恒隆集團
HANG LUNG GROUP

2021

Annual Report

HANG LUNG
GROUP LIMITED

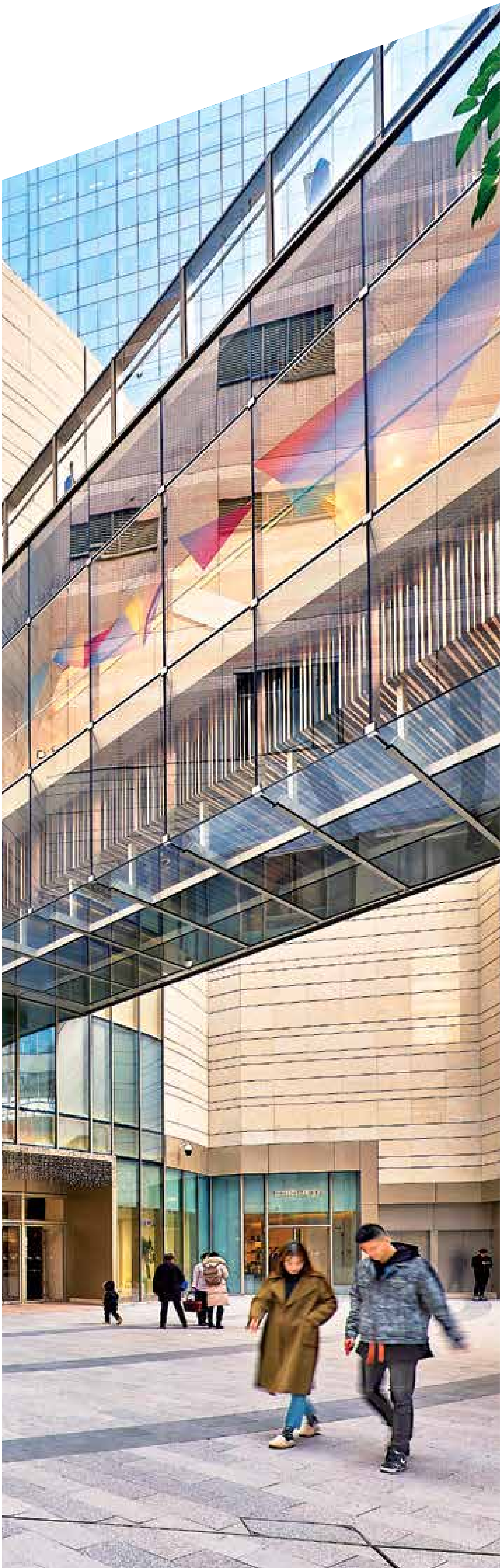
STOCK CODE: 00010

We do it well

The 2021 annual reports for Hang Lung Group Limited and Hang Lung Properties Limited serve as illustrative representations of our vision and purpose, seamlessly combining our positioning of every property in our portfolio as the Pulse of the City and our brand motto of **We Do It Well**.

Through the lens of our vision to create compelling spaces that enrich lives, this year's cover pages represent the rich diversity and distinctive design elements of our portfolios in Hong Kong and mainland China. The elegant, linear aesthetic symbolizes the energetic "pulses" that connect our customers in the communities in which we operate through our unwavering focus on customer-centricity.

As the heart of our brand, our **We Do It Well** motto is expressed on our cover pages by three sets of parallel pulses – also a reflection of the two letters "ll" from the word "Well" – emphasizing our efforts in striving for excellence and our two-pronged approach with business operations in Hong Kong and mainland China. This visual tribute to our **We Do It Well** spirit continues throughout the reports as we explore our commitments to Excellence, Extraordinary Experience, Sustainability and Integrity.

Contents

Corporate Profile

Hang Lung Group Limited (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 (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 1990s, 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 Mainland portfolio currently includes two large-scale developments in Shanghai – the commercial, office, and residential complex Grand Gateway 66 and the commercial and office complex Plaza 66 – together with the landmark developments Palace 66 and Forum 66 in Shenyang, Parc 66 in Jinan, Center 66 in Wuxi, Riverside 66 in Tianjin, Olympia 66 in Dalian, Spring City 66 in Kunming, and Heartland 66 in Wuhan. We are continuing to build on these successes by establishing a similar development in Hangzhou.

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, in 2021, we set out 25 new targets to be achieved by the end of 2025 ("25 x 25 Sustainability Targets"), pursuing quantifiable measures that will address significant sustainability challenges. These targets also provide a clear agenda for our long-term 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)

	2021			2020		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Revenue	**10,919**	**–**	**10,919**	9,464	62	9,526
– Mainland China	**7,402**	**–**	**7,402**	5,694	–	5,694
– Hong Kong	**3,517**	**–**	**3,517**	3,770	62	3,832
Operating profit/(loss)	**7,898**	**(91)**	**7,807**	6,836	44	6,880
– Mainland China	**5,020**	**(38)**	**4,982**	3,757	(8)	3,749
– Hong Kong	**2,878**	**(53)**	**2,825**	3,079	52	3,131
Underlying net profit/(loss) attributable to shareholders	**3,029**	**(38)**	**2,991**	2,812	22	2,834
Net decrease in fair value of properties attributable to shareholders	**(402)**	**–**	**(402)**	(4,375)	–	(4,375)
Net profit/(loss) attributable to shareholders	**2,627**	**(38)**	**2,589**	(1,563)	22	(1,541)

	At December 31, 2021	At December 31, 2020
Shareholders' equity	**95,842**	92,105
Net assets attributable to shareholders per share (HK$)	**$70.4**	$67.6

Earnings and Dividends (HK$)

	2021	2020
Earnings/(loss) per share		
– Based on underlying net profit attributable to shareholders	**$2.20**	$2.08
– Based on net profit/(loss) attributable to shareholders	**$1.90**	($1.13)
Dividends per share	**$0.86**	$0.82
– Interim	**$0.21**	$0.19
– Final	**$0.65**	$0.63

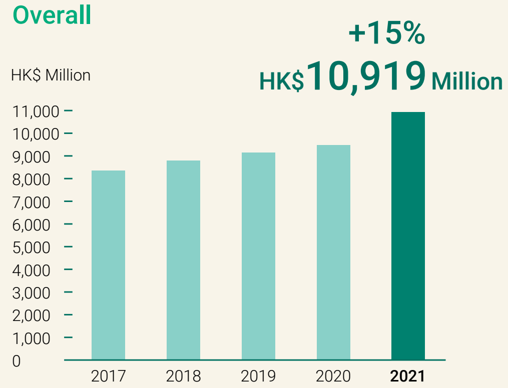
Financial Ratios

	2021	2020
Payout ratio (based on net profit attributable to shareholders)		
– Total	**45%**	N/A
– Property leasing	**45%**	N/A
– Property leasing (after deducting amount of interest capitalized)	**53%**	N/A
Payout ratio (based on underlying net profit attributable to shareholders)		
– Total	**39%**	39%
– Property leasing	**39%**	40%
– Property leasing (after deducting amount of interest capitalized)	**45%**	52%

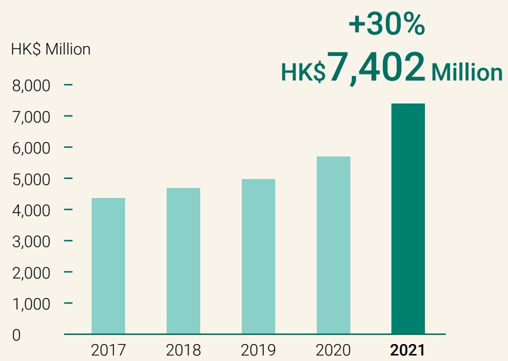
	At December 31, 2021	At December 31, 2020
Net debt to equity ratio	**22.3%**	20.1%
Debt to equity ratio	**27.9%**	24.3%

Property Leasing Revenue

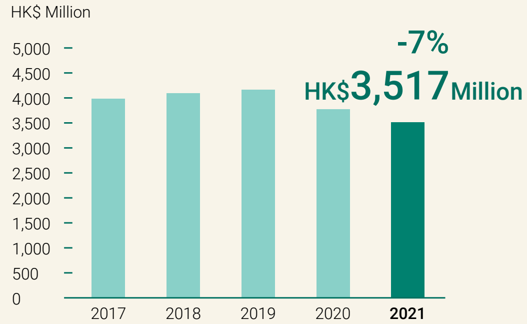
Overall



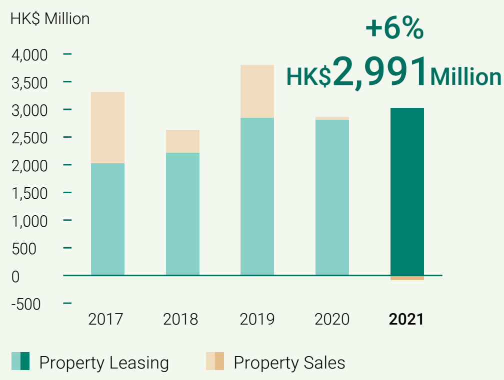
Mainland China



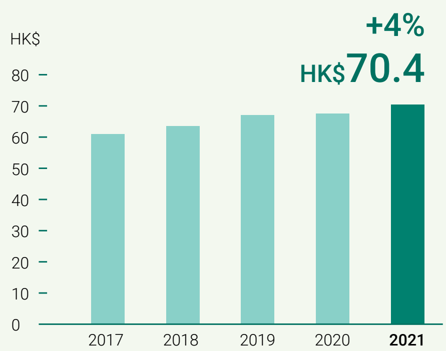
Hong Kong



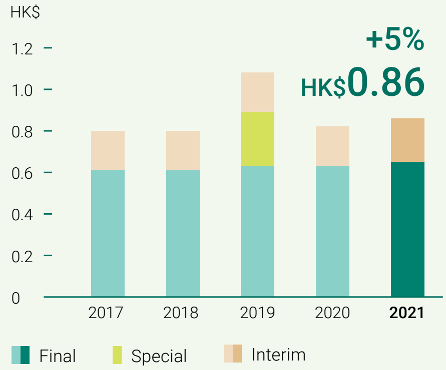
Underlying Net Profit

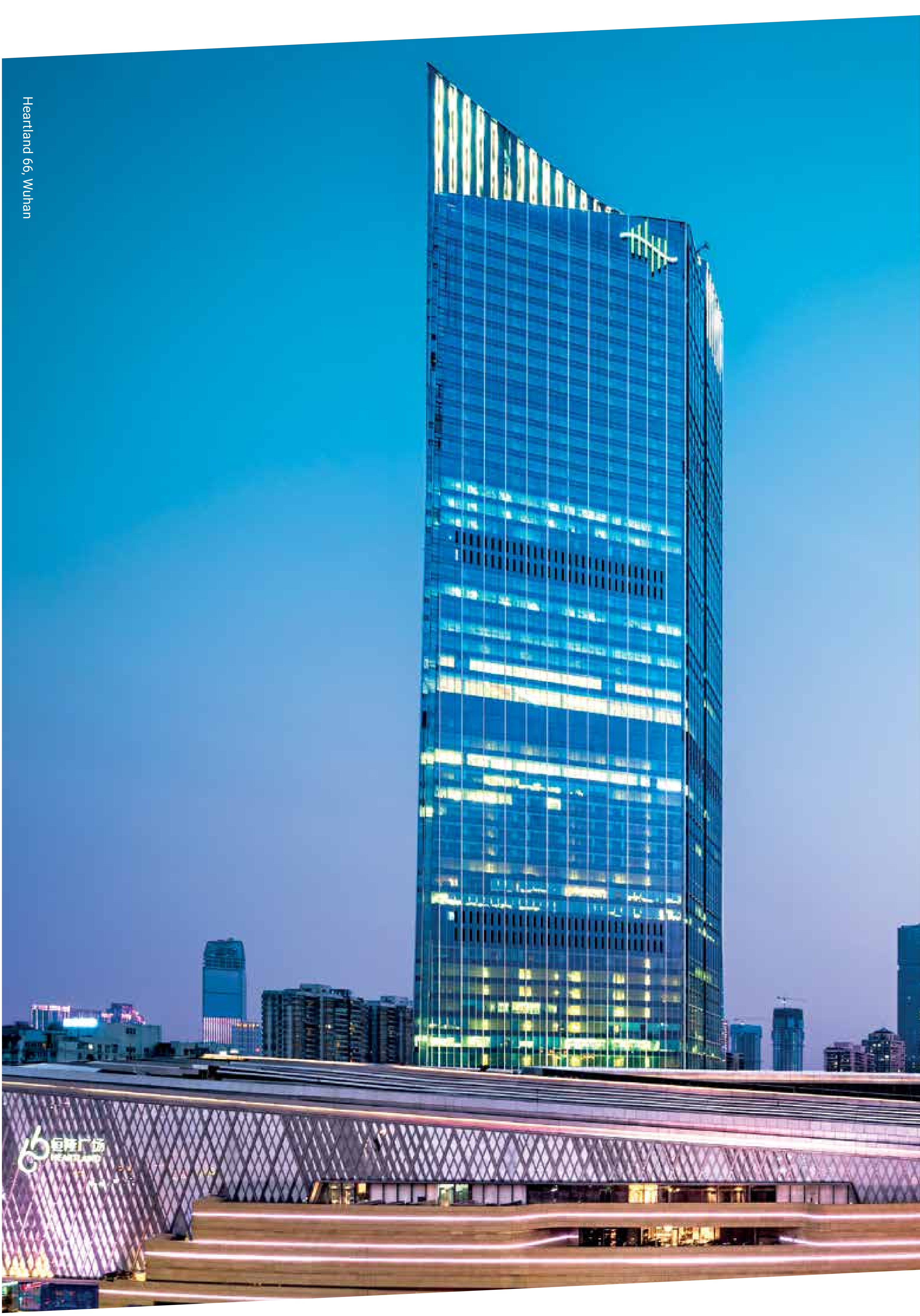


Net Assets Attributable to Shareholders per Share



Dividends per Share





Heartland 66, Wuhan

excellence

We are committed to delivering the finest services and experiences that surpass the expectations of our customers, tenants and communities

Chair's Letter to Shareholders

Ronnie C. Chan
Chair

Results and Dividend

Despite the persistence of the coronavirus (COVID-19) pandemic, rental revenue made a new record of HK$10,919 million for the year ended December 31, 2021, or 15% more than the previous year. No property sales revenue was recorded.

Net profit attributable to shareholders amounted to HK$2,589 million against the net loss of HK$1,541 million a year ago. Earnings per share was HK$1.90.

Underlying net profit attributable to shareholders advanced 6% to HK$2,991 million if all the effects of property revaluation are excluded. Underlying earnings per share increased similarly to HK$2.20.

The Board recommends a final dividend of HK65 cents per share payable on May 19, 2022 to shareholders of record on May 4, 2022. If approved by shareholders, total dividends per share for the year ended December 31, 2021 will be HK86 cents.

Business Review

We live amidst a sea of trouble. The pandemic is still raging around the world. Here in Hong Kong, we are experiencing the fifth wave. Even in mainland China, where they have done a superb job containing the virus so far, new variants are popping up here and there. China-U.S. relations are still a huge uncertainty hanging over our heads, yet luxury spending in China remains an oasis. It helped us turn in a rather satisfactory set of results.

Whereas general personal consumption on the Mainland is not strong, high-end fashion is selling very well. This is not only the case in what I call tier-one luxury product metropolises of Beijing and Shanghai but also elsewhere. (In this business, market size of Guangzhou and Shenzhen is similar to other top tier-two cities like Hangzhou and Chengdu.) With few exceptions, in all other cities where we have high-end malls — Wuxi, Shenyang, Dalian, Kunming, and Wuhan — sales are brisk.

Rental revenue at our luxury malls was up 30% while tenant sales climbed 55%. This compares to our three sub-luxury malls where the two measures grew by 2% and 20%, respectively. Rental margin, occupancy, and average unit rent rose for all six luxury malls (excluding Heartland 66 in Wuhan which was opened in March 2021), and even for most of the three sub-luxury ones. With the exception of Grand Gateway 66 in Shanghai, at all our top-end shopping centers, occupancy cost stands at a historic low level, and turnover rent remains at a very high percentage. That means there is plenty of room for upward rent renewal. The same cannot be said of their humbler cousins.

For our Hong Kong retail rental, tenant sales have improved but are still below 2019 pre-pandemic levels. For the year under review, rental revenue was down 7%, but it is progressing in the right direction. Rents collected in the second half of 2021 were about the same as that of a year ago. Comparing the last six months of last year to the first six, revenue was up 2%. Even rental margin and occupancy are edging up a little, although unit rent and rental reversions are still weak.

Office rental remains lethargic although the first half of the year saw an uptick. With some international firms relocating out of the city, this sector cannot be strong.

There was no recognition of profit from property sales last year. Profit from the sale of the house on Blue Pool Road mid last year will be booked once the transaction is completed later in the current quarter.

Construction progress everywhere is basically on schedule, with only minor delays in certain instances.

Net debt to equity remains relatively low at 22.3%. Almost 30% of total borrowing including available facilities is categorized as Sustainable Finance, up from 11% of a year ago.

We have set a high watermark in total rents received — it broke through the HK$10 billion mark for the first time in company history. It stood at HK$10,919 million. Unless we decide to substantially sell down investment properties, which is not at the time being anticipated, it is likely that, for the foreseeable future, the total rental revenue will not fall below HK$10 billion.

Prospects

In my concurrent Hang Lung Properties (HLP) *Letter to Shareholders*, I shared my thoughts on three potentially challenging external issues which may affect our business: Beijing's recent pronouncements on common prosperity and related policies, financial debacles relating to many Mainland property developers, and the way Hong Kong is dealing with the pandemic and its economic consequences. I refer my readers to my HLP letter on our website for that discussion. Here I summarize while adding a little color.

In a word, common prosperity is a long-standing policy. It is at least as old as the Reform and Opening Up Policy initiated by the then supreme leader Mr. Deng Xiaoping in 1978. As is the case everywhere else, government efforts always move between wealth creation and wealth redistribution. For example, after the rapid wealth accumulation in the U.S. from the mid-19th century after the Civil War until the go-go days of the 1920's, many social ills surfaced, and thus came the New Deal of the 1930's. Then in the early 1980's, President Ronald Reagan shifted the policies to the "right" again. Given the current wide wealth gap with its related social problems, I would not be surprised if changes, including possibly a serious backlash, would take place in the U.S. in the coming years.

China will chart her own path but will have the same objective as everyone else — common prosperity. It is not equal prosperity. She suffered common poverty from the 1950's to 1970's and know all too well what to avoid. In the absence of tax incentives, yes, Beijing strongly encourages the superrich to voluntarily share some of their wealth through philanthropy. Frankly, this is not a bad social practice. America does this well through fiscal incentives; Europe does not do much because the regular tax levels there are already, in general, much higher than those in the U.S. China will have to find her own way.

As I have said on several occasions in speeches on this subject, frankly a good number of Chinese entrepreneurs are very generous in giving back to society. In fact, very few economies have, at such an early developmental stage, produced so many very rich people who have already given or have pledged to give all their fortune away. Needless to say, many more need to emulate this example.

So, what does "common prosperity" mean? To lift the lower economic strata to make them truly "middle-class" by international standards. To do that, wealth redistribution is perhaps not as critical as social mobility. In the coming years, I would not be surprised if Beijing would announce more policies in this regard. It also means that the economic pie must be enlarged. Fortunately, China's economy has already reached a size and stage of development such that domestic activities are powerful enough to partly take over the former leading roles of exports and public investments for economic growth. Such is the 2020 Beijing pronouncement on dual circulation.

For a discussion on Beijing's imposition of limitations on Internet platform companies and private educational institutions, I refer readers to my HLP *Letter to Shareholders*.

The financial debacles of many Mainland property developers were altogether expected. More than most businessmen on the outside, I have repeatedly warned of the impending danger. In my keynote speeches at the annual real estate conference held in beautiful Hainan Island, the subject was repeatedly addressed. As such, there was nothing surprising. What I do not understand is why Beijing did not act earlier.

That said, the financial and related social implications of these debacles are entirely within the government’s ability to handle. For pundits to say that this is a tsunami, like the collapse of Lehman Brothers was to the Western economic system, is nothing short of uninformed sensationalism. Over the past 20-some years, the West has repeatedly pointed out the perceived financial dangers in China. Their observations were, more often than not, correct. But because of a lack of understanding of the Chinese system, including its culture and society, those observers often did not have the necessary understanding of the causes, the processes involved, and so the likely outcomes. When the problems blow over and nothing detrimental to the society happened, these so-called experts apparently lack the moral courage to self-examine and to try to understand why their doomsday predictions were wrong. Consequently, they will make the same mistake again and again.

As far as our Company is concerned, these debacles are not only not harmful, but, potentially, mildly advantageous. There are many reasons they do not concern us. First, we are in very different businesses. Those companies are basically mass residential builders while we are high-end commercial complex developers and managers. They build to sell; we build to hold. Theirs is a game of size and speed; ours is one of quality and patience. They churn their cash and properties as fast as they can in order to survive; we own our malls and offices for a very long time. They are extraordinarily highly leveraged; we are rather lowly geared. Although we are both involved in land and construction, our products are totally different.

Why are others’ troubles potentially beneficial to us? City governments that sell land primarily to house builders may see their coffers dry up because those firms can no longer buy land. Many are fighting for their own survival. Well, perhaps some of us commercial property developers with strong balance sheets can help. With luck, we may pick up a piece or two of choice land at reasonable prices. This is, in fact, what we have done a few times before.

My final external issue is the way Hong Kong is handling the pandemic. Its policies are inextricably tied to those on the Mainland, where they practice dynamic zero infection, while the rest of the world prefers herd immunity. While Hong Kong is economically reliant on the outside world, our relationship with the Mainland is not only economic but also intricately social. Just consider the fact that, before the pandemic, the number of travelers that cross the border with Shenzhen daily is over twice as many as the busiest border crossing in North America — between San Diego in California, U.S. and Tijuana in Mexico. This, to me, is the fundamental reason why Hong Kong has to adopt Mainland's approach.

This means that Hong Kong has to institute strict quarantine protocols which effectively cut much of the personal traffic to and from the rest of the world. The economic cost to us is almost unbearable. Still worse is that we are also not yet in a position to allow free movement across the border with mainland China. The reasons for this are simple. Unlike up north, many of our citizens are overly free — they tend to care about their own choices more than the good of the community. Just look at the percentage of Hong Kong citizens who are vaccinated. Our government also lacks the capability and the determination to take wise and resolute actions. Consequently, their half-baked policies are not effective and fall short of what it takes to open borders freely with the Mainland. In contrast, Macau, the other Special Administrative Region not far from us, has done a much better job.

The Mainland is a huge continental economy. If closed off to the rest of the world for a while, it can still survive. Not so with Hong Kong. As a small (though important) entrepôt and international financial center, the lack of physical connectivity is detrimental. So soon following the seven-month riots of late 2019, we are now hit with this terrible fate. We are driving global corporations with regional headquarters here to relocate. Sadly, some will; indeed, some already have.

After the 2019 social unrest and the mishandling of the pandemic, Hong Kong is forever changed. It does not necessarily mean that the city will economically wane. With Beijing's help, we should be fine. But that said, its nature will be different from before. Perhaps this is inevitable, for, after all, no one has ever attempted "One Country, Two Systems". We all will just have to live with whatever comes.

Fortunately for us, our business on the Mainland is thriving. About 68% of all rents collected originate from there, and this number can only grow further. Barring another wave that can seriously hurt the economy like in 2020, it is possible that our Hong Kong revenue has bottomed, but the rebound will not be spectacular. I suspect that retail space will do better than offices.

Plaza 66, Shanghai

On the Mainland, our seven luxury malls will again outperform the three sub-luxury ones. After the period of two and a half months — late January to mid-April of 2020 — under the initial assault of COVID-19, the economy bounced back strongly. Luxury goods sales were particularly robust because of the repatriation of sales formerly transacted overseas.

For the rest of that year and the first half of 2021, business continued to climb briskly until the second half of last year, when adverse weather events and periodic virus flare-ups in some cities in which we operate made the situation more challenging. Once new cases were discovered, footfall and also tenant sales there took an immediate hit. Local governments invariably took decisive action to contain the spread. In all cases, they were successful. As a result, tenant sales still rose nicely throughout the year.

Nevertheless, given the highly contagious nature of the latest dominant variant, Omicron, one never knows where the next flare-up will be. In the coming months, tenant sales will likely be affected by this uncertainty. Fortunately, our rents should be protected given the quality of our tenants. But if these outbreaks become very frequent, and depending on how long it takes to contain them, our revenue at lease renewal may be negatively impacted. But for now, we do not assume that this will happen for the rest of this year.

Provided that there will not be serious trouble in this regard, how will our luxury malls fare? It seems that, with a very high base after seven quarters of almost uninterrupted strong sales, the growth rate must somehow moderate. That, I anticipate at Plaza 66 in Shanghai. However, it may not be the case in our other high-end properties. Continued strong growth should be most notable in Olympia 66 in Dalian and Heartland 66 in Wuhan. The reason being, in both cases, many of the world's top brands have just opened their stores, and more will soon do so. Double-digit increase, and not very low double digits, seems quite probable. Even Grand Gateway 66 in Shanghai, Spring City 66 in Kunming, and Center 66 in Wuxi may see rather respectable growth. As such, the omens are good.

Olympia 66, Dalian

On another challenging front, there is no denying that China-U.S. relations remain difficult, with America leading her allies to contain China. Every story spread in the West about the country is to make her look bad. As a result, investors there can easily be misled into thinking that China is "uninvestable" — the exact word used in a certain analyst's report. They muddle political rhetoric with objective reporting, which is today almost non-existent in the West. With international travel seriously curtailed due to the pandemic, investors can no longer visit China as many of them used to do. Given this set of circumstances, some would just not take the trouble or the risk. Consequently, they might easily miss many good opportunities, of which we are one. Well, this is their loss.

Then there are those investors and analysts who understand the vast potential in China's consumerism. They are correct, but some of them are worried about the keen competition that we may face. This fear is not justified. Allow me to explain.

Take Shanghai as an example. It is estimated that there are a total of some 26.5 million square meters of retail space. In terms of the number of developments that boast a minimum size of at least 30,000 square meters in gross floor area (GFA), there are 347. In the coming few years, these numbers are expected to reach 32.8 million square meters and 417 properties, respectively.

The other eight cities where we have a presence (including Hangzhou, where Westlake 66 is being built) can be divided into two groups. The first group has, in each city, over 10 million square meters of retail space with at least 100 malls. They are, in descending order, Hangzhou, Wuhan, and Tianjin. The second group has 8.2 million square meters to 4.2 million square meters with 75 to 46 shopping centers. Again, in descending order, they are Shenyang, Wuxi, Kunming, Jinan, and Dalian. The increase in space in the coming few years will be about 25%, except Wuhan and Kunming with, respectively, 43% and 46% more.

In my 2017 HLP annual *Letter to Shareholders* I wrote about per capita retail space among advanced economies. The highest are the U.S. with over 2.2 square meters and Canada with 1.5. Major Asian cities like Hong Kong and Singapore are at around 1.1. Western European countries tend to have a lot less, and range from the U.K.’s 0.5 to Germany’s not even 0.2. China at the time had less than 0.3, but that number probably included all cities in mainland China.

If we look only at the nine metropolises where we have a presence (again, including Westlake 66 in Hangzhou which is being constructed), the number last year was 0.84, ranging from Shanghai’s 1.06 and Hangzhou’s 1.04 to Jinan’s 0.57 and Dalian’s 0.56. This range is to be expected, since the more affluent cities will attract a lot more investments. Shanghai and Hangzhou are almost on par with Hong Kong and Singapore. Our other cities hover at around 0.70 to 0.90. With economic growth rates and salary increases considerably higher in these Mainland cities, the competitive landscapes are, in fact, not adverse. However, these numbers only tell part of the story.

Simple statistics belie an important industry characteristic that I have written about in this letter years ago. Namely, that business, as measured by tenant sales, and hence rents received, is highly unevenly distributed. First, in general, luxury malls are far fewer in number but much more lucrative. The reason is that very few developers know how to do it right. There are, perhaps, half a dozen in the entire country who have the expertise. Second, within a city, the number one luxury property almost always takes the lion’s share of the business. Only in two megalopolises, Beijing and Shanghai, can two or more facilities both make very good sales.

In all but one of the better tier-two cities where we have a presence — Wuxi, Kunming, Dalian, and Wuhan — our luxury facilities are by far the strongest. In fact, the distance between us and our closest competitor is still widening. This means we are enlarging our market share. More tenant sales will surely bring even higher rents. To be sure, defending the number one spot is far easier than overtaking the leader from an also-run position. This is why I am confident of our future.

There is a good possibility that our three sub-luxury malls will also improve in tenant sales, albeit at a much slower pace.

Westlake 66, Hangzhou

Heartland 66, Wuhan

The biggest uncertainty this year remains the pandemic. The Omicron variant is reckoned to be highly contagious but not so virulent. From the perspective of fighting the virus, this is not welcome news for a zero infection policy, even of the dynamic kind. It may be challenging.

Like last year, I expect our new Mainland office towers to continue to lease-up at satisfactory rates.

Later this year, we will try to presell our first ever luxury apartments on the Mainland at Heartland 66 in Wuhan. Thereafter, we hope to do the same at Center 66 in Wuxi, and then, not too long, at Grand Hyatt Residences Kunming, which is part of our Spring City 66.

The pandemic may also affect construction progress. We will just have to see and do our best, as such events are beyond all of us.

To be sure, our land hunt will continue. Over the decades, we have honed our skill in catching down cycles to advance ourselves. Now, amidst a sea of trouble, yet given our positive long-term outlook on China's economy, particularly its luxury goods sector, there is the possibility of, again, taking advantage of the situation.

Against this backdrop, and with Hong Kong rents expected to recover, pandemic permitting, 2022 should be a good year for us.

Ronnie C. Chan
Chair
Hong Kong, January 27, 2022

Vice Chair's Notes

Adriel Chan
Vice Chair

Warmest wishes for the New Year, and thank you for your continued support of Hang Lung.

I write again from various cities in mainland China, which are humming along very smoothly, all things considered. As people travel to and from their home towns for the long Chinese New Year holiday, based on the Chinese government's previous approach, the inevitable sporadic COVID flare-ups should be quickly identified and contained, which means that malls, restaurants, cafes, and bars should basically return to their normal, buzzing selves soon after. The atmosphere is upbeat, and I am confident that we are seeing the start of a solid 2022, provided COVID throws us no curveballs.

Since international travel to China continues to be difficult, I will share a few observations made on my travels across China so far this year, which may not be evident from abroad. I hope you will find them as useful and actionable as I have.

Speed, Intensity, and Effectiveness of COVID Clampdowns, and their Effects on the Market

There is still no getting away from COVID. Though there has been talk of the Omicron variant being the beginning of the end of the pandemic, it is premature for us to expect this imminently. The Chinese Government has acknowledged the need to react and adapt their strategy to changing conditions, which is positive, and we look forward to any measures which will further improve the operating environment. However, this pandemic has been unpredictable in character, and so we can only wait and see. We are, of course, taking all the precautions that we can.

Meanwhile, the current approach appears, still, to work, though the high transmissibility of Omicron has made it even more challenging. Mainland China uses very targeted, very strict contact-tracing, testing, and lockdowns. This helps ensure that the vast majority of people are minimally affected, and thus businesses can generally stay open. Naturally, this is good for our retail business, and so, to some extent, we have it to thank for our satisfactory results. Those who look at our results more closely will note that the second half of 2021 did not grow as quickly as the first; this is in part due to several of these targeted lockdowns in the cities in which we operate, as well as two extreme weather events which affected our Shanghai and Wuxi malls for several days each.

On the whole, however, despite the broader disruption it has brought, COVID has been an unexpected boon for our core business, and I expect the growth to continue at a very healthy but moderated pace. Observers rightly point out that the pandemic has already "onshored" virtually 100% of Chinese luxury sales. Prior to COVID, however, only about 30% of Chinese luxury purchases were made domestically, with 70% made in Hong Kong, London, Paris, and other international marketplaces. However, I believe that this "onshoring" was only one of three main drivers for Hang Lung's performance.

The full thrust from the two other drivers should be seen this year. First is the incremental luxury consumption of the Chinese customer. Through the course of the pandemic, the total value of Chinese luxury spending (i.e. domestic + international) has shrunk by about 30%, from over 90 billion Euros in 2019 down to around 60 billion Euros in 2021*. With the return to pre-pandemic travel looking just as unlikely now as it did this time last year, I expect overall Chinese luxury sales to slowly catch up to their previous levels. The vast majority of this will continue be done domestically, and much of it in our malls.

* Source: *A Year of Contrasts for China's Growing Personal Luxury Market.* 2021, Bain & Company, P.8.

The second driver is the increasing share of the Chinese luxury pie that Hang Lung is capturing. The long winter that we experienced from 2011-2017 was not wasted. Under the wise guidance of our previous CEO, Mr. Philip Chen, management laid the foundations (six new malls) and developed the tools (systems and management) to capture the luxury market when spring would return. Thus, when spring finally came in 2018, we sprung our trap. In the four years since, we signed over 100 top luxury brand contracts, and five more of our malls have taken leadership in their respective luxury markets, with work ongoing on a sixth.

For the above reasons, I remain confident that we will continue on a very healthy trajectory for some time to come.

Knock-on Effects from "Common Prosperity" and Regulation of Educational Institutions

Observing the government and markets since the initial turbulence that surrounded the "common prosperity" announcement, I have come to believe that the intended outcome is to create *more* buyers of luxury brands, not fewer. Thus, this should be beneficial to us, rather than detrimental. It appears that both brands and management consultants agree with this view. Supporting this, January figures are still strong, and our tenants continue to break their own sales records.

The shift in focus of children's activities from rote academics to more arts and sports is also beneficial to our facilities. Specialty sports centers and arts and crafts trades are increasingly entering our malls, which drive foot traffic and increase customer dwell time. They are well-suited to awkward or otherwise difficult-to-lease spaces, and have the added benefit of engaging children, which frees their parents and grandparents to browse the malls. This shift in government policy means parents will spend more time with their children, since children now spend less time in study groups. As a matter of course, we are working to capture more of this time in our facilities. Diversified academic studies should lead to broader interests among future consumers, which will drive more demand for niche trades in our malls (e.g. outdoor activity brands). In the same vein, I expect a further diversification of styles and fashion preferences, which is also beneficial to our operations.

Since our Chair has elaborated on the "Evergrande Phenomenon" in his letter to shareholders, I will not discuss it here.

The Rise of Domestic Chinese Brands, and the Plateau of Some International Brands

Browsing our malls in mainland China, you will generally find at least one floor of apparel brands that you have never seen nor heard of in North America or Europe. (In many cases, you will also have a hard time pronouncing their names.) The branding, displays, merchandising, and service are at least on par with what you would find at a high-end European department store or designer label. More importantly, the products are of very high quality, and the styles are even closer to the trends. These are the local brands and designers that are climbing up the price ladder and putting pressure on their international peers. The surge of national pride resulting from the Winter Olympics (as well as other unnecessary geopolitical causes) has added fresh fuel to this flame, which had otherwise been burning quite slowly over the past decade or two.

This pattern is probably most obvious in the sports category, where domestic brands are now steadily taking share from their European and American counterparts. I can personally vouch for the quality of the design and construction of domestic sportwear, which are now on-par with (if not better than) the biggest international names. What I find most impressive is that I could not have said this before the pandemic; that is to say, they are improving with incredible speed. As they do better business, we will also be a beneficiary.

These observations give me reassurance that not only have we chosen an excellent strategy, but that we have also done as much as we can to capture the huge opportunities that they open-up. I hope you will agree.

I will wrap up with a quick comment on Hang Lung's sustainability journey.

In the past year, we have made remarkable progress. While sustainability is, importantly, one of our core corporate values, it is also one of my own. I am especially proud of what *all* of my colleagues, leveraging our small Sustainability Team, have achieved in such a short time. The intentionally small Sustainability Team means that the understanding, planning, and implementation of our strategy must be pushed deep into Management, which gives us better understanding and buy-in, and thus higher quality execution.

These achievements are concisely captured in our **25 x 25 Sustainability Targets** ("25 x 25"). Hang Lung's 25 x 25 give us clear short- and medium-term milestones through 2025, helping to bridge the gap to our 2030 goals, which are among the most ambitious in the real estate industry. I hope that you will appreciate our effort when you see the details in our 10th stand-alone *Sustainability Report*, which will be released in a few months.

Finally, I must take the time again to thank all of my colleagues for the resilience, flexibility, and dedication that they have shown over another challenging year. Thank you.

Adriel Chan
Vice Chair
Shanghai, January 27, 2022

The "Gateway to Inspiration" party at Grand Gateway 66, Shanghai

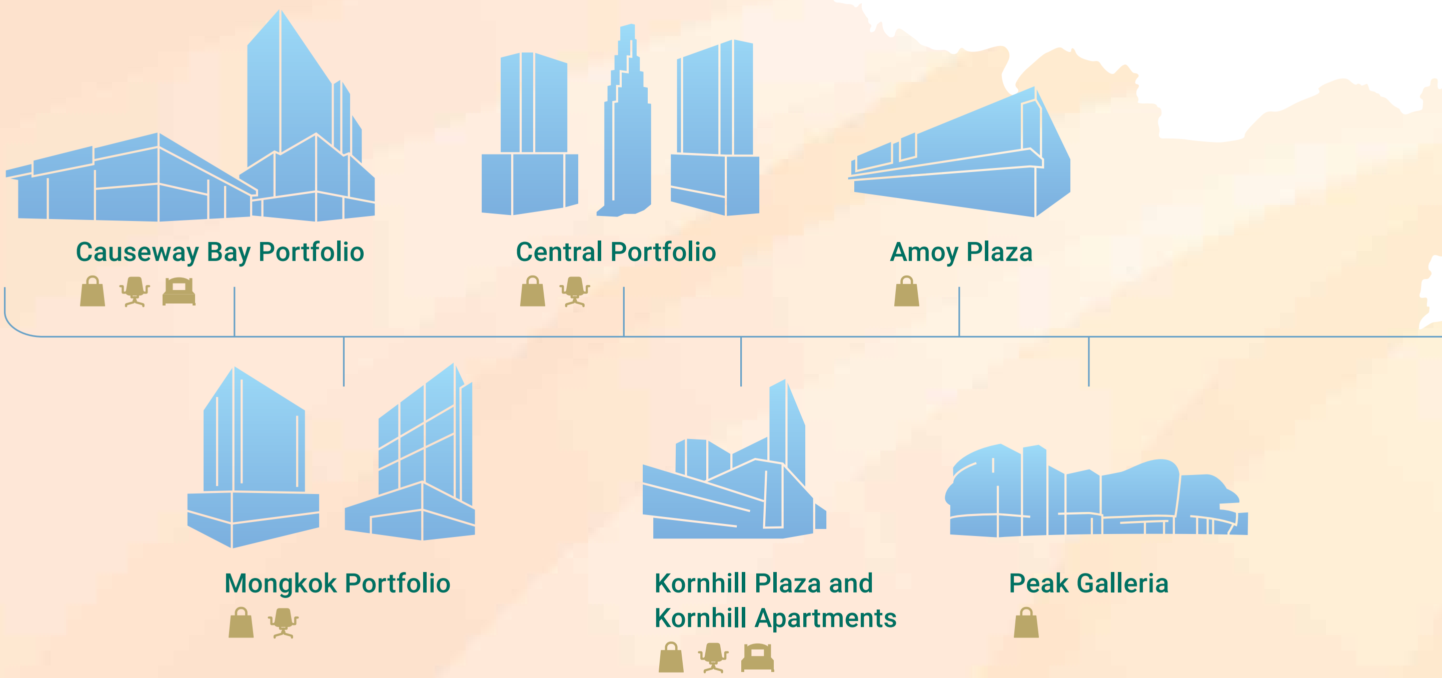
eXtraordinary eXperience

With customer-centricity at the heart of our operations, we strive to create compelling spaces that enrich lives through our diversified portfolio of world-class commercial developments


CELINE

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

Review of Operations

Portfolio Key Facts and Figures

Mainland China Properties

Brief on Properties

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, including Louis Vuitton, Chanel, Dior, Cartier, CELINE, Gucci, and more. Several brands completed their flagship store expansions at the mall, including Hermès and Saint Laurent.

The two 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.

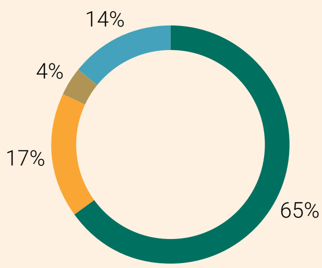
Grand Gateway 66, Shanghai

Located atop one of the largest metro stations in the city, Xujiahui Station, **Grand Gateway 66** boasts a spectrum of global luxury brands, including Bottega Veneta, Cartier, CELINE, Gucci, Tiffany & Co., Van Cleef & Arpels, and more, along with an extensive portfolio of specialty retailers encompassing fashion, cosmetics, jewelry and watches, sports and fitness, digital home appliances, and children's products. The mall also contains the first-in-China stores Diesel Hub, Charlotte Tilbury, and Royal Copenhagen, successfully establishing its position as the "Gateway to Inspiration".

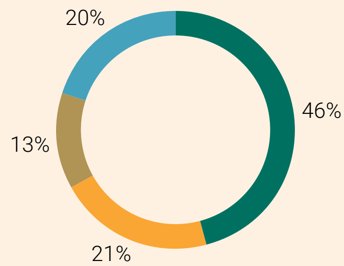
The Grade A office tower houses tenants of primary target industries in the fields of high-end manufacturing, professional services as well as fast-moving consumer goods. The high-end serviced apartments offer more than 600 suites with a luxurious array of private clubhouse facilities that continue to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

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

Retail Segment Distribution (by Leased Floor Area) — Plaza 66, Shanghai



Retail Segment Distribution (by Leased Floor Area) — Grand Gateway 66, Shanghai



Key Statistics

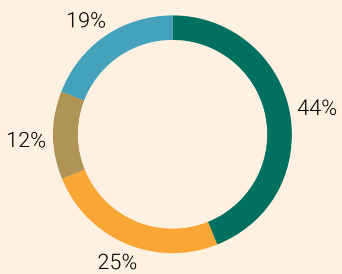
		Plaza 66, Shanghai	Grand Gateway 66, Shanghai
Gross floor area (sq.m.)	Retail	53,700	122,262
	Office	159,555	67,223
	Residential & Serviced Apartments	N/A	83,942
	Hotel	N/A	N/A
Number of car parking spaces		804	752
Occupancy rate (at year-end)	Retail	100%	100%
	Office	97%	98%
	Residential & Serviced Apartments	N/A	91%
Number of shopping mall tenants (at year-end)		132	390

Retail   Office   Residential & Serviced Apartments   Hotel

Palace 66, Shenyang

Optimally positioned in Shenyang's financial hub, **Palace 66** showcases more than 220 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. Tenants include Lululemon, Sephora, King Baby, Jewelria by Chow Tai Fook, Men Wah Bing Teng, and many others.

Retail Segment Distribution (by Leased Floor Area)



109,307
N/A
N/A
N/A
844
90%
N/A
N/A
222

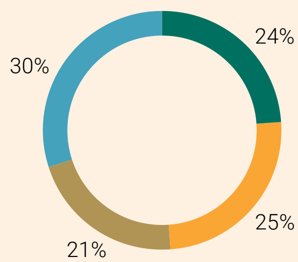
Forum 66, Shenyang

Located in Shenyang's core commercial area, **Forum 66** is a luxury-led specialty mall housing globally acclaimed labels such as Chanel, Cartier, Burberry, and numerous first-in-Shenyang stores like Balenciaga. The mall also offers a boutique supermarket, an upscale cinema, 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.

Plans are now in place to build a retail mall, Forum Residences, and office towers to complement the existing components of this thriving commercial complex.

Retail Segment Distribution (by Leased Floor Area)



101,960
131,723
N/A
60,222
2,001
90%
92%
N/A
140

Mainland China Properties

Brief on Properties

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.

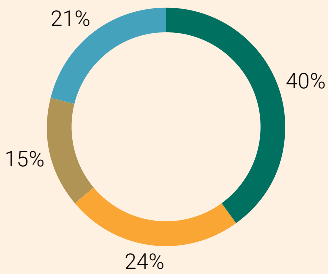
Center 66, Wuxi

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, such as BVLGARI, CELINE, Saint Laurent, Louis Vuitton, Piaget, Cartier, Gucci and more.

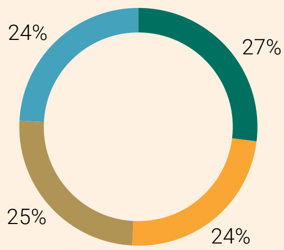
The two office towers are home to a strong mix of tenants in finance and professional services, including a large number of multinational corporations and leading domestic firms drawn to the towers' impeccable design and premium facilities, as well as our first branded and self-operated multifunctional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

Center Residences and a boutique hotel are currently under development.

Retail Segment Distribution (by Leased Floor Area) — Parc 66, Jinan



Retail Segment Distribution (by Leased Floor Area) — Center 66, Wuxi



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

Key Statistics

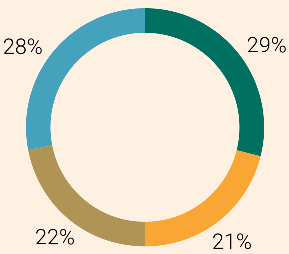
		Parc 66, Jinan	Center 66, Wuxi
Gross floor area (sq.m.)	Retail	171,074	122,227
	Office	N/A	137,543
	Residential & Serviced Apartments	N/A	N/A
	Hotel	N/A	N/A
Number of car parking spaces		785	1,292
Occupancy rate (at year-end)	Retail	93%	98%
	Office	N/A	88%
	Residential & Serviced Apartments	N/A	N/A
Number of shopping mall tenants (at year-end)		350	215

Retail   Office   Residential & Serviced Apartments   Hotel

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 affordable luxury shopping destination by improving its tenant mix and attracting new brands and first-in-town stores like Aquascutum and UDX.

Retail Segment Distribution (by Leased Floor Area)

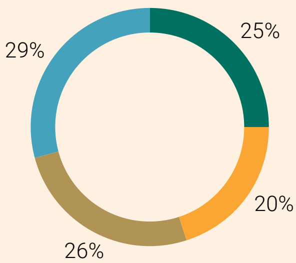


152,831
N/A
N/A
N/A
800
86%
N/A
N/A
239

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 and 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.

Retail Segment Distribution (by Leased Floor Area)



221,900
N/A
N/A
N/A
1,214
87%
N/A
N/A
327

Mainland China Properties

Brief on Properties

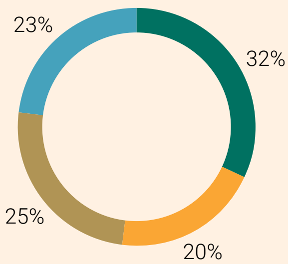
Spring City 66, Kunming

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; such as Louis Vuitton, Dior, Gucci, CELINE, BVLGARI, and Rolex, 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 like Ernst & Young, SIEMENS, Haitong Securities, and others.

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 2023 and 2024 respectively.

Retail Segment Distribution (by Leased Floor Area)



Heartland 66, Wuhan

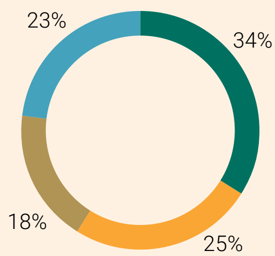
Situated in Wuhan's commercial and business heart with high accessibility, **Heartland 66** is our first large-scale commercial development in Central China.

Opened in March 2021, the shopping mall offers world-class retail, leisure, and entertainment elements including numerous first-in-town flagship or specialty stores such as CELINE, Fendi, LOEWE, Balenciaga, Chaumet, Fred, IWC, Piaget and others.

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

Construction of the Heartland Residences is underway and scheduled for completion in stages from the second half of 2023, with pre-sale beginning in the first half of 2022.

Retail Segment Distribution (by Leased Floor Area)



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

Key Statistics

		Spring City 66, Kunming	Heartland 66, Wuhan
Gross floor area (sq.m.)	Retail	165,375	177,140
	Office	167,737	151,472
	Residential & Serviced Apartments	N/A	N/A
	Hotel	N/A	N/A
Number of car parking spaces		1,629	2,265
Occupancy rate (at year-end)	Retail	97%	84%
	Office	71%	57%
	Residential & Serviced Apartments	N/A	N/A
Number of shopping mall tenants (at year-end)		298	284

Retail　Office　Residential & Serviced Apartments　Hotel

Hong Kong Properties

Brief on Properties

Causeway Bay Portfolio

An elite shopping destination spanning three core areas – Paterson, Food Street, and Kingston – **Fashion Walk** features numerous internationally renowned fashion, beauty, and lifestyle brands such as Max Mara, Vivienne Westwood, Ted Baker, CHANEL BEAUTÉ, SkinCeuticals, and LOG-ON, along with rich dining offerings that enhance the visitor experience.

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.

Central Portfolio

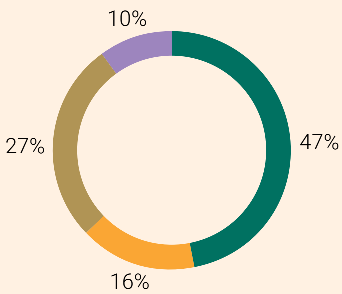
Our Central portfolio consists of four office buildings with retail components.

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).

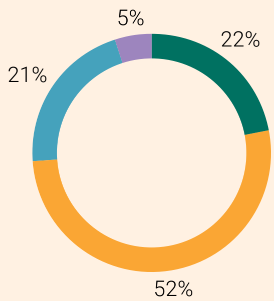
1 Duddell Street, Printing House, and Baskerville House contain influential tenants from the financial and professional services sectors and are also known for their fine-dining establishments such as Duddell's, Wolfgang's SteakHouse, SUSHI SASE and ESTRO. Together with Mott 32 and ODDS in the Standard Chartered Bank Building, these four buildings form a thriving fine-dining hub in Central.

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

Retail Segment Distribution (by Leased Floor Area) – Causeway Bay Portfolio



Retail Segment Distribution (by Leased Floor Area) – Central Portfolio



Key Statistics

		Causeway Bay Portfolio	Central Portfolio
Gross floor area (sq.m.)	Retail	39,849	10,336
	Office	22,131	39,705
	Residential & Serviced Apartments	7,935	N/A
Number of car parking spaces		126	16
Occupancy rate (at year-end)	Retail	100%	97%
	Office	78%	82%
	Residential & Serviced Apartments	77%	N/A
Number of shopping mall tenants (at year-end)		96	12

Retail Office Residential & Serviced Apartments

Hong Kong Properties

Brief on Properties

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. Among the numerous prestigious tenants are the world's first Monopoly-themed pavilion, Monopoly Dreams Hong Kong; 37 Steakhouse & Bar and Camellia from Japan; Pandora, the renowned Danish jewelry brand; and Nayuki fruit tea and bakery café. Notable stores recently introduced to the mall include the new-to-Hong Kong experiential location GO@PEAK GALLERIA, and The Barkyard, which offers a swimming pool and grooming facilities for pets. Peak Galleria is also renowned for being one of the most popular pet-friendly shopping malls in town.

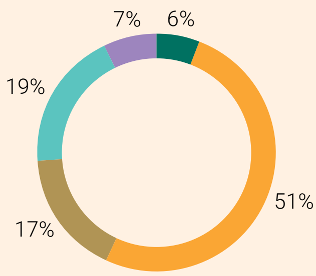
Kornhill Plaza and Kornhill Apartments

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.

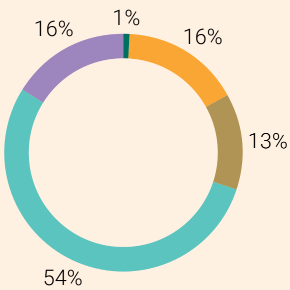
Attached to Kornhill Plaza is an office tower accommodating a variety of education providers and prominent businesses, and Kornhill Apartments, which features 450 units and is one of the largest apartment blocks in the area.

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

Retail Segment Distribution (by Leased Floor Area) — Peak Galleria



Retail Segment Distribution (by Leased Floor Area) — Kornhill Plaza



Key Statistics

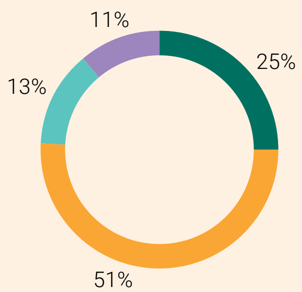
		Peak Galleria	Kornhill Plaza and Kornhill Apartments
Gross floor area (sq.m.)	Retail	12,446	53,080
	Office	N/A	10,577
	Residential	N/A	35,275
Number of car parking spaces		493	1,069
Occupancy rate (at year-end)	Retail	97%	100%
	Office	N/A	96%
	Residential	N/A	63%
Number of shopping mall tenants (at year-end)		49	118

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 Foot Locker Power Store and the mega lifestyle concept store AEON STYLE, along with a 15,000-square-foot dining floor at the basement level, 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 watches and jewelry 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.

Retail Segment Distribution (by Leased Floor Area)

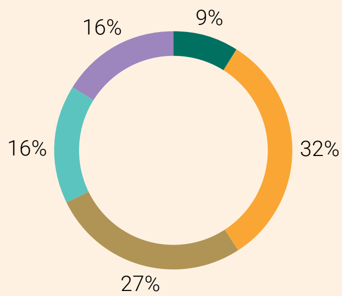


28,359	
61,456	
N/A	
518	
85%	
95%	
N/A	
31	

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 and restaurants, the mall offers a spectrum of lifestyle experiences for residents and office workers in the neighbourhood.

Retail Segment Distribution (by Leased Floor Area)



49,006	
N/A	
N/A	
620	
96%	
N/A	
N/A	
248	

Review of Operations

Mainland China Property Leasing

Record-high rental revenue was achieved as a result of strong retail market sentiment and robust performance across our portfolio of luxury malls, along with continued investment into the customer relationship management (CRM) program HOUSE 66.

With COVID-19 well controlled within mainland China, the retail leasing sector experienced strong growth during 2021 as retail sales recovered following a sharp market contraction in 2020. The recovery was most pronounced in the luxury end of the market despite occasional update of COVID-19 cases that affected retail sentiment. The mid-market also experienced growth and spending recoveries as the Mainland recovered from the dip caused by the pandemic.

Over the past decade, China, particularly the Chinese consumers has taken the lead within the global luxury retail market. The strategic importance of the country has attracted the world's top ten most valuable luxury brands such as Louis Vuitton, Chanel, Hermès and Gucci all operating their stores here. Decades of fast-paced economic development have fueled a significant increase in incomes in China, contributing to the growth of young, affluent and rising middle class which supports the strong growth momentum in the luxury retail market in recent years. The quest for design, creativity and heritage among Chinese young consumers in their 20s and early to mid-30s through the purchase of high-end luxury goods is more evidenced, as compared to their counterparts in other markets. Other factors, such as the continued repatriation of luxury consumption due to international travel restrictions, and a more comprehensive line-up of products as global brands entered or sped up opening stores in the mainland China, also contributed to the luxury retail growth in the market.

The office leasing sector remained competitive throughout the year, with continuous new supply of office spaces in general that heightened competition for tenants. Market demand in first-tier cities is solid while the demand in second-tier cities is on the road to recovery. Professional services, technology, media and telecommunications (TMT), pharmaceuticals, and multinational corporations were among the more resilient during this period.

Business Overview

Our Mainland shopping malls continued to capture the robust growth in the luxury retail market. This is largely due to our ongoing investment in the HOUSE 66 CRM program; our demand-led tenant mix and collaborations with top-tiered luxury brands in offering comprehensive product range and world-class experiences to our customers. A record high in rental revenue and tenant sales was achieved during the reporting year, driven by the double-digit revenue growth across our luxury malls in Shanghai, Shenyang, Wuxi, Dalian, and Kunming where our top five luxury brand partners in terms of rental revenue contribution including LVMH, Kering, Richemont, Hermès and Chanel have established a presence.

Olympia 66 in Dalian achieved significant growth in both rental revenue and tenant sales due to its successful transformation to a luxury-led regional mall during the reporting year and rich line-up of top luxury brands commencing business in the second half of the year. Grand Gateway 66 in Shanghai enjoyed the impact of its first full year following the completion of the three-year Asset Enhancement Initiative (AEI) that offers an enriched brand mix and unique customer experiences, further solidifying its position as the "Gateway to Inspiration" within the market. Adding to our impressive portfolio of luxury malls is Heartland 66 in Wuhan, which got off to a flying start since opening in March 2021.

Moderