	**644**
Net book value:				
At December 31, 2023	**177,458**	**23,610**	**328**	**201,396**
At December 31, 2022	176,381	22,703	317	199,401

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

	Investment properties	Investment properties under development	Others	Total
December 31, 2023				
Valuation	**177,458**	**23,610**	**–**	**201,068**
Cost	**–**	**–**	**972**	**972**
	177,458	**23,610**	**972**	**202,040**
December 31, 2022				
Valuation	176,381	22,703	–	199,084
Cost	–	–	1,056	1,056
	176,381	22,703	1,056	200,140

10 Property, Plant and Equipment (Continued)

(a) The investment properties include right-of-use assets.

(b) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties and investment properties under development measured at the end of the reporting period on a recurring basis, categorized into a three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique is as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs

HK$ Million	**Fair value measurement at 2023**		
	Level 1	**Level 2**	**Level 3**
Investment properties	**–**	**177,458**	**–**
Investment properties under development	**–**	**–**	**23,610**

HK$ Million	Fair value measurement at 2022		
	Level 1	Level 2	Level 3
Investment properties	–	176,381	–
Investment properties under development	–	–	22,703

The Group's policy is to recognize transfers between levels of fair value hierarchy at the time at which they occur. During the year, other than the transfers from investment properties under development to investment properties upon their completion, there were no transfers between levels of fair value hierarchy.

The Group's investment properties and investment properties under development were revalued as of December 31, 2023 by Savills Valuation and Professional Services Limited, an independent qualified valuer, on a market value basis. Management has discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

10 Property, Plant and Equipment (Continued)

(b) Fair value measurement of properties (Continued)

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the Group's investment properties is determined by using income capitalization approach with reference to current market rents and capitalization rates using market data.

(iii) Information about Level 3 fair value measurements

The fair value of investment properties under development is determined by using direct comparison approach, with reference to comparable market transactions as available in the market to derive the fair value of the property and, where appropriate, after deducting the following items:

- Estimated development costs to be expended to complete the properties that would be incurred by a market participant; and
- Estimated profit margin that a market participant would require to hold and develop the property to completion.

The higher the estimated development costs or profit margin, the lower the fair value of investment properties under development.

The main Level 3 unobservable inputs used by the Group are as follows:

The total estimated development costs to be incurred for each of the Group's investment properties under development ranged from HK$0.2 billion to HK$9.6 billion (2022: HK$0.2 billion to HK$10.1 billion). The estimates are largely consistent with the budgets developed internally by the Group based on management experience and knowledge of market conditions.

The movements in the investment properties under development during the year represent the movements in the balances of these Level 3 fair value measurements.

Fair value adjustments of investment properties and investment properties under development is recognized in "decrease in fair value of properties" in the consolidated statement of profit or loss.

10 Property, Plant and Equipment (Continued)

(c) An analysis of net book value of investment properties and investment properties under development is as follows:

HK$ Million	Investment properties		Investment properties under development	
	2023	2022	**2023**	2022
In Hong Kong				
– long-term leases (over 50 years)	**36,973**	38,742	**–**	–
– medium-term leases (10 to 50 years)	**26,650**	22,991	**352**	1,716
Outside Hong Kong				
– long-term leases (over 50 years)	**–**	–	**16**	15
– medium-term leases (10 to 50 years)	**113,835**	114,648	**23,242**	20,972
	177,458	176,381	**23,610**	22,703

(d) The net book value of other property, plant and equipment of the Group included long-term leases of HK$9 million (2022: HK$9 million) in respect of land and buildings held in Hong Kong, medium-term leases of HK$3 million (2022: HK$3 million) and long-term leases of HK$22 million (2022: HK$25 million) in respect of land and buildings held outside Hong Kong.

11 Leases

(a) As a lessee

The Group leases properties for property leasing business and administrative use.

Most of the Group's leased properties meet the definition of investment properties and are presented in the consolidated statement of financial position as investment properties. The Group did not recognize right-of-use assets and lease liabilities for other leases that are of short-term or of low-value assets.

Amounts recognized in profit or loss:

HK$ Million	**2023**	2022
Interest on lease liabilities	**14**	15
Expenses relating to short-term leases	**6**	5
	20	20

Lease liabilities recognized in the consolidated statement of financial position:

HK$ Million	**2023**	2022
Current liabilities	**30**	27
Non-current liabilities	**248**	266
	278	293

A maturity analysis of lease liabilities is disclosed in note 27(b).

11 Leases (Continued)

(a) As a lessee (Continued)

Amounts included in the cash flow statement:

HK$ Million	2023	2022
Within operating cash flows	(6)	(5)
Within financing cash flows	(28)	(30)
	(34)	(35)

(b) As a lessor

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to five years, with an option to renew the lease after that date, at which time all terms are renegotiated. Certain long-term leases contain rent review or adjustment clauses and the Group has a regular proportion of leases up for renewal each year. Certain leases include variable lease payments calculated with reference to the revenue of tenants.

Lease income from lease contracts in which the Group acts as a lessor is as below:

HK$ Million	2023	2022
Operating leases		
Fixed or variable depending on an index or rate	7,922	7,857
Variable not depending on an index or rate	1,550	1,436
	9,472	9,293

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments under non-cancellable operating leases to be received after the reporting date.

HK$ Million	2023	2022
Within 1 year	6,558	6,412
After 1 year but within 2 years	4,137	4,198
After 2 years but within 3 years	2,298	2,442
After 3 years but within 4 years	880	1,180
After 4 years but within 5 years	360	474
After 5 years	262	317
	14,495	15,023

12 Interests in Joint Ventures

HK$ Million	2023	2022
Share of net assets	**3,904**	3,826
Amounts due from joint ventures	**551**	671
Amounts due to joint ventures	**(5)**	(5)
	4,450	4,492

On March 31, 2022, the Group acquired additional 6.67% interests in Newfoundworld Investment Holdings Limited, Newfoundworld Holdings Limited and Newfoundworld Finance Limited and the respective shareholders' loans at a consideration of HK$879 million, which are the project companies of the commercial properties of Citygate in Hong Kong. The Group's interests in these joint ventures increased from 20% to 26.67%.

The fair value of the identifiable net assets and the shareholders' loans acquired was HK$973 million. The HK$94 million excess over the consideration paid was recognized as a gain under "share of profits of joint ventures" in 2022.

Amounts due from joint ventures are unsecured, interest-free with no fixed terms of repayment and classified as non-current assets as they are not expected to be recoverable within the next 12 months.

Amounts due to joint ventures are unsecured and interest-free with no fixed terms of repayment.

At December 31, 2023, the Group had financial guarantees payable on demand of an amount not exceeding HK$573 million (2022: HK$573 million) issued to a bank in respect of a banking facility granted to a joint venture. This guarantee is not recognized in the Group's statement of financial position as its fair value is considered immaterial and the initial transaction price was nil.

Details of principal joint ventures are set out in note 34. The aggregate financial information related to the Group's share of joint ventures that are not individually material are as follows:

HK$ Million	2023	2022
Non-current assets	**5,100**	5,105
Current assets	**334**	476
Non-current liabilities	**(1,248)**	(1,446)
Current liabilities	**(283)**	(309)
Net assets	**3,903**	3,826

HK$ Million	2023	2022
Revenue	**366**	311
Profits and total comprehensive income for the year	**127**	153

13 Other Assets

HK$ Million	2023	2022
Investments in unlisted equity instruments (Note 13(a))	**92**	93
Advance to unlisted investee companies	**159**	159
Intangible assets (Note 13(b))	**1,182**	1,182
	1,433	1,434

(a) Investments in unlisted equity instruments were measured at fair value through other comprehensive income. These equity instruments are primarily of Ever Light Limited, a company engaged in property leasing, and are expected to be held for long-term strategic purposes.

(b) Intangible assets represent goodwill arising from the Group's additions in equity interests in its subsidiary, HLP, for transactions before July 1, 2009.

