

# Corporate Governance Report



Our vision, mission, and values are 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





## A 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, three 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

We have adopted, fully complied with, and in many cases exceeded, the code provisions and recommended best practices of the CG Code.

The key areas are listed below:

### Board & Board Committees

- Six Board meetings were held in 2021
- Four Audit Committee meetings were held in 2021
- More than one-third of Board Members are INEDs
- Nomination and Remuneration Committee comprises entirely of INEDs only
- Audit Committee comprises entirely of INEDs only
- Audit Committee met with the External Auditor without the presence of management four times in 2021

### Sustainability

- Publication of separate sustainability reports since the financial year 2012
- Established Sustainability Steering Committee in 2013
- ERM Working Group as a robust forum for risk management
- Well established framework for responsive crisis management
- In December 2020, announced 10 Sustainability Goals and Targets for 2030 under the latest sustainability framework
- In December 2021, announced 25 Sustainability Targets to be achieved by the end of 2025 (25 x 25)

### Accountability

- Results announcement was published within one month after the end of the accounting period
- Adoption of Code of Conduct since 1994
- Whistleblowing Policy was updated and enhanced
- Whistleblowing cases were reported to the Audit Committee on a half-yearly basis
- Confirmation by all executive staff of their compliance with the “Code of Conduct regarding Transactions in the Company’s Shares” on a half-yearly basis
- Declaration of interest required from all executive staff on a half-yearly basis
- Sending reminder to our employees on the Policy governing Conflict of Interest on a half-yearly basis

### Communications

- The Chair’s detailed explanation of the business strategies and outlook of the Group in his Letter to Shareholders
- The Vice Chair sharing of his thoughts on issues relating to our business, including corporate values, sustainability and technology, in the Vice Chair’s Notes
- Open and direct dialogue between the Chair and shareholders at the AGMs
- AGM notice was issued more than 20 clear business days before AGM

We are pleased to receive The Hong Kong Corporate Governance Excellence Awards 2021 (Hang Seng Index Constituent Companies) as a recognition of our efforts and commitment on corporate governance by The Chamber of Hong Kong Listed Companies and The Centre for Corporate Governance and Financial Policy of Hong Kong Baptist University.



## (I) Effective and Qualified Board

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

#### Composition

The Board comprises 11 members:

- five Executive Board Members
  - Mr. Ronnie C. Chan (Chair)
  - Mr. Adriel Chan (Vice Chair)
  - Mr. Weber W.P. Lo (CEO)
  - Mr. H.C. Ho (CFO)
  - Mr. Kenneth K.K. Chiu (CFO Designate)
- one NED
  - Mr. Philip N.L. Chen
- five INEDs
  - Mr. Nelson W.L. Yuen
  - Mr. Dominic C.F. Ho
  - Dr. Andrew K.C. Chan
  - Prof. H.K. Chang
  - Ms. Anita Y.M. Fung

Our NED 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. Ronald Joseph Arculli, retired as an INED at the AGM of the Company held on April 30, 2021 as he reached the retirement age as set by the Nomination and Remuneration Committee.

Mr. Kenneth K.K. Chiu was appointed as Executive Board Member and CFO Designate of the Company and HLG on October 6, 2021. Mr. Chiu will succeed Mr. H.C. Ho as CFO on March 1, 2022 upon the retirement of Mr. H.C. Ho.

Mr. Ronnie C. Chan is the father of Mr. Adriel Chan.

#### Board Diversity

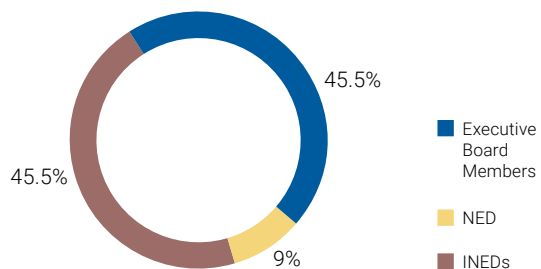
The Board Diversity Policy sets out the approach to achieve diversity on the Board with an aim to further enhance its effectiveness. Board diversity has been considered from different perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, expertise, skills, knowledge, and length of service. Recognizing that the above are proxies for a diversity of thought, the ultimate selection of Board Members is based on merit, and the contribution that selected candidates are expected to bring.

The Board Diversity Policy is available on our website under “Board of Directors” in the “Corporate Governance” subsection of the “Investor Relations” section.

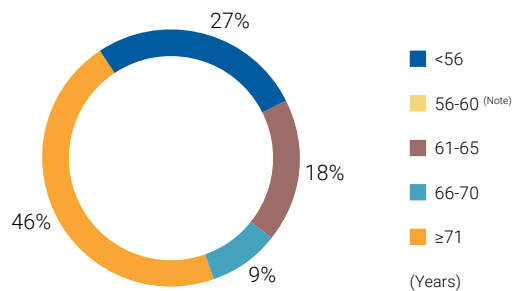
The Nomination and Remuneration Committee and the Board have taken into account the Board Diversity Policy in the appointment of Mr. Kenneth K.K. Chiu as Executive Board Member and CFO Designate in October 2021.

Board composition and diversity as of December 31, 2021 is as follows:

**Designation**

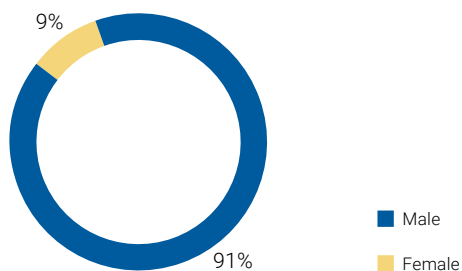


**Age**

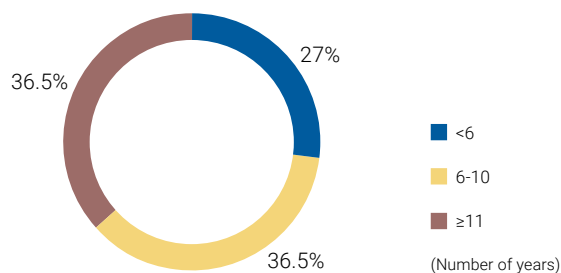


Note: None of Board Members is included in this age range

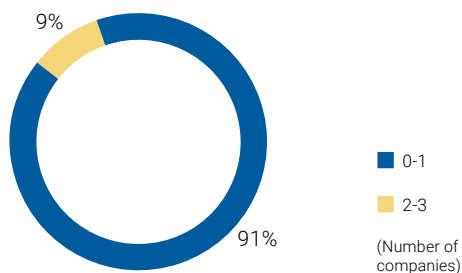
**Gender**



**Directorship with the Company**



**Other Public Company Directorship**





The current Board consists of a diverse mix of Board Members 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 Board membership in the future.



### **Functions**

An updated list of Board Members 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 139 to 144 of this annual report, are also maintained on our website under "Board of Directors" in the "Corporate Governance" subsection of the "Investor Relations" 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.

## Corporate Governance Report

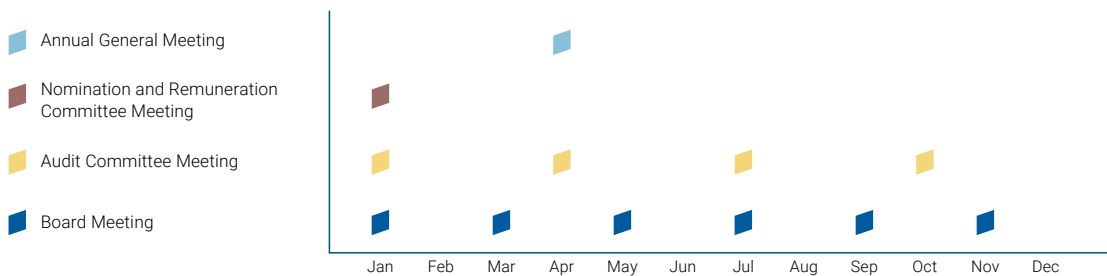
NED and INEDs have made an invaluable contribution to the development of the Company's strategies and policies, providing independent, constructive, and informed advice. They have given the Board, and the Board committees on which they serve, the benefit of their skills, expertise, and diversified backgrounds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

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

The Board held six regular Board meetings in Hong Kong in 2021.

The operating landscape in 2021 was filled with challenges. Apart from the pandemic, the Board discussed in the Board meetings the impacts brought about by the Mainland government's initiatives such as "anti-monopoly" measure, "common prosperity" initiative and "three red lines" policy. On top of the regular Board meetings, a Board retreat was held at which the Board Members had an in-depth discussion on the current political and economic issues.

The timeline for the Board meetings, Board committees meetings, and AGM held in 2021 is set out below:



In 2021, the attendance rate of Board Members at Board meetings was 100%. To encourage attendance and participation in the meetings during the pandemic, management arranged video conference participation for Board Members who were unable to attend Board meetings in person due to travel restrictions and social distancing measures.



Details of Board Members' attendance in 2021 are set out below:

Board Members	Meetings Attended/Held			
	Board	Audit Committee	Nomination and Remuneration Committee	2021 AGM
<b>Independent Non-Executive Directors</b>				
Ronald J. Arculli <sup>(Note 1)</sup>	2/2	N/A	1/1	1/1
Nelson W.L. Yuen <sup>(Note 2)</sup>	6/6	N/A	N/A	1/1
Dominic C.F. Ho	6/6	4/4	1/1	1/1
Andrew K.C. Chan	6/6	4/4	N/A	1/1
H.K. Chang	6/6	4/4	1/1	1/1
Anita Y.M. Fung	6/6	4/4	N/A	1/1
<b>Non-Executive Director</b>				
Philip N.L. Chen	6/6	N/A	N/A	1/1
<b>Executive Board Members</b>				
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
H.C. Ho	6/6	N/A	N/A	1/1
Kenneth K.K. Chiu <sup>(Note 3)</sup>	1/1	N/A	N/A	N/A

#### Notes

1. Mr. Ronald J. Arculli retired as INED and Chair of Nomination and Remuneration Committee on April 30, 2021.
2. Mr. Nelson W.L. Yuen was appointed as Chair of Nomination and Remuneration Committee on April 30, 2021.
3. Mr. Kenneth K.K. Chiu was appointed as Executive Board Member on October 6, 2021.

To ensure attendance and active participation, the dates of regular Board meetings and meetings of the Board committees for the full year 2021 as well as the AGM were set at least three months before the commencement of 2021.

#### **Board Process and Access to Information**

Any Board Member can give notice to the Chair or the Company Secretary if he/she intends to include matters on the agenda of a Board meeting.

Board or Board committees papers are sent to Board Members or Board committees members at least three days before the date of meeting. A digital meeting solution is used for the meetings, which contributes to the Company's sustainability efforts and enables the Board Members to access meeting materials in a timely, secure, efficient, convenient and paperless manner.



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 the minutes of Board meetings and Board committees meetings together with related Board or Board committees papers and materials, which are available for inspection by Board Members.

Furthermore, management provides all Board Members 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 Board Member to discharge his/her duties under the Listing Rules.

All Board Members 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.

In addition, all Board Members 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 is also a source of advice to the Chair and to the Board on corporate governance issues and the implementation of the CG Code. The Company Secretary has confirmed that she took more than 15 hours of relevant professional training to update her skills and knowledge in 2021.

Procedures have also been agreed by the Board to enable Board Members to seek independent professional advice at the Company's expense.

Pursuant to the Articles of Association, a Board Member shall not vote or be counted in the quorum in respect of any transaction, contract or arrangement in which he/she or any of his/her 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 Board Members receive, in a timely manner, adequate information that is accurate, clear, complete and reliable, and that Board Members 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.

He holds meetings with the INEDs without the presence of the NED and Executive Board Members at least annually.



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

He encourages all Board Members 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 Board Members 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 NED and INEDs, in particular, and ensures constructive relations between Executive Board Members, NED and INEDs.

He also arranges suitable trainings for Board Members 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; and
- ensuring the adequacy of risk management, financial, and internal control systems, and the conduct of business in conformity with applicable laws and regulations.

The CEO chairs the monthly business review meetings. He also chairs the biweekly "Morning Prayer" meetings of the Company's key executives. Matters concerning the day-to-day operations of the Company are discussed in these meetings. He reports to the Board from time to time on matters of material importance.

To cope with the fast pace of expansion and 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 Hang Lung's five overarching strategies for sustainable growth: Be Customer Centric, Build Hang Lung Branded Experience, Embrace Technology, Disciplined Execution, and Uphold Hang Lung Core Values.

### **3. Independence of INEDs**

We have received from each of our INEDs an annual confirmation of his/her 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 nine years in the AGM, we will state in the notice of the AGM the reason why we consider the INED to still 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 Board Members 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 Board Member is subject to retirement by rotation at least once every three years.

## Corporate Governance Report

The names of such Board Members eligible and offering 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 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 NED and INEDs are appointed for specific terms, which coincide with their expected dates of retirement by rotation at least once every three years.

### 5. Continuous Professional Development

Each newly appointed Board Member first meets with fellow Board Members 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 Board Members.

All Board Members 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 Board Members from time to time. In 2021, the Company organized a Board retreat, to which external experts were invited to present and discuss topics relating to the political and economic issues. Site visit and showflat viewing of our residential developments, 23-39 Blue Pool Road and The Aperture, were also arranged for Board Members.

The training received by each Board Member in 2021 is summarized below:

Board Members	Types of Training
Ronnie C. Chan	A, B, C
Adriel Chan	A, B, C
Weber W.P. Lo	A, B, C
Nelson W.L. Yuen	A, B
Dominic C.F. Ho	A, B
Philip N.L. Chen	A, B
Andrew K.C. Chan	A, B, C
H.K. Chang	A, B
Anita Y.M. Fung	A, B, C
H.C. Ho	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 Site visit

### (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

The Executive Committee of the Board was formed in 1989. Its members are all the Executive Board Members 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. Each of the Committee members has 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 entirely INEDs, namely, Mr. Dominic C.F. Ho (Chair of the Committee), Dr. Andrew K.C. Chan, Prof. H.K. Chang and Ms. Anita Y.M. Fung, all of whom possess appropriate academic and professional qualifications or related financial management expertise.

Under the CG Code, it is required that meetings are held at least two times per year with the External Auditor. Separate meetings are also held with the External Auditor, in the absence of management, as and when required. The Audit Committee has exceeded the CG Code requirements and held four meetings in 2021 for the purpose of, inter alia, discussing the nature and scope of internal audit work and assessing the Company's internal controls. Moreover, the Committee met the External Auditor four times in 2021 without the presence 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" in the "Corporate Governance" subsection of the "Investor Relations" 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 2021, the Audit Committee executed, inter alia, the following:

### *Relationship with External Auditor, Review of Financial Information and Oversight of Financial Reporting System, Risk Management and Internal Control Systems*

- reviewed and obtained an explanation from management and the External Auditor for the interim and annual results, including the changes 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;
- considered and proposed to the Board the reappointment of KPMG as the Company's External Auditor and approved its terms of engagement;
- 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;
- received and reviewed the internal audit reports from the Internal Auditor;
- held meetings with the External Auditor in the absence of management to discuss any material audit issues;
- held meetings with the Internal Auditor in private to discuss material internal audit issues;
- approved the internal audit plan for 2022;
- 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, as well as training for financial reporting and internal audit; and
- 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 Group's cyber security and whistleblowing policy.

### Corporate Governance Functions

- 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;
- reviewed and monitored the training and continuous professional development of Board Members; and
- reviewed the Company's compliance with the CG Code and disclosure in annual report on corporate governance and sustainable development.

The Audit Committee also reviewed ESG related risks and confirmed that the ESG risk management and internal control systems were in place and remained effective throughout 2021.

In view of our rapid expansion in mainland China, the Audit Committee also meets quarterly to review and monitor the progress and construction costs of Mainland development projects and major renovation projects. The Cost and Controls Department reports regularly in these Audit Committee meetings to facilitate effective checks and balances in the control of our sizeable capital expenditures, spending and investment, as well as the quality and safety aspects of these projects.

### 3. Nomination and Remuneration Committee

A Nomination and Remuneration Committee, set up in 2003, now comprises entirely INEDs, namely, Mr. Nelson W.L. Yuen (Chair of the Committee), Mr. Dominic C.F. Ho and Prof. H.K. Chang. Regular reviews of significant changes to the salary structure within the Group and the terms and conditions affecting Executive Board Members and senior management are conducted. The Committee met once in 2021 to review, inter alia, the composition of Board Members and Board Members' remuneration.

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

The major works performed by the Committee in 2021 include the following:

- a review of the Board Diversity Policy and its implementation;
- a review of the structure, size and diversity of the Board;
- an assessment of the independence of the INEDs;
- as part of the succession plan, identifying and making recommendations to the Board on the appointment of CFO Designate to succeed the existing CFO who would retire on March 1, 2022;
- recommendations to the Board on the selection of individuals nominated for directorship with reference to qualifications and related expertise;
- recommendations to the Board on the re-election of retiring Board Members at the AGM;
- recommendations to the Board on the Company's remuneration policy and structure for all Board Members and senior management;
- determination of remuneration packages for individual Executive Board Members and senior management, including benefits in kind, pension rights, and compensation payments; and
- recommendations to the Board on the remuneration of the NED and INEDs.



In 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 Board Members and select or make recommendations to the Board. In identifying suitable candidates, the Committee shall consider candidates on merit 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 Board Members and succession planning for Board Members, 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 Board Members 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 Board Members and senior management. Sufficient resources are provided to the Committee to discharge its duties. The Committee may consult the Chair and the CEO about remuneration proposals for Executive Board Members and has access to independent professional advice if necessary.

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

#### **4. Management Functions**

"Senior Management" refers to our Executive Board Members. 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 Board Members. 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 Board Members 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 Board Members and confirmed that they have complied with the required standard set out in the Model Code and the Code of Conduct regarding Board Members' securities transactions.

The Company has also set out guidelines regarding securities transactions by relevant employees who, because of their office 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 six months.

## 2. Share Interests

Details of Board Members' interests in shares of the Company and HLG as of December 31, 2021 are as follows:

Board Members	The Company		Hang Lung Group Limited
	Number of Shares	Number of Shares under Option	Number of Shares
Ronnie C. Chan	17,155,000	15,500,000	27,713,500 (Note 1)
Adriel Chan	2,670,248,340 (Note 2)	7,400,000	538,345,080 (Notes 1 & 2)
Weber W.P. Lo	600,000	15,750,000	200,000
Nelson W.L. Yuen	8,000,000	–	–
Dominic C.F. Ho	–	–	–
Philip N.L. Chen	–	9,500,000	–
Andrew K.C. Chan	–	–	–
H.K. Chang	–	–	–
Anita Y.M. Fung	–	–	–
H.C. Ho	–	10,700,000	78,000
Kenneth K.K. Chiu	–	2,000,000	–

### Notes

1. These interests included 15,923,500 shares of HLG 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 2,670,248,340 shares of the Company and another 522,421,580 shares of HLG held/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.

## (IV) Accountability and Audit

### 1. Financial Reporting

Board Members 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 Board Members 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.

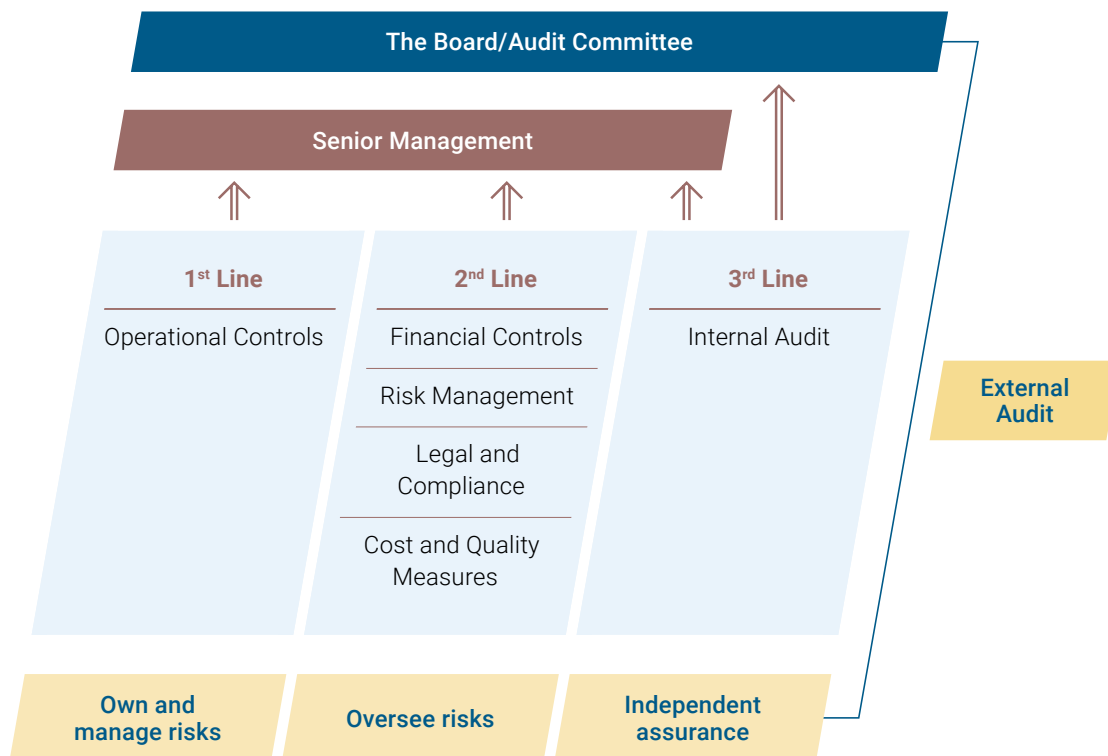
## 2. Risk Management and Internal Controls

### Risk Management Framework

The Board has overall responsibility for risk management and evaluating and determining the nature and extent of any significant 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 risk management system on an ongoing basis. Management is tasked with the design, implementation, and maintenance of a sound and effective risk management 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.

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





## Corporate Governance Report

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 identified risks and the adequacy and effectiveness of controls in place to mitigate these risks.

As the second line, specific functions are established to effectuate risk management and ensure the first line is functioning properly. The responsibilities of these functions include but are not limited to financial controls, risk management, legal and compliance, cost and quality. Under its approved terms of reference, the ERM Working Group (comprising our CEO as Chair and unit heads from all 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 2021, the ERM Working Group met four 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.

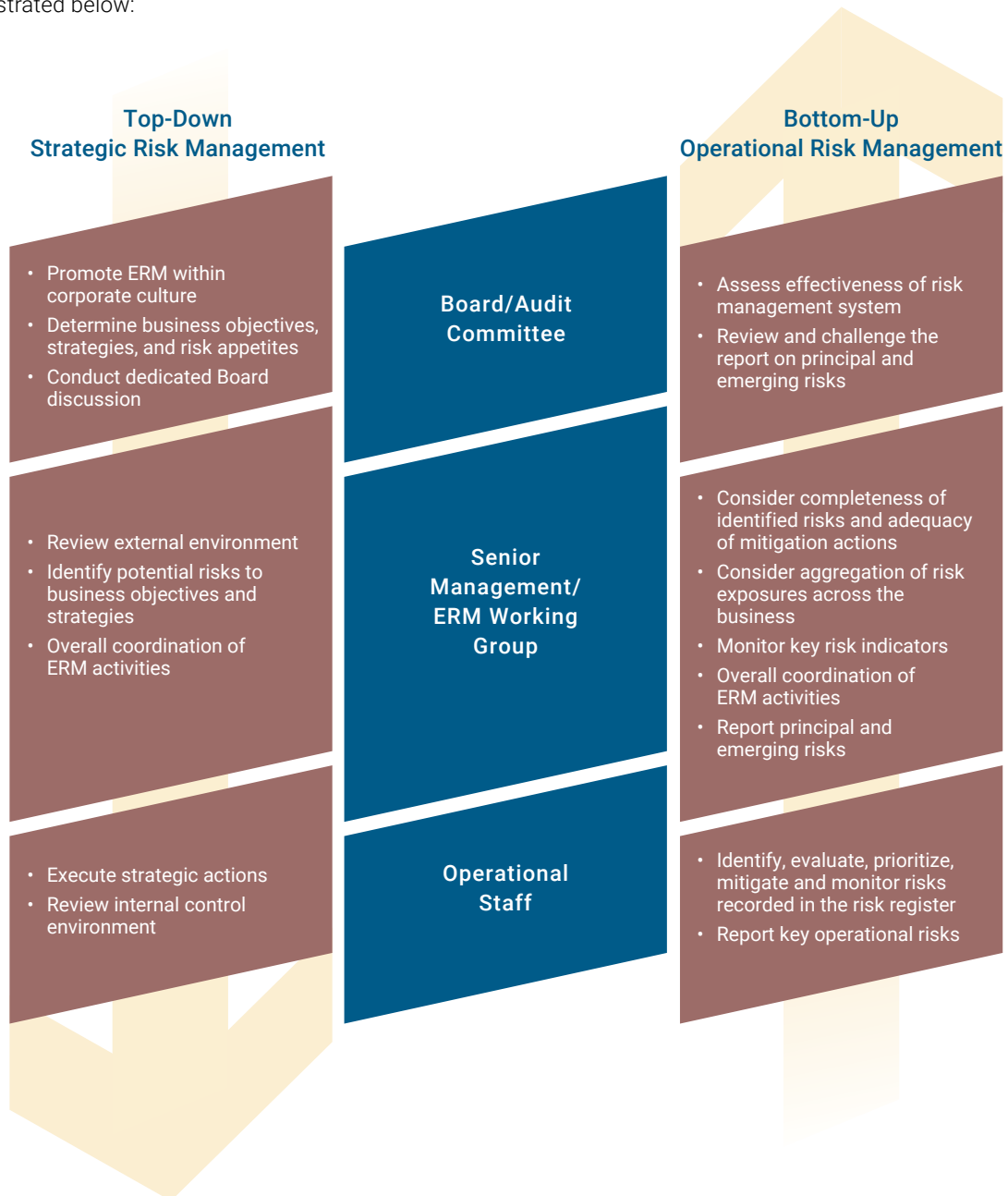
As the third line, the Internal Audit Department plays a crucial role in assessing the effectiveness of the risk management system, reports regularly to the Audit Committee on key findings, and makes recommendations for improving and tracking the implementation of such measures.

The Board and the Audit Committee reviewed the Company's top 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). Action plans are developed, and risk ownership is assigned for each principal risk. The risk owners coordinate the mitigation actions to ensure the proper implementation of these action plans. They are also required to continuously monitor, evaluate, and report on risks for which they bear responsibility. Mitigation controls are subject to internal audit review and testing.

## Corporate Governance Report

The Company has continued its program to fine-tune 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 identified key risks and mitigation actions and rated the residual risks according to likelihood and impact parameters at the operational level (scaled down from the enterprise level). Top risks at the operational level were then extracted from each site's detailed risk register and reported to the Audit Committee.

Through this integrated top-down and bottom-up risk review 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. Such a system is 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.

Specifically, 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 expanding 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, Board Members, 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 Deputy Director (Head of Corporate Audit) reports directly to the Audit Committee.

A risk-based internal audit program is approved by the Audit Committee each year. Based on the audit program, 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 2021, 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 four 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 2021. Our internal audit function has been operating effectively.



### Annual Assessment

With the confirmation of management and the foregoing review by the Audit Committee 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, 2021, the Board concluded that effective and adequate risk management and internal control systems were in operation.

The level of resources, staff qualifications and experience, training programs, and budget for the Company's internal audit, accounting, and financial reporting functions were 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 2021 are outlined below:


### Business and Market Risk


The advent of digital technologies and evolving consumer behaviors always present new challenges to our business. The adverse impacts of the COVID-19 pandemic compelled us to redefine our leasing strategy and reposition our Hong Kong properties with a better-established local presence in response to the lack of tourists during the year.

The ability to acquire suitable land for development is critical for the Company to sustain continuous growth and the desired return on investment. Complex designs, tight deadlines, and the global supply chain crisis have created implementation challenges in delivering our projects safely, on budget, on time, and to the desired quality.

Risk Description	Risk Trend	Key Controls and Risk Mitigations
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	<ul style="list-style-type: none"> <li>Stay in touch with the latest relevant technologies for understanding customers through data analytics and smart retail solutions</li> <li>Explore and adopt applicable new technologies, such as virtual reality/augmented reality, 3D imaging, and innovative digital platforms, to create exciting new experiences</li> <li>Ensure IT infrastructure readiness for anticipated IT developments, such as our data journey project and WeChat mini program</li> <li>Grow customer engagement and loyalty via well-established CRM programs to better understand customers and drive sales</li> <li>Launch customer survey pilot projects in Hong Kong to better monitor customer feedback and changing needs, plus continue customer survey tracking in mainland China for prompt follow-ups on service pain points</li> </ul>

Key – Risk trend (change from last year)

 Upward/increasing risk trend

 Risk trend remains similar



Risk Description	Risk Trend	Key Controls and Risk Mitigations
<p>Challenges to reposition or redefine our leasing strategy for Hong Kong projects under turbulent market conditions</p>	 <p>Lingering impacts of the global pandemic have affected customer footfall and rental revenue to varying degrees</p>	<ul style="list-style-type: none"> <li>• Evaluate our existing leasing strategy from the perspective of these special circumstances, and reposition the at-risk malls with a change of focus or by improving the tenant mix</li> <li>• Act fast on market changes to recruit blooming trades under our leasing portfolios, introduce exclusive concepts and experience flagships, and continue to monitor high-impact trade tenants</li> <li>• Conduct ongoing branding and marketing programs to excite and engage with target audiences</li> <li>• Enhance precautions and regular deep cleaning of office buildings with medical tenants, as well as our serviced apartments with overseas returnees</li> </ul>
<p>Heavy capital investment coupled with a long investment period and market cycles provide opportunities and challenges in land acquisition</p>		<ul style="list-style-type: none"> <li>• Set investment strategy, criteria, and risk appetite prior to land acquisition</li> <li>• Consolidate local market information</li> <li>• Conduct appropriate due diligence, including third-party expert reviews</li> <li>• Identify critical resource constraints in funding or human resources for proper planning</li> <li>• Undertake structured analyses of business opportunities with the early involvement of the Business Operation Team</li> <li>• Focus on our product quality and core location as our differentiator</li> <li>• Exercise financial prudence and continually monitor our return on investment</li> </ul>
<p>Design 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</p>		<ul style="list-style-type: none"> <li>• 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</li> <li>• Closely monitor project progress and review all aspects of a development's planning and construction</li> <li>• Closely monitor the price fluctuations and supply of materials, tighten controls on price variation claims with clearly defined terms in both the tenders and the contracts, and conduct careful tender analysis</li> <li>• 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</li> <li>• Identify and rectify any non-compliance cases by the designated safety manager and external safety consultant</li> <li>• Establish clear and comprehensive policies and procedures with periodic enhancements to tighten controls</li> <li>• Provide regular and comprehensive reports to the Board and the Audit Committee, and strengthen management supervision</li> </ul>



## 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 conditions and changes in government policy and the regulatory environment in mainland China present implementation challenges to our project development and leasing strategies.




Lingering impacts of the pandemic continued to adversely affect our customer footfall and leasing revenue in Hong Kong throughout the year. Most of our Mainland malls recovered in 2021, despite several waves of COVID-19 pandemic affecting different cities in the second half of the year. The regulatory impacts of newly launched government policies and requirements in mainland China were also under periodic assessment and close monitoring during the year.

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	 Regulatory impacts on our project construction and business operations	<ul style="list-style-type: none"> <li>• Closely monitor regulatory developments and market/public sentiment</li> <li>• Actively engage with regulatory bodies and professional firms on updates to laws and regulations</li> <li>• Allocate sufficient internal resources to ensure timely responses to and compliance with regulatory changes</li> <li>• 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</li> <li>• Continue monitoring and assessing the practical implications and impacts of regulatory changes, prepare legal updates on a quarterly basis, and conduct legislative trend analyses</li> <li>• Maintain proper and sufficient documentation as much as possible</li> </ul>
Major external disasters or crises, such as epidemics, floods, earthquakes, cyber-crimes, etc., could impact assets or business sustainability		<ul style="list-style-type: none"> <li>• Review, update, and test business continuity plans of each critical function on an annual basis</li> <li>• Keep track of premises with cases of infection and ensure timely communication with tenants, customers, staff, media, and other stakeholders</li> <li>• Proactively participate in dialogue and discussions with tenants on rental arrangements</li> <li>• Continue to enhance IT security policies and guidelines, such as conducting IT disaster recovery drills, security awareness education, and penetration tests</li> <li>• Launch the Crisis Management Refresh Program 2021, and conduct crisis audits and media training</li> <li>• Ensure appropriate insurance coverage for properties and business</li> </ul>

## People and Governance Risk

Competition for talented and experienced staff across the property management sector presented challenges to our frontline operations in ensuring a superior level of service in both Hong Kong and mainland China, especially for new opening project during the year.

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 expansion/growth of the Company	 <p>Challenges in recruiting qualified and competent talent in both mainland China and Hong Kong</p>	<ul style="list-style-type: none"> <li>Formulate manpower plan led by functional heads to match existing and future human capital needs against our business strategy</li> <li>Fully utilize the Headquarters (Shanghai) as an extended arm of the Headquarters (Hong Kong) to facilitate talent development and attract local talent</li> <li>Formalize talent and organizational review twice a year to identify and retain staff with development potential for critical roles</li> <li>Provide structured leadership training to support the learning needs of our key talent and enhance functional knowledge and key competencies of the workforce</li> <li>Build up the young talent pipeline, expand the internal job posting platform "CareerConnect" to mainland China, and enhance the employee referral program policy</li> <li>Review the competitiveness of our compensation and conduct benefits enhancements</li> <li>Launch the employee engagement survey to understand opportunities for improvement and establish action plans across the Company</li> </ul>
Fraud and corruption activities could result in significant financial losses and/or impact the reputation of the business		<ul style="list-style-type: none"> <li>Strengthen our commitment to the highest standards of integrity and accountability</li> <li>Provide ongoing training and reinforce communication with staff on integrity, impartiality, and honesty</li> <li>Operate an effective whistleblowing mechanism with a refined whistleblowing policy that benchmarks industry best practices</li> <li>Periodically review and update the Staff Handbook and Code of Conduct to emphasize zero tolerance for unethical behavior</li> </ul>
Physical risks of climate change and the risks of the transition to a low-carbon economy	 <p>Align our sustainable growth with the nationwide new development concept for carbon peak and carbon neutrality</p>	<ul style="list-style-type: none"> <li>Strengthen Board and corporate governance of our ESG and maintain a high level of transparency on our ESG performance</li> <li>Embed ESG metrics into business priorities and set up measurable ESG KPIs for each business function</li> <li>Conduct preliminary physical risk assessments for all our existing properties in mainland China and complete the first iteration of our climate adaption plan</li> <li>Engage an external consultant to conduct a carbon pricing assessment for our building portfolio</li> <li>Establish a greenhouse gas (GHG) mitigation plan as a strategic ESG KPI and require input from all properties</li> <li>Procure 100% renewable energy at a property in mainland China in support of our 2025 renewable energy targets</li> </ul>



## 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		<ul style="list-style-type: none"> <li>Understand the basis of the asset valuation models of our properties and review capitalization rates with our independent valuer</li> <li>Periodically review our exposure to potential decreases in property valuation and carry out stress tests</li> <li>Review financial risk exposure in accordance with the covenants of our borrowings</li> <li>Perform gearing ratio projections based on reasonable assumptions, taking future financial commitments into account</li> </ul>
Portions of the Company's borrowings are floating-rate bank loans, which could expose us to rising interest rates		<ul style="list-style-type: none"> <li>Continually track and monitor interest rates</li> <li>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</li> <li>Perform a stress test on borrowing capacity, and maintain a relatively conservative gearing ratio</li> </ul>
Our business in mainland China has, by nature, currency risk derived from capital investment, as well as risks from revenue/debt currency mismatch		<ul style="list-style-type: none"> <li>Continually track and monitor the RMB exchange rate</li> <li>Maintain an appropriate level of RMB resources for the Company's capital requirements in mainland China</li> <li>Monitor currency risks and perform periodic sensitivity analyses</li> <li>Modify our currency hedging strategy as necessary</li> </ul>
Market liquidity may change from time to time and inhibit our ability to acquire adequate and cost-effective funding		<ul style="list-style-type: none"> <li>Centralize the management of cash and financing at the corporate level by the Treasury Team</li> <li>Maintain closer relationships with banks and intermediaries; Effective management of concentration of bank loans</li> <li>Manage the maturity profile of deposits and loans to minimize refinancing risk</li> <li>Establish and maintain diversified channels of debt financing</li> </ul>
Credit/counterparty risk exposure primarily from rents receivable and deposits placed with banks		<ul style="list-style-type: none"> <li>Undertake comprehensive credit assessments of prospective tenants</li> <li>Require rental deposits and rent in advance, and closely monitor outstanding rents to mitigate our rents receivable risk</li> <li>Assign bank exposure limits to mitigate concentration risk on our deposits</li> <li>Only make deposits with banks that have sound financial strength and/or good credit ratings</li> </ul>

In addition to the principal risk categories outlined above, the Company has identified and monitored specific emerging risks, such as tightened up regulatory controls in mainland China over educational sectors and restrictions on electricity usage across various cities. 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 January 2022. The Code of Conduct is uploaded on our intranet and website to enable easy accessibility by our employees and the public.

The Code of Conduct clearly spells 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, our whistleblowing policy, 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 philosophy in running its business and acts as a benchmark for all staff and suppliers 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 Board Members 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 sign and submit an electronic declaration of 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 for our employees and other related third parties 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. All reported cases are directly addressed to the Deputy Director (Head of Corporate Audit) and investigated by the Internal Audit Department in complete confidence. Our Internal Audit Department monitors and 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 for 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 centrality of ethical conduct to our business through the e-learning programs for all employees. In 2021, about 94,649 training hours were delivered to our employees, of which about 4,227 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 six months. All executive staff are also required to complete and sign an electronic declaration form every six months, declaring 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 one 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
- reminders to the Board Members and staff (through key executives) of the necessity for policy compliance every six months.

The Company and its listed parent company, HLG, issued a joint announcement on February 25, 2021, informing the market of the inside information relating to the completion of the acquisition of No. 37 Shouson Hill Road, Hong Kong, in compliance with the SFO and the Listing Rules.

### 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:

	<b>Year ended December 31, 2021</b>	Year ended December 31, 2020
	<b>HK\$ (in million)</b>	HK\$ (in million)
Statutory audit services	<b>9</b>	9
Non-audit services	<b>3</b>	2

## (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.

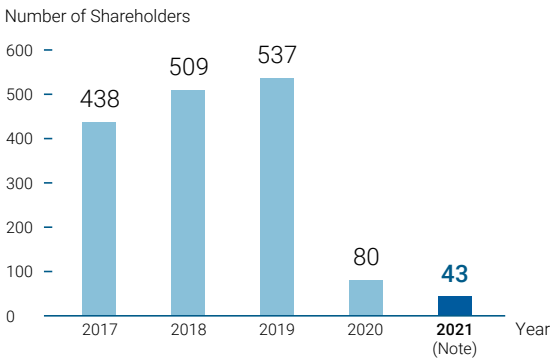
#### Letters to Shareholders & AGMs

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. These Letters, 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 socioeconomic developments impacting our markets.

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 20 clear business days before the meeting. Each separate issue is proposed by a separate resolution from the Chair. The meeting enjoys strong participation from shareholders.

## Corporate Governance Report

Shareholder participation in AGMs is illustrated as follows:



### Note

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

In addition to the Letter to Shareholders, the Chair uses the AGM as an opportunity to open a dialogue with shareholders and to elaborate on the outlook of the Group and its business strategies.

### 2021 AGM

Our last AGM was held on April 30, 2021 at Grand Ballroom, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong. The meeting was attended by 43 shareholders present in person or by proxy. 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 2021 AGM included:

- the adoption of the financial statements;
- the declaration of a final dividend;
- the re-election of Board Members;
- 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 2021.

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, 2022, and the AGM, are expected to be held in late July 2022, late January 2023, and in April 2023 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](mailto: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](mailto:ir@hanglung.com).



### **Procedure for Shareholders to Propose a Person for Election as a Board Member**

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 Board Member) for election as a Board Member (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 seven days) shall commence no earlier than the day after the dispatch of the notice of the meeting appointed for such an election, and end no later than seven 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](mailto: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, 2021 are as follows:

<b>Domicile</b>	<b>Shareholders</b>		<b>Shareholdings</b>	
	<b>Number</b>	<b>%</b>	<b>Number of Shares</b>	<b>%</b>
Hong Kong	2,660	94.09	4,490,440,017	99.80
Mainland China	51	1.81	3,767,554	0.09
Macau	8	0.28	387,433	0.01
Taiwan	2	0.07	593	0.00
Australia and New Zealand	8	0.28	13,885	0.00
Canada and United States of America	40	1.41	2,368,159	0.05
South East Asia	47	1.67	2,266,267	0.05
United Kingdom	7	0.25	13,400	0.00
Others	4	0.14	3,362	0.00
<b>TOTAL</b>	<b>2,827</b>	<b>100.00</b>	<b>4,499,260,670</b>	<b>100.00</b>

## Corporate Governance Report

Details of shareholders by holding range as of December 31, 2021 are as follows:

Holding Range	Shareholders*		Shareholdings*	
	Number	%	Number of Shares	%
1 – 1,000 shares	1,359	48.07	588,958	0.01
1,001 – 5,000 shares	727	25.72	2,058,250	0.05
5,001 – 10,000 shares	259	9.16	2,118,359	0.05
10,001 – 100,000 shares	396	14.01	13,720,639	0.30
Over 100,000 shares	86	3.04	4,480,774,464	99.59
<b>TOTAL</b>	<b>2,827</b>	<b>100.00</b>	<b>4,499,260,670</b>	<b>100.00</b>

\* incorporating, in their respective shareholdings range, 339 participants of Central Clearing and Settlement System holding a total of 2,842,384,089 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 Board Members as of the date of this annual report, the Company has maintained the prescribed public float 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 overseas roadshows.

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 Board Members, 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 frequently asked questions.

### 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.