14 Cash and Deposits with Banks

HK$ Million	2023	2022
Cash at banks	**2,861**	2,314
Time deposits	**3,482**	3,471
Cash and deposits with banks in the consolidated statement of financial position	**6,343**	5,785
Less: Bank deposits with maturity greater than 3 months	**(81)**	(81)
Cash and cash equivalents in the consolidated cash flow statement	**6,262**	5,704

During the year, the Group's cash and deposits with banks were interest-bearing at an average rate of 2.4% (2022: 1.7%) per annum. The currencies of cash and deposits with banks at the year end date were as follows:

HK$ Million	2023	2022
Hong Kong Dollars	**3,798**	2,124
Hong Kong Dollar equivalent of:		
Renminbi	**2,370**	3,498
United States Dollars	**175**	163
	6,343	5,785

After deducting cash and deposits with banks from bank loans and other borrowings, the net debt position of the Group at the end of the reporting period was as follows:

HK$ Million	2023	2022
Bank loans and other borrowings (Note 17)	**50,693**	45,953
Less: Cash and deposits with banks	**(6,343)**	(5,785)
Net debt	**44,350**	40,168

15 Trade and Other Receivables

(a) Included in trade and other receivables are trade receivables (based on the due date) with the following aging analysis:

HK$ Million	2023	2022
Not past due or less than 1 month past due	**139**	118
1 – 3 months past due	**9**	27
More than 3 months past due	**2**	4
	150	149

Provision for expected credit losses was assessed and adequately made on a tenant-by- tenant basis, based on the historical default experience and forward-looking information that may impact the tenants' ability to repay the outstanding balances. The details on the Group's credit policy are set out in note 27(c).

(b) Included in "other receivables" of the Group is a deposit of land acquisition in mainland China of HK$276 million (2022: HK$280 million).

16 Properties for Sale

HK$ Million	2023	2022
In mainland China		
– Completed properties for sale	**3,394**	4
– Properties under development for sale	**3,057**	5,494
	6,451	5,498
In Hong Kong		
– Completed properties for sale	**984**	951
– Properties under development for sale	**6,809**	5,240
	7,793	6,191
	14,244	11,689

During the year ended December 31, 2023, certain properties under development for sale in Hong Kong with aggregate carrying amount of HK$347 million (2022: Nil) were transferred to investment properties under development upon the change in intended use (Note 10). The fair value of these properties at the date of transfer was HK$352 million. The difference between the fair value and carrying amount of these properties was included in "decrease in fair value of properties" in the consolidated statement of profit or loss.

All properties under development for sale are expected to be recovered after more than one year, except HK$770 million (2022: HK$729 million) of which are expected to be completed and handed over to buyers within one year after the end of the reporting period.

17 Bank Loans and Other Borrowings

At the end of the reporting period, bank loans and other borrowings were unsecured and repayable as follows:

HK$ Million	2023	2022
Bank loans (Note 17(a))		
Within 1 year or on demand	**3,468**	4,056
After 1 year but within 2 years	**8,483**	7,393
After 2 years but within 5 years	**22,468**	19,715
Over 5 years	**2,816**	2,105
	37,235	33,269
Other borrowings (Note 17(b))		
Within 1 year or on demand	**970**	680
After 1 year but within 2 years	**5,632**	970
After 2 years but within 5 years	**5,466**	8,020
Over 5 years	**1,595**	3,175
	13,663	12,845
	50,898	46,114
Less: unamortized front end fees	**(205)**	(161)
Total bank loans and other borrowings	**50,693**	45,953
Amount due within 1 year included under current liabilities	**(4,434)**	(4,729)
	46,259	41,224

(a) All bank loans are interest-bearing at rates ranging from 3.7% to 6.9% (2022: 3.7% to 6.4%) per annum.

Certain of the Group's borrowings are attached with financial covenants which require that at any time, the Group's consolidated tangible net worth is not less than and the ratio of borrowings to consolidated tangible net worth is not more than certain required levels. During the year, all these covenants have been complied with by the Group.

At December 31, 2023, the Group had HK$18,567 million (2022: HK$24,789 million) of undrawn committed banking facilities.

(b) Other borrowings represent bonds issued at coupon rates ranging from 2.00% to 4.75% (2022: 2.00% to 4.75%) per annum.

At December 31, 2023, the available balances of the Group's US$4 billion (2022: US$4 billion) Medium Term Note Program amounted to US$2,251 million (2022: US$2,353 million), equivalent to HK$17,584 million (2022: HK$18,343 million).

18 Trade and Other Payables

HK$ Million	**2023**	2022
Creditors and accrued expenses (Note 18(a))	**6,713**	6,314
Contract liabilities (Note 18(b))	**518**	479
Deposits received (Note 18(c))	**2,905**	2,919
	10,136	9,712

(a) Creditors and accrued expenses include retention money payable of HK$407 million (2022: HK$390 million) which is not expected to be settled within one year.

(b) Contract liabilities

(i) Building management fees and other income from property leasing received in advance of HK$91 million (2022: HK$92 million)

Building management fees and other rental related charges are due for payment on the first day of the service period. The fees and charges received before the payment due date are classified as contract liabilities and recognized as revenue when the services are rendered.

(ii) Property sales proceeds received in advance of HK$427 million (2022: HK$387 million)

Typically, the Group receives 10% of the consideration from buyers shortly after signing the preliminary sale and purchase agreement (S&P) of residential properties. The prevailing terms require buyers to pay the remaining balance within 120 or 300 days after signing the S&P, or upon legal assignment of completed properties. Proceeds received in advance are recognized as contract liabilities until the legal title is transferred to the buyer, at which time the contract liabilities are recognized as revenue.

None of the above balance is expected to be recognized as revenue after one year.

(c) In the amount of deposits received, HK$1,654 million (2022: HK$1,722 million) are not expected to be settled within one year.

Included in trade and other payables are trade creditors with the following aging analysis:

HK$ Million	**2023**	2022
Due within 3 months	**2,123**	1,384
Due after 3 months	**2,305**	2,745
	4,428	4,129

19 Taxation in the Consolidated Statement of Financial Position

(a) Current taxation

HK$ Million	2023	2022
Hong Kong Profits Tax	205	169
Mainland China Income Tax	274	288
	479	457

(b) Deferred taxation

HK$ Million	2023	2022
Deferred tax liabilities	14,950	14,906
Deferred tax assets	(145)	(144)
	14,805	14,762

The components of deferred tax liabilities/(assets) recognized in the consolidated statement of financial position and the movements during the year are as follows:

HK$ Million	Depreciation allowances in excess of related depreciation	Revaluation of properties	Future benefit of tax losses	Others	Total
At January 1, 2022	2,543	13,451	(146)	42	15,890
Exchange adjustments	(163)	(1,134)	–	4	(1,293)
Charged/(credited) to					
– profit or loss (Note 7(a))	197	22	(4)	(62)	153
– other comprehensive income	–	–	–	12	12
At December 31, 2022 and January 1, 2023	2,577	12,339	(150)	(4)	14,762
Exchange adjustments	(26)	(176)	–	(1)	(203)
Charged/(credited) to					
– profit or loss (Note 7(a))	142	94	21	–	257
– other comprehensive income	–	–	–	(11)	(11)
At December 31, 2023	**2,693**	**12,257**	**(129)**	**(16)**	**14,805**

19 Taxation in the Consolidated Statement of Financial Position (Continued)

(c) Deferred tax assets not recognized

The Group has not recognized deferred tax assets in respect of tax losses of HK$10,474 million (2022: HK$10,198 million) sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilized is not probable at December 31, 2023. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from the operations in mainland China expire five years after the relevant accounting year end date.

20 Share Capital

	At January 1, 2023 and December 31, 2023		At January 1, 2022 and December 31, 2022	
	Number of shares Million	Amount of share capital HK$ Million	Number of shares Million	Amount of share capital HK$ Million
Ordinary shares, issued and fully paid:	1,362	4,065	1,362	4,065

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

21 Reserves

(a) The Group

HK$ Million	Other reserves								
	Exchange reserve	Hedging reserve	Investment revaluation reserve	Employee share-based compensation reserve	General reserve	Other capital reserve	Total	Retained profits	Total reserves
At January 1, 2022	3,554	(7)	61	290	275	4,994	9,167	82,610	91,777
Profit for the year	–	–	–	–	–	–	–	2,718	2,718
Exchange difference arising from translation to presentation currency	(5,805)	–	–	–	–	–	(5,805)	–	(5,805)
Gain on net investment hedge	5	–	–	–	–	–	5	–	5
Cash flow hedges: net movement in hedging reserve	–	40	–	–	–	–	40	–	40
Total comprehensive income for the year	(5,800)	40	–	–	–		(5,760)	2,718	(3,042)
Final dividend in respect of previous year	–	–	–	–	–	–	–	(885)	(885)
Interim dividend in respect of current year	–	–	–	–	–	–	–	(286)	(286)
Employee share-based payments	–	–	–	53	–	–	53	7	60
Changes arising from increase of the Group's shareholding in a subsidiary	–	–	–	–	–	1,130	1,130	–	1,130
At December 31, 2022 and January 1, 2023	(2,246)	33	61	343	275	6,124	4,590	84,164	88,754
Profit for the year	–	–	–	–	–	–	–	2,811	2,811
Exchange difference arising from translation to presentation currency	(995)	–	–	–	–	–	(995)	–	(995)
Loss on net investment hedge	(6)	–	–	–	–	–	(6)	–	(6)
Cash flow hedges: net movement in hedging reserve	–	(45)	–	–	–	–	(45)	–	(45)
Total comprehensive income for the year	(1,001)	(45)	–	–	–	–	(1,046)	2,811	1,765
Final dividend in respect of previous year	–	–	–	–	–	–	–	(885)	(885)
Interim dividend in respect of current year	–	–	–	–	–	–	–	(286)	(286)
Employee share-based payments	–	–	–	(58)	–	–	(58)	118	60
Changes arising from increase of the Group's shareholding in a subsidiary	–	–	–	–	–	887	887	–	887
At December 31, 2023	**(3,247)**	**(12)**	**61**	**285**	**275**	**7,011**	**4,373**	**85,922**	**90,295**

21 Reserves (Continued)

(a) The Group (Continued)

The retained profits of the Group at December 31, 2023 included HK$634 million (2022: HK$632 million) in respect of statutory reserves of the subsidiaries in mainland China.

The exchange reserve of the Group comprises exchange differences arising from the translation of the Group's operations in mainland China and the effective portion of any foreign exchange differences arising from hedging of net investments in foreign operations (Note 1(m)(2)).

The hedging reserve comprises the Group's share of effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss (Note 1(m)(1)).

The table below provides a reconciliation of the hedging reserve in respect of interest rate risk (Note 27(a)) and currency risk (Note 27(d)):

HK$ Million	Interest rate risk	Currency risk	Total
At January 1, 2022	(5)	(2)	(7)
Effective portion of cash flow hedge recognized in other comprehensive income	95	26	121
Amount reclassified to profit or loss	(21)	(21)	(42)
Related tax	(12)	–	(12)
Effect of share of non-controlling interests	(24)	(3)	(27)
At December 31, 2022 and January 1, 2023	33	–	33
Effective portion of cash flow hedge recognized in other comprehensive income	**18**	**(16)**	**2**
Amount reclassified to profit or loss	**(86)**	**–**	**(86)**
Related tax	**11**	**–**	**11**
Effect of share of non-controlling interests	**22**	**6**	**28**
At December 31, 2023	**(2)**	**(10)**	**(12)**

The investment revaluation reserve comprises the cumulative net change in the fair value of equity investments measured at FVTOCI (Note 1(k)).

The employee share-based compensation reserve comprises the fair value of share options granted which are not yet exercised, as explained in note 1(aa).

The general reserve was derived from retained profits and is distributable.

The other capital reserve represents any difference between the cost of the additional investment and the carrying amount of the net assets acquired at the date of exchange when acquiring an additional non-controlling interest in an existing subsidiary.

21 Reserves (Continued)

(b) The Company

HK$ Million	General reserve	Retained profits	Total reserves
At January 1, 2022	862	19,128	19,990
Profit and total comprehensive income for the year	–	2,294	2,294
Final dividend in respect of previous year	–	(885)	(885)
Interim dividend in respect of current year	–	(286)	(286)
At December 31, 2022 and January 1, 2023	862	20,251	21,113
Profit and total comprehensive income for the year	**–**	**2,363**	**2,363**
Final dividend in respect of previous year	**–**	**(885)**	**(885)**
Interim dividend in respect of current year	**–**	**(286)**	**(286)**
At December 31, 2023	**862**	**21,443**	**22,305**

The aggregate amount of the Company's reserves available for distribution to equity shareholders of the Company at December 31, 2023 was HK$22,305 million (2022: HK$21,113 million).

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders, and to secure access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in the light of changes in the Group's business portfolio and economic conditions.

The Group monitors its capital structure by reviewing its leveraging ratio (net debt to equity ratio and debt to equity ratio) and cash flow requirements, taking into account future financial obligations and commitments. Net debt represents bank loans and other borrowings less cash and deposits with banks. Equity comprises shareholders' equity and non-controlling interests.

The Group has a net debt position as of December 31, 2023 (Note 14). Net debt to equity ratio and debt to equity ratio as of December 31, 2023 were 28.6% (2022: 25.9%) and 32.7% (2022: 29.6%), respectively. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

22 Cash Generated from Operations

HK$ Million	2023	2022
Profit before taxation	**6,574**	6,352
Adjustments for:		
Gain on disposal of investment properties	**(11)**	–
Dividend income from equity investments measured at FVTOCI	**(2)**	–
Loss on disposal of other property, plant and equipment	**12**	4
Employee share-based payments	**83**	88
Depreciation	**88**	78
Decrease in fair value of properties	**62**	352
Interest income on bank deposits	**(102)**	(73)
Finance costs	**720**	537
Share of profits of joint ventures	**(127)**	(153)
Increase in properties for sale	**(2,573)**	(1,017)
Decrease/(increase) in trade and other receivables	**58**	(249)
Increase/(decrease) in creditors and accrued expenses and contract liabilities	**604**	(19)
Increase in deposits received	**15**	15
Cash generated from operations	**5,401**	5,915

23 Reconciliation of Liabilities Arising from Financing Activities

HK$ Million	Bank loans and other borrowings (Note 17)	Lease liabilities (Note 11)	Total
At January 1, 2022	45,883	336	46,219
Cash flows	1,139	(30)	1,109
Non-cash changes:			
Unwind of discount and amortization of transaction costs	70	15	85
Exchange adjustment	(1,139)	(28)	(1,167)
At December 31, 2022 and January 1, 2023	45,953	293	46,246
Cash flows	**4,858**	**(28)**	**4,830**
Non-cash changes:			
Entering into new leases	**–**	**3**	**3**
Unwind of discount and amortization of transaction costs	**76**	**14**	**90**
Exchange adjustment	**(194)**	**(4)**	**(198)**
At December 31, 2023	**50,693**	**278**	**50,971**

24 Commitments

At the end of the reporting period, capital commitments not provided for in the financial statements were as follows:

HK$ Million	2023	2022
Contracted for	**6,292**	1,836
Authorized but not contracted for	**9,150**	14,168
	15,442	16,004

The above commitments include mainly the construction related costs to be incurred in respect of the Group's development of investment properties in various cities in mainland China.

25 Employee Benefits

(a) Retirement benefits

Staff of the Group's entities operating in Hong Kong are offered either an MPF Exempted Occupational Retirement Scheme (the "ORSO Scheme") or a master trust Mandatory Provident Fund Scheme (the "MPF Scheme"). The eligibility for membership of the ORSO and MPF schemes is identical for new employees. In addition, the employees employed under the Hong Kong Employment Ordinance are also entitled to long service payment (LSP) if the eligibility criteria are met.

The ORSO Scheme is a defined contribution provident fund scheme, the assets of which are held separately from those of the Group by an independent corporate trustee and managed by professional fund managers. Contributions are made by both the employer and the employees at a certain percentage of employees' basic salaries, the percentage varying with their length of service. When an employee leaves the scheme prior to his or her interest in the Group's contributions being fully vested, forfeited contributions are refunded to the Group. Total contributions made by the Group for the year amounted to HK$35 million (2022: HK$34 million) and forfeited sums refunded to the Group amounted to HK$2 million (2022: HK$2 million).

The MPF Scheme is operated by an independent service provider. Mandatory contributions are made by both the employer and the employees at 5% of the employees' monthly relevant income, up to a limit of HK$30,000. The Group's contributions will be fully and immediately vested in the employees' accounts as their accrued benefits in the scheme. Total MPF contributions made by the Group for the year amounted to HK$8 million (2022: HK$8 million).

In June 2022, the Government gazetted the Amendment Ordinance, which will eventually abolish the statutory right of an employer to reduce its LSP payable to a Hong Kong employee by drawing on its mandatory contributions to the MPF scheme (the "Offsetting Arrangement"). In accordance with the requirement of HKAS 19, *Employee benefits*, management has re-measured the provision for LSP to reflect the financial impact of such abolishment of the Offsetting Arrangement. The Amendment Ordinance has no material impact on the Group's LSP liability with respect to employees that participate in the MPF Scheme or the Group's ORSO Scheme.

Staff of the Group's mainland China subsidiaries are members of a retirement benefits scheme (the "Mainland RB Scheme") operated by the local municipal government in mainland China. The only obligation of the subsidiaries in mainland China is to contribute a certain percentage of their payroll to Mainland RB Scheme to fund the retirement benefits. The local municipal government in mainland China undertakes to assume the retirement benefits obligations of all existing and future retired employees of subsidiaries in mainland China. Total contributions made by subsidiaries in mainland China for the year amounted to HK$74 million (2022: HK$69 million).

25 Employee Benefits (Continued)

(b) Equity compensation benefits

The share option scheme adopted by the Company's subsidiary, HLP, on April 18, 2012 (the "2012 Share Option Scheme") was terminated upon the adoption of a new share option scheme on April 27, 2022 (the "2022 Share Option Scheme", together with the 2012 Share Option Scheme are referred to as the "Schemes"). The 2022 Share Option Scheme became valid and effective for a period of ten years commencing from the date of adoption. No further share options shall be offered or granted under the 2012 Share Option Scheme but in all other respects the provisions of the 2012 Share Option Scheme shall remain in full force and effect, and all share options granted prior to such termination and not exercised nor forfeited/lapsed at the date of termination shall remain valid.

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

Under the Schemes, the board of directors of HLP is authorized to grant options to selected participants, including employees and directors of any company in HLP group, subject to the terms and conditions such as performance targets as the board of directors of HLP may specify on a case-by-case basis or generally. The exercise price of the options is determined by the board of directors of HLP at the time of grant, and shall not be less than the higher of the nominal value of HLP shares, the closing price of HLP shares at the date of grant and the average closing price of HLP shares for the five business days immediately preceding the date of grant. The period open for acceptance of the option and amount payable thereon, the vesting period, the exercisable period and the number of HLP shares subject to each option are determined by the board of directors of HLP at the time of grant.

The share options granted under the Schemes to the directors and employees of HLP and its subsidiaries are at nominal consideration and each share option gives the holder the right to subscribe for one share of HLP.

As of the date of this report, the total number of HLP shares available for issue under the 2022 Share Option Scheme is 282,875,550 shares, representing approximately 6.3% of the total number of issued shares of HLP. The total number of HLP shares issued and to be issued upon exercise of options (including both exercised and outstanding) granted to each participant in any 12-month period shall not exceed 1% of HLP shares in issue.

25 Employee Benefits (Continued)

(b) Equity compensation benefits (Continued)

The movements of share options of HLP during the year are as follows:

(i) 2012 Share Option Scheme

	Number of share options				
Date granted	Outstanding on January 1, 2023	Forfeited/ Lapsed	**Outstanding on December 31, 2023**	Period during which share options are exercisable	Exercise price (HK$)
June 4, 2013	22,260,000	(22,260,000)	**–**	June 4, 2015 to June 3, 2023	28.20
December 5, 2014	19,290,000	(540,000)	**18,750,000**	December 5, 2016 to December 4, 2024	22.60
August 10, 2017	28,655,000	(1,000,000)	**27,655,000**	August 10, 2019 to August 9, 2027	19.98
May 16, 2018	10,000,000	–	**10,000,000**	May 16, 2020 to May 15, 2028	18.98
June 28, 2019	41,866,700	(2,175,600)	**39,691,100**	June 28, 2021 to June 27, 2029	18.58
May 12, 2021	58,395,000	(3,874,000)	**54,521,000**	May 12, 2023 to May 11, 2031	19.95
October 6, 2021	2,000,000	–	**2,000,000**	October 6, 2023 to October 5, 2031	17.65
February 21, 2022	64,230,000	(5,090,000)	**59,140,000**	February 21, 2024 to February 20, 2032	16.38
Total	246,696,700	(34,939,600)	**211,757,100**		

All the above share options may vest after two to five years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No share options were exercised or cancelled during the year.

During the year, 13,029,600 share options (2022: 13,283,200 share options) were forfeited upon cessations of the grantees' employments and 21,910,000 share options (2022: Nil) lapsed due to the expiry of the period for exercising the share options.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2023		2022	
	Weighted average exercise price (HK$)	**Number of options**	Weighted average exercise price (HK$)	Number of options
Outstanding at January 1	**19.69**	**246,696,700**	20.81	192,909,900
Granted	**–**	**–**	16.38	67,070,000
Forfeited	**18.66**	**(13,029,600)**	19.34	(13,283,200)
Lapsed	**28.20**	**(21,910,000)**	–	–
Outstanding at December 31	**18.87**	**211,757,100**	19.69	246,696,700
Exercisable at December 31	**20.04**	**86,085,600**	22.34	88,803,650

25 Employee Benefits (Continued)

(b) Equity compensation benefits (Continued)

(i) *2012 Share Option Scheme (Continued)*

The weighted average remaining contractual life of share options outstanding at the end of the reporting period was 6.0 years (2022: 6.5 years).

(ii) *2022 Share Option Scheme*

	Number of share options					
Date granted	Outstanding on January 1, 2023	Granted	Forfeited/ Lapsed	**Outstanding on December 31, 2023**	Period during which share options are exercisable	Exercise price (HK$)
June 28, 2023	–	54,569,000	(1,591,000)	**52,978,000**	June 28, 2025 to June 27, 2033	12.49
Total	–	54,569,000	(1,591,000)	**52,978,000**		

All the above share options may vest after two to four years of the grant date and are exercisable up to the tenth anniversary of the date of grant, after which they will lapse. No share options were exercised or cancelled during the year.

In respect of share options granted during the year, the closing share price of HLP immediately before the date of grant was HK$12.40.

During the year, 1,591,000 share options were forfeited upon cessations of the grantees' employments.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2023	
	Weighted average exercise price (HK$)	**Number of options**
Outstanding at January 1	**–**	**–**
Granted	**12.49**	**54,569,000**
Forfeited	**12.49**	**(1,591,000)**
Outstanding at December 31	**12.49**	**52,978,000**
Exercisable at December 31	**–**	**–**

25 Employee Benefits (Continued)

(b) Equity compensation benefits (Continued)

(ii) 2022 Share Option Scheme (Continued)

The weighted average remaining contractual life of share options outstanding at the end of the reporting period was 9.5 years.

The fair value of share options granted was estimated at the date of grant using the Black-Scholes pricing model taking into account the terms and conditions upon which the options were granted. In respect of the share options granted during the year, the fair value, terms and conditions, and assumptions are as follows:

Fair value at grant date	HK$1.64
Share price at grant date	HK$12.34
Exercise price	HK$12.49
Risk-free interest rate	3.44%
Expected life (in years)	6
Expected volatility	27.02%
Expected dividends per share	HK$0.78

The expected volatility is based on the historical volatility and the expected dividends per share are based on historical dividends. Changes in the above assumptions could materially affect the fair value estimate.

(iii) The directors of the Company, who were also directors of HLP, during the year held share options of HLP. The related charge recognized for such options for the year ended December 31, 2023, estimated in accordance with the Group's accounting policy in note 1(aa)(2) was as follows:

(1) Mr. Ronnie C. Chan, HK$5.7 million (2022: HK$5.8 million);
(2) Mr. Adriel Chan, HK$5.0 million (2022: HK$4.9 million);
(3) Mr. Weber W.P. Lo, HK$6.0 million (2022: HK$7.9 million);
(4) Mr. Kenneth K.K. Chiu, HK$2.9 million (2022: HK$2.3 million); and
(5) Mr. H.C. Ho, Nil (2022: HK$3.7 million).

26 Material Related Party Transactions

Except for the emoluments to directors and key management personnel disclosed in notes 6 and 25(b) and the transactions and balances already disclosed elsewhere in the financial statements, the Group did not have any material related party transactions in the ordinary course of business.

None of the above related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

27 Financial Risk Management Objectives and Policies

Exposure to interest rate, liquidity, credit and currency risks arises in the normal course of the Group's business. The Group has policies and practices approved by management as described below in managing these risks.

(a) Interest rate risk

The Group's interest rate risk arises primarily from deposits with banks and floating rate bank borrowings. Interest rate trends and movements are closely monitored and, if appropriate, existing borrowings will be replaced with new bank facilities when favorable pricing opportunities arise.

The Group enters into floating-for-fixed interest rate swaps to manage its exposure to interest rate risk. In addition, the Group maintains the Medium Term Note Program which facilitates the Group to mitigate future interest rate volatility and re-financing risks.

The Group has designated the interest rate swaps in their entirety as the hedging instruments of the interest rate risk on variability in cash flows arising from certain floating rate bank loans. The table below summarizes the details of hedging instruments as of the end of the reporting period and the effect of the hedge accounting during the year:

HK$ Million	**2023**	2022
Notional amount of hedging instruments	**4,900**	4,500
Carrying amount of hedging instruments		
– Trade and other receivables	**5**	59
– Trade and other payables	**(14)**	–
Change in fair value used for measuring hedge ineffectiveness		
– Hedging instruments	**18**	95
– Hedged items	**(18)**	(95)
Change in fair value of hedging instruments recognized in other comprehensive income	**18**	95
Amount reclassified from hedging reserve to profit or loss that are credited to finance costs	**86**	21

These interest rate swaps will mature during 2026 to 2028, of which the Group receives Hong Kong Interbank Offered Rate and pays fixed rates ranging from 3.06% to 3.39% (2022: 0.7% to 0.79%). The hedge ratio is determined to be 1:1 as the Group uses interest rate swaps to match the critical terms of the bank loans, including the notional amounts, benchmark interest rates, interest repricing dates and interest payment/receipt dates. Hedge ineffectiveness is expected to be insignificant.

After taking into account the effect of interest rate swaps, the interest rate risk profile of the Group's borrowings at the end of the reporting period is as follows:

HK$ Million	**2023**	2022
Fixed	**18,576**	17,376
Floating	**32,117**	28,577
Total borrowings	**50,693**	45,953

27 Financial Risk Management Objectives and Policies (Continued)

(a) Interest rate risk (Continued)

Based on the simulations performed at year end in relation to the Group's bank deposits as disclosed in note 14 and floating rate borrowings as listed above, it was estimated that the impact of a 100 basis-point increase in market interest rates from the rates applicable at the year end date, with all other variables held constant, would increase the Group's annual net interest payments by approximately HK$259 million (2022: HK$229 million).

This analysis is based on a hypothetical situation, as in practice market interest rates rarely change in isolation, and should not be considered a projection of likely future profits or losses. The analysis assumes the following:

– changes in market interest rates affect the interest income and interest expense of floating rate financial instruments and bank loans (after taking into account the effect of interest rate swaps); and

– all other financial assets and liabilities are held constant.

The analysis was performed on the same basis for 2022.

(b) Liquidity risk

The Group manages surplus cash centrally and the liquidity risk of the Company and subsidiaries at the corporate level. The Group maintains adequate amount of cash and undrawn committed bank facilities to meet all funding requirements. Significant flexibility is achieved through diverse sources of committed credit lines for capturing future expansion opportunities.

HK$ Million		Contractual undiscounted cash flow				
	Carrying amount	**Total**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**
Bank loans and other borrowings	**50,693**	**58,773**	**6,703**	**16,017**	**30,628**	**5,425**
Trade and other payables	**10,136**	**10,136**	**8,075**	**1,064**	**951**	**46**
Lease liabilities	**278**	**388**	**30**	**24**	**73**	**261**
At December 31, 2023	**61,107**	**69,297**	**14,808**	**17,105**	**31,652**	**5,732**

HK$ Million		Contractual undiscounted cash flow				
	Carrying amount	Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Bank loans and other borrowings	45,953	52,403	6,544	9,675	30,080	6,104
Trade and other payables	9,712	9,712	7,600	1,073	956	83
Lease liabilities	293	418	27	28	73	290
At December 31, 2022	55,958	62,533	14,171	10,776	31,109	6,477

27 Financial Risk Management Objectives and Policies (Continued)

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables with tenants and deposits held with reputable banks and financial institutions.

The Group maintains a defined credit policy including stringent credit evaluation on and payment of a rental deposit from tenants. In addition to the payment of rental deposits, tenants are required to pay monthly rents in respect of leased properties in advance. Receivables are regularly reviewed and closely monitored to minimize any associated credit risk.

Surplus cash is placed with reputable banks and financial institutions in accordance with pre-determined limits based on credit ratings and other factors to minimize concentration risk.

The Group does not provide any financial guarantee which would expose the Group to material credit risk.

There are no significant concentrations of credit risk within the Group.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

The Group measures loss allowances for trade receivables with tenants in accordance with note 1(n).

(d) Currency risk

The Group adopts a conservative risk management policy to manage foreign currency exposure. The level of hedge is decided through cost and benefit analysis with reference to prevailing market situation. If appropriate, the Group may use derivative financial instruments solely for hedging purposes. These derivatives reduce the uncertainty of interest payments and principal repayments of foreign currency debts and can be entered into on or after the issuance of a foreign currency debt.

Currency risk arises from assets and liabilities denominated in a currency other than the functional currency of the Group's entities to which they related. The Group has bonds outstanding amounting to US$50 million (2022: US$50 million). The currency risk arising from the USD denominated bonds is hedged by back-to-back USD/HKD cross currency swaps, at exchange rate of 7.75 HKD/USD and fixed interest rates at 2.03% (2022: 2.03%) per annum. These swaps will mature in 2028.

27 Financial Risk Management Objectives and Policies (Continued)

(d) Currency risk (Continued)

The Group has designated the cross currency swaps in their entirety as the hedging instruments of the foreign currency risk arising from the USD denominated bonds. The table below summarizes the details of hedging instruments as of the end of the reporting period and the effect of the hedge accounting during the year:

HK$ Million	**2023**	2022
Notional amount of hedging instruments	**388**	388
Carrying amount of hedging instruments		
– Trade and other receivables	**–**	3
– Trade and other payables	**(13)**	–
Change in fair value used for measuring hedge ineffectiveness		
– Hedging instruments	**(16)**	26
– Hedged items	**16**	(26)
Change in fair value of hedging instruments recognized in other comprehensive income	**(16)**	26
Amount reclassified from hedging reserve to profit or loss that are charged/(credited) to		
– Finance costs	**–**	4
– Other net income	**–**	(25)

The hedge ratio is determined to be 1:1 as the Group uses cross currency swaps to match the critical terms of the bonds, including the notional amounts, currencies, interest payment/receipt dates and maturity dates. Hedge ineffectiveness is expected to be insignificant.

The Group engages in property development and investments in mainland China through local subsidiaries whose net carrying values are exposed to currency risk. In addition, the Group has Renminbi deposits of RMB2,148 million (2022: RMB3,127 million), for which there are currency risks but which are held to meet ongoing Renminbi payment obligations in relation to development projects in mainland China. Where appropriate, the Group seeks to minimize the exposure to currency risk in mainland China through borrowings denominated in Renminbi.

The Group has designated its Renminbi denominated borrowings outside mainland China as a hedging instrument for the changes in the value of the net investment in mainland China attributable to changes in the HKD/RMB spot rate. It is the Group's policy to monitor the currency risk arising from the net investment in mainland China and to adjust the hedging strategy when necessary. The risk management policy and hedging strategy are reviewed in light of the changes in the value of the Group's total net investment in mainland China.

The carrying amount of the Renminbi denominated borrowings designated as hedging instruments at December 31, 2023 was HK$1,182 million (2022: HK$90 million). The hedge was determined to be fully effective as the carrying value of the hedged item did not drop below the carrying amount of the hedging instrument throughout the hedging period. A foreign exchange loss of HK$9 million (2022: gain of HK$9 million) was recognized in the Group's other comprehensive income for the year on translation of the Renminbi denominated borrowings to Hong Kong dollars.

27 Financial Risk Management Objectives and Policies (Continued)

(d) Currency risk (Continued)

Management estimated that a 5% (2022: 5%) appreciation/depreciation of Renminbi against Hong Kong dollar would increase/decrease the Group's equity attributable to shareholders by HK$3,182 million (2022: HK$3,169 million).

The above analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2022.

(e) Fair value

The fair value of the Group's financial instruments are measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique is as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

(i) Financial assets and liabilities measured at fair value

(1) The level of fair value hierarchy within which the fair value measurements are categorized and analyzed below:

HK$ Million	Fair value		Fair value measurements categorized into
	2023	2022	
Financial assets			
Trade and other receivables			
Cross currency swaps (cash flow hedges)	**–**	3	Level 2
Interest rate swaps (cash flow hedges)	**5**	59	Level 2
Other assets			
Investment in equity instruments	**92**	93	Level 3
Financial liabilities			
Trade and other payables			
Cross currency swaps (cash flow hedges)	**(13)**	–	Level 2
Interest rate swaps (cash flow hedges)	**(14)**	–	Level 2

27 Financial Risk Management Objectives and Policies (Continued)

(e) Fair value (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

The fair value of the cross currency swaps and interest rate swaps is determined based on the amount that the Group would receive or pay to terminate the swaps at the end of the reporting period taking into account current interest rates and current creditworthiness of the swap counter-parties.

The fair value of non-publicly traded equity investments is determined by reference to the net asset value of these investments.

(2) Transfers of instruments between the three-level fair value hierarchy

During the year, there were no transfers of instruments between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as of the end of the reporting period in which they occur.

(ii) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortized cost were not materially different from their fair values as of December 31, 2022 and 2023.

28 Significant Accounting Estimates and Judgments

Key sources of estimation uncertainty

Note 10(b) contains information about the assumptions and the risk relating to valuation of investment properties and investment properties under development.

Besides, the Group determines the net realizable value of properties for sale based on estimation of future selling price less estimated costs of completion and costs to be incurred in relation to the sale, with reference to the prevailing market data and market survey reports available from independent property valuers.

29 Company-Level Statement of Financial Position

At December 31, 2023

HK$ Million	Note	2023	2022
Non-current assets			
Interests in subsidiaries	30	**26,847**	25,600
Current assets			
Cash and deposits with banks		**1**	3
Trade and other receivables		**3**	3
		4	6
Current liabilities			
Trade and other payables		**17**	16
Net current liabilities		**13**	10
Total assets less current liabilities		**26,834**	25,590
Non-current liabilities			
Amounts due to subsidiaries	30(b)	**464**	412
NET ASSETS		**26,370**	25,178
Capital and reserves			
Share capital	20	**4,065**	4,065
Reserves	21(b)	**22,305**	21,113
TOTAL EQUITY		**26,370**	25,178

Weber W.P. Lo
Chief Executive Officer

Kenneth K.K. Chiu
Chief Financial Officer

30 Interests in Subsidiaries and Amounts due to Subsidiaries

HK$ Million	2023	2022
Unlisted shares, at cost	166	166
Amounts due from subsidiaries (Note 30(a))	26,681	25,434
	26,847	25,600

Details of principal subsidiaries are set out in note 33.

The following table lists out the information relating to HLP in which the Group has material non-controlling interest (NCI). The summarized financial information presented below represents the amounts before any inter-company elimination.

HK$ Million	2023	2022
NCI percentage at the end of the reporting period	38.8%	39.9%
Non-current assets	194,321	192,231
Current assets	22,981	20,457
Current liabilities	(15,137)	(14,823)
Non-current liabilities	(60,042)	(54,719)
Net assets	142,123	143,146
Carrying amount of NCI	51,374	53,219
Revenue	10,316	10,347
Profit for the year	4,596	4,397
Total comprehensive income for the year	2,917	(5,307)
Profit allocated to NCI	1,540	1,531
Dividends paid to NCI	1,395	1,434
Net cash flow:		
generated from operating activities	3,712	4,139
used in investing activities	(2,940)	(2,556)
used in financing activities	(607)	(4,568)

(a) Amounts due from subsidiaries are unsecured, interest-free with no fixed terms of repayment and classified as non-current assets as they are not expected to be recoverable within the next 12 months.

(b) Amounts due to subsidiaries are unsecured, interest-free with no fixed terms of repayment and classified as non-current liabilities as they are not expected to be repaid within the next 12 months.

31 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended December 31, 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended December 31, 2023 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's financial statements.

32 Approval of Financial Statements

The financial statements were approved and authorized for issue by the Board of Directors on January 30, 2024.

33 Principal Subsidiaries

At December 31, 2023

Company	Issued Share Capital (HK$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Antonis Limited*	10,000	61.2	–	Property leasing	Hong Kong
AP City Limited	2	61.2	–	Property leasing	Hong Kong
AP Joy Limited	2	61.2	–	Property leasing	Hong Kong
AP Properties Limited				Property leasing	Hong Kong
'A' shares	34	61.2	–		
'B' shares	6	61.2	–		
AP Star Limited*	2	61.2	–	Investment holding	Hong Kong
AP Success Limited	2	61.2	–	Property leasing	Hong Kong
AP Universal Limited*	2	61.2	–	Property leasing	Hong Kong
AP Win Limited*	1,000,000	61.2	–	Property leasing	Hong Kong
AP World Limited	2	61.2	–	Property leasing	Hong Kong
Bayliner Investment Ltd.*	US$ 1	100	100	Investment holding	British Virgin Islands
Believecity Limited*	2	100	–	Investment holding	Hong Kong
Bonna Estates Company Limited	1,000,000	61.2	–	Property leasing	Hong Kong
Caddo Enterprises, Limited*	4,000,000	61.2	–	Property leasing	Hong Kong
Cokage Limited*	2	100	100	Investment holding	Hong Kong
Country Bond Development Limited				Investment holding	Hong Kong
'A' shares	990	59.0	–		
'B' share	1	61.2	–		
Country First Enterprises Limited*	2	100	–	Investment holding	Hong Kong
Country Link Enterprises Limited	5,000,000	59.4	–	Investment holding	Hong Kong
Curicao Company Limited*	2	100	–	Investment holding	Hong Kong
Dokay Limited*	2	61.2	–	Property leasing	Hong Kong
Dynamia Company Limited	2	100	100	Property development & leasing	Hong Kong

33 Principal Subsidiaries (Continued)

At December 31, 2023

Company	Issued Share Capital (HK$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Ease Smart Development Limited				Investment holding	Hong Kong
'A' share	1	100	–		
'B' share	1	61.2	–		
Easegood Enterprises Limited*	2	61.2	–	Investment holding	Hong Kong
Ever Brilliant Investment Limited*	2	100	100	Investment holding	Hong Kong
Fu Yik Company Limited*	3	61.2	–	Property leasing	Hong Kong
Gala Ruby Limited*	2	61.2	–	Investment holding	Hong Kong
Grand Centre Limited	4	61.2	–	Property leasing	Hong Kong
Grand Hotel Group Limited	10,200	61.2	–	Apartment operating & management	Hong Kong
Grand Hotel Holdings Limited*				Investment holding	Hong Kong
'A' shares	1,004,834,694	61.2	–		
'B' shares	6,000,000	61.2	–		
Great Cheer Development Limited	2	100	100	Property development	Hong Kong
Hang Chui Company Limited	2	61.2	–	Property leasing	Hong Kong
Hang Far Company Limited*	2	61.2	–	Investment holding	Hong Kong
Hang Fine Company Limited	200	61.2	–	Property leasing	Hong Kong
Hang Kong Company Limited*	2	100	–	Investment holding	Hong Kong
Hang Kwok Company Limited*	10,000	61.2	–	Property leasing	Hong Kong
Hang Lung (Administration) Limited	10,000	61.2	–	Management services	Hong Kong
Hang Lung (China) Limited*	2	100	100	Investment holding	Hong Kong
Hang Lung (Dalian) Limited*	1	61.2	–	Investment holding	Hong Kong
Hang Lung (Jiangsu) Limited*	1	61.2	–	Investment holding	Hong Kong
Hang Lung (Jinan) Limited*	1	61.2	–	Investment holding	Hong Kong
Hang Lung (Kunming) Limited*	1	61.2	–	Investment holding	Hong Kong
Hang Lung (Liaoning) Limited*	1	61.2	–	Investment holding	Hong Kong
Hang Lung (Shenyang) Limited*	2	61.2	–	Investment holding	Hong Kong
Hang Lung (Tianjin) Limited*	2	61.2	–	Investment holding	Hong Kong

33 Principal Subsidiaries (Continued)

At December 31, 2023

Company	Issued Share Capital (HK$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Hang Lung (Wuhan) Limited*	1	61.2	–	Investment holding	Hong Kong
Hang Lung (Wuxi) Limited*	1	61.2	–	Investment holding	Hong Kong
Hang Lung Enterprises Limited*	2	100	100	Investment holding	Hong Kong
Hang Lung Financial Services Limited	2	100	100	Financial services	Hong Kong
Hang Lung Gala Place Limited	2	61.2	–	Property leasing	Hong Kong
Hang Lung Investments Limited*	2	100	100	Investment holding	Hong Kong
Hang Lung Project Management Limited*	10,000	61.2	–	Project management	Hong Kong
Hang Lung Properties Limited	39,949,979,215	61.2	–	Investment holding	Hong Kong
Hang Lung Property Management Limited*	100,000	61.2	–	Property management	Hong Kong
Hang Lung Real Estate Agency Limited*	2	61.2	–	Property agencies	Hong Kong
Hang Lung Treasury Limited	2	100	100	Financial services	Hong Kong
Hang Top Limited*	3	74.1	–	Investment holding	Hong Kong
Hang Wise Company Limited*	200	74.1	–	Property development	Hong Kong
Hebo Limited	2	100	100	Property development	Hong Kong
HL Enterprises Limited*	2	100	100	Investment holding	Hong Kong
HL Mortgage (HTG) Limited*	2	100	100	Financial services	Hong Kong
HL Mortgage (NH) Limited*	2	100	100	Financial services	Hong Kong
HL Mortgage (NP) Limited*	2	100	100	Financial services	Hong Kong
HLP (China) Administrative Limited	1	61.2	–	Management services	Hong Kong
HLP (China) Limited*	2	61.2	–	Investment holding	Hong Kong
HLP Finance Limited#	US$1	61.2	–	Financial services	British Virgin Islands
HLP Financial Services Limited	RMB1	61.2	–	Financial services	Hong Kong
HLP Treasury Limited	2	61.2	–	Financial services	Hong Kong
HLP Treasury Services Limited*	2	61.2	–	Financial services	Hong Kong
Hoi Sang Limited*	2	61.2	–	Investment holding	Hong Kong

33 Principal Subsidiaries (Continued)

At December 31, 2023

Company	Issued Share Capital (HK$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Kindstock Limited*	2	100	–	Investment holding	Hong Kong
Lockoo Limited*	1,000,002	61.2	–	Property development	Hong Kong
Luckyson Investments Limited*	10,000	100	–	Investment holding	Hong Kong
Lungsun Mortgage (PV) Limited*	20	89.7	–	Financial services	Hong Kong
Mansita Limited*	2	61.2	–	Property leasing	Hong Kong
Modalton Limited	2	61.2	–	Property leasing	Hong Kong
Nikco Limited	2	100	–	Property leasing	Hong Kong
Palex Limited*	2	61.2	–	Property leasing	Hong Kong
Passion Success Limited*	1	61.2	–	Investment holding	Hong Kong
Pocaliton Limited	2	61.2	–	Property leasing	Hong Kong
Prosperland Housing Limited*	1,560,000	100	100	Investment holding	Hong Kong
Purotat Limited*	2	100	100	Investment holding	Hong Kong
Rago Star Limited	2	61.2	–	Property leasing	Hong Kong
Scotat Limited	2	89.7	–	Investment holding	Hong Kong
Stanman Properties Limited	20	100	100	Property development & leasing	Hong Kong
Stooket Limited	2	61.2	–	Property leasing	Hong Kong
Success Cosmos Development Limited*	2	100	100	Property development	Hong Kong
Superlane Development Limited	1,000	74.1	–	Property development	Hong Kong
Tegraton Limited	2	61.2	–	Property leasing	Hong Kong
Topnic Limited	2	100	100	Property leasing	Hong Kong
Total Select Limited	1	61.2	–	Property development	Hong Kong
Wai Luen Investment Company, Limited*	100,000	61.2	–	Property leasing	Hong Kong
Yangli Limited*	2	61.2	–	Property leasing	Hong Kong
Yee Fly Investment Limited*	1,000	100	100	Investment holding	Hong Kong

33 Principal Subsidiaries (Continued)

At December 31, 2023

Wholly Foreign Owned Enterprises in Mainland China	Registered Capital	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Dalian Hang Lung Properties Ltd.	RMB5,586,877,355	61.2	–	Property development & leasing	Mainland China
Hangzhou Hang Lung Properties Ltd.	RMB11,767,500,000	61.2	–	Property development	Mainland China
Hubei Hang Lung Property Development Co., Ltd.	RMB7,900,000,000	61.2	–	Property development & leasing	Mainland China
Kunming Hang Ying Properties Ltd.	RMB8,055,634,575	61.2	–	Property development & leasing	Mainland China
Liaoning Hang Lung Properties Ltd.	RMB8,040,096,324	61.2	–	Property development & leasing	Mainland China
Shandong Hang Lung Properties Ltd.	US$385,000,000	61.2	–	Property development & leasing	Mainland China
Shenyang Hang Lung Properties Ltd.	US$349,990,000	61.2	–	Property development & leasing	Mainland China
Tianjin Hang Lung Properties Ltd.	HK$5,329,600,000	61.2	–	Property development & leasing	Mainland China
Wuxi Hang Lung Properties Ltd.	RMB4,691,746,261	61.2	–	Property development & leasing	Mainland China
Wuxi Hang Ying Properties Ltd.	RMB1,411,000,000	61.2	–	Property development	Mainland China

Equity Joint Ventures in Mainland China	Registered Capital (US$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Shanghai Hang Bond Property Development Co., Ltd.	167,004,736	58.7	–	Property development & leasing	Mainland China
Shanghai Heng Cheng Real Estate Development Co., Ltd.	17,766,000	70	–	Property development	Mainland China
Shanghai Kong Hui Property Development Co., Ltd.	165,000,000	55.8	–	Property development & leasing	Mainland China

Operated in Hong Kong

* Not audited by KPMG

The above list gives the principal subsidiaries of the Group which in the opinion of the directors, principally affect the profit and assets of the Group.

34 Principal Joint Ventures

At December 31, 2023

Company	Issued Share Capital (HK$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Daily Win Development Limited	400	25	–	Property leasing	Hong Kong
Hang Lung-Hakuyosha Dry Cleaning Limited	519,000	50	–	Dry and laundry cleaning	Hong Kong
Metro Classic Holdings Limited	US$1	20	–	Property development	British Virgin Islands
Metro Trade International Limited	US$60	20	–	Property development	British Virgin Islands
Newfoundworld Finance Limited	100,000	26.67	–	Financial services	Hong Kong
Newfoundworld Holdings Limited	2,000,000	26.67	–	Investment holding	Hong Kong
Newfoundworld Investment Holdings Limited	US$5	26.67	–	Investment holding	British Virgin Islands
Newfoundworld Limited	2,000,000	26.67	–	Property development	Hong Kong
Pure Jade Limited	1,000,000	20	–	Property development	Hong Kong
Star Play Development Limited	3	20	–	Property leasing	Hong Kong

The above companies are not audited by KPMG.

The above list gives the principal joint ventures of the Group which in the opinion of the directors, principally affect the profit and assets of the Group.

TEN-YEAR FINANCIAL SUMMARY

in HK$ million (unless otherwise stated)	2023	2022	2021
CONSOLIDATED STATEMENT OF PROFIT OR LOSS			
Revenue			
Property leasing	10,879	10,625	10,919
Property sales	2	316	–
	10,881	10,941	10,919
Operating profit/(loss)			
Property leasing	7,844	7,596	7,898
Property sales	(50)	87	(91)
	7,794	7,683	7,807
Underlying net profit attributable to shareholders	2,931	3,002	2,991
Effect of changes in fair value of properties	(120)	(284)	(402)
Net profit/(loss) attributable to shareholders	2,811	2,718	2,589
Dividends for the year	(1,171)	(1,171)	(1,171)
	1,640	1,547	1,418
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Net assets employed (Note 1)			
Investment properties	177,458	176,381	186,582
Investment properties under development	23,610	22,703	22,399
Properties for sale	14,244	11,689	10,811
Other assets	9,797	9,976	9,089
	225,109	220,749	228,881
Other liabilities	(25,843)	(25,368)	(27,651)
	199,266	195,381	201,230
Financed by			
Shareholders' equity	94,360	92,819	95,842
Non-controlling interests	60,556	62,394	68,645
Net debt/(cash)	44,350	40,168	36,743
	199,266	195,381	201,230
Number of shares issued (in million)	1,362	1,362	1,362
PER SHARE DATA			
Basic earnings/(loss) (HK$)	$2.06	$2.00	$1.90
Dividends (HK cents)	86¢	86¢	86¢
Interim	21¢	21¢	21¢
Final	65¢	65¢	65¢
Special	–	–	–
Net assets attributable to shareholders (HK$)	$69.3	$68.2	$70.4
FINANCIAL INDICATORS			
Dividend payout ratio	42%	43%	45%
Underlying dividend payout ratio	40%	39%	39%
Net debt to equity	28.6%	25.9%	22.3%
Debt to equity	32.7%	29.6%	27.9%
Interest cover (times)	3.8	4.8	5.1
Return on average shareholders' equity	3.0%	2.9%	2.8%

Note:

1. Net assets employed are presented by excluding net debt/cash.

2020	2019	2018	2017	2016	2015	2014
9,464	9,139	8,784	8,354	8,326	8,330	7,792
62	296	1,231	3,420	5,322	1,198	9,814
9,526	**9,435**	**10,015**	**11,774**	**13,648**	**9,528**	**17,606**
6,836	6,736	6,484	6,074	6,129	6,110	5,987
44	162	765	2,238	3,209	845	7,419
6,880	**6,898**	**7,249**	**8,312**	**9,338**	**6,955**	**13,406**
2,834	**3,796**	**2,631**	**3,314**	**3,772**	**2,700**	**5,730**
(4,375)	3,020	2,654	2,000	(59)	511	1,095
(1,541)	**6,816**	**5,285**	**5,314**	**3,713**	**3,211**	**6,825**
(1,116)	(1,470)	(1,089)	(1,089)	(1,089)	(1,084)	(1,097)
(2,657)	**5,346**	**4,196**	**4,225**	**2,624**	**2,127**	**5,728**
173,235	168,218	144,572	142,406	133,005	137,338	128,357
27,544	27,602	31,186	21,592	17,282	16,709	25,611
8,009	5,662	2,463	1,634	2,374	3,852	4,068
9,158	8,097	7,867	7,933	9,184	6,325	7,014
217,946	209,579	186,088	173,565	161,845	164,224	165,050
(26,630)	(23,799)	(17,210)	(18,193)	(17,237)	(18,074)	(20,582)
191,316	**185,780**	**168,878**	**155,372**	**144,608**	**146,150**	**144,468**
92,105	91,294	86,447	83,137	75,658	75,470	76,026
67,234	67,033	64,289	66,419	62,355	64,832	68,670
31,977	27,453	18,142	5,816	6,595	5,848	(228)
191,316	185,780	168,878	155,372	144,608	146,150	144,468
1,362	1,362	1,362	1,362	1,362	1,355	1,355
($1.13)	$5.01	$3.88	$3.90	$2.73	$2.37	$5.04
82¢	108¢	80¢	80¢	80¢	80¢	81¢
19¢	19¢	19¢	19¢	19¢	19¢	19¢
63¢	63¢	61¢	61¢	61¢	61¢	62¢
–	26¢	–	–	–	–	–
$67.6	$67.0	$63.5	$61.1	$55.5	$55.7	$56.1
N/A	22%	21%	20%	29%	34%	16%
39%	39%	41%	33%	29%	40%	19%
20.1%	17.3%	12.0%	3.9%	4.8%	4.2%	0.0%
24.3%	19.7%	20.3%	18.7%	22.5%	26.6%	27.7%
4.4	5.0	6.9	10.4	14.4	14.0	25.4
N/A	7.7%	6.2%	6.7%	4.9%	4.2%	9.3%

GLOSSARY

Financial Terms

Finance costs	Total of interest expense on total borrowings and other borrowing costs, net of amount capitalized
Total borrowings	Total of bank loans and other borrowings, net of unamortized other borrowing costs
Net debt	Total borrowings net of cash and deposits with banks
Net profit attributable to shareholders	Profit for the year (after tax) less amounts attributable to non-controlling interests
Underlying net profit attributable to shareholders	Net profit attributable to shareholders excluding changes in fair value of properties net of related income tax and non-controlling interests

Financial Ratios

$$\text{Basic earnings per share} = \frac{\text{Net profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Debt to equity} = \frac{\text{Total borrowings}}{\text{Total equity}}$$

$$\text{Net assets attributable to shareholders per share} = \frac{\text{Shareholders' equity}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Net debt to equity} = \frac{\text{Net debt}}{\text{Total equity}}$$

$$\text{Interest cover} = \frac{\text{Profit from operations before changes in fair value of properties}}{\text{Finance costs before capitalization less interest income}}$$

$$\text{Payout ratio} = \frac{\text{Dividends attributable to the year}}{\text{Net profit attributable to shareholders}}$$

General Terms

AGM	annual general meeting of the Company
Articles of Association	the articles of association of the Company
Board	board of directors of the Company
CEO	chief executive officer
CFO	chief financial officer
CG Code	Corporate Governance Code contained in Appendix C1 to the Listing Rules
Companies Ordinance	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company	Hang Lung Group Limited
CRM	customer relationship management
Director(s)	director(s) of the Board
ERM	enterprise risk management
ESG	environmental, social and governance
ESG Guide	Environmental, Social and Governance Reporting Guide contained in Appendix C2 to the Listing Rules
Executive Director(s)	executive Director(s) of the Board
Group	the Company and its subsidiaries
HKEX	Hong Kong Exchanges and Clearing Limited
HKSAR	the Hong Kong Special Administrative Region of the People's Republic of China
HLP	Hang Lung Properties Limited, the Company's listed subsidiary
INED(s)	independent non-executive Director(s)
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
NED(s)	non-executive Director(s)
RMB	Renminbi
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Stock Exchange	The Stock Exchange of Hong Kong Limited

CORPORATE INFORMATION

Directors

Ronnie C. Chan *GBM (Chair)*
Adriel Chan *(Vice Chair)*
Weber W.P. Lo *(Chief Executive Officer)*
Gerald L. Chan#
Simon S.O. Ip *GBS, CBE, JP**
P.W. Liu *SBS, JP**
L.C. Tsui *OC, GBM, GBS, JP**
Martin C.K. Liao *GBS, JP**
George K.K. Chang#
Roy Y.C. Chen#
Kenneth K.K. Chiu *(Chief Financial Officer)*

Non-Executive Director
* *Independent Non-Executive Director*

Audit Committee

Simon S.O. Ip *GBS, CBE, JP (Chair)*
P.W. Liu *SBS, JP*
L.C. Tsui *OC, GBM, GBS, JP*
George K.K. Chang

Nomination and Remuneration Committee

P.W. Liu *SBS, JP (Chair)*
Simon S.O. Ip *GBS, CBE, JP*
Martin C.K. Liao *GBS, JP*

Authorized Representatives

Weber W.P. Lo
Winnie Ma

Company Secretary

Winnie Ma

Registered Office

28th Floor, Standard Chartered Bank Building
4 Des Voeux Road Central, Hong Kong
Tel: 2879 0111
Fax: 2868 6086
Website: http://www.hanglunggroup.com
Email: HLGroup@hanglung.com

Auditor

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

FINANCIAL CALENDAR

2023

July

Announcement of interim results	July 31, 2023

September

Interim dividend paid	September 29, 2023

2024

January

Announcement of annual results	January 30, 2024

April

Latest time for lodging transfers (for attending and voting at annual general meeting)	4:30 p.m. on April 22, 2024
Closure of share register (for attending and voting at annual general meeting)	April 23 to 26, 2024 (both days inclusive)
Annual general meeting (Details are set out in the notice of annual general meeting accompanying this annual report)	11:00 a.m. on April 26, 2024

May

Latest time for lodging transfers (for final dividend)	4:30 p.m. on May 9, 2024
Closure of share register (for final dividend)	May 10, 2024

June

Proposed final dividend payable	June 14, 2024

LISTING INFORMATION

At December 31, 2023

1,361,618,242 shares listed on The Stock Exchange of Hong Kong Limited

Stock Code

Hong Kong Stock Exchange: 00010
Reuters: 0010.HK
Bloomberg: 10 HK

Board Lot Size (Share)

1,000

American Depositary Receipt (ADR)

Sponsored Level-1 (Over the Counter)
CUSIP Number/Ticker Symbol: 41043E102/HNLGY
ADR to Underlying Share Ratio: 1:5
Depositary Bank: The Bank of New York Mellon
Website: http://www.adrbnymellon.com

Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Tel: 2862 8555
Fax: 2865 0990

Investor Relations Contact

Joyce Kwock
Email: ir@hanglung.com

SHARE INFORMATION

	Share Price		Total Trading Volume		Share Price		Total Trading Volume
	High HK$	Low HK$	Number of Shares ('000)		High HK$	Low HK$	Number of Shares ('000)
2023				2022			
First quarter	15.34	13.26	35,088	First quarter	16.98	14.27	30,505
Second quarter	14.26	11.66	28,216	Second quarter	16.28	13.98	33,767
Third quarter	12.58	10.46	34,116	Third quarter	14.94	12.16	36,590
Fourth quarter	11.28	10.04	32,046	Fourth quarter	14.70	9.90	41,512
Share Price as at December 31, 2023:			**HK$10.64**	**Share Price as at December 31, 2022:**			**HK$14.34**
Market Capitalization as at December 31, 2023:			**HK$14.49 billion**	**Market Capitalization as at December 31, 2022:**			**HK$19.53 billion**

If there is any discrepancy or inconsistency between the English and the Chinese versions, the English version shall prevail.

STOCK CODE

00010

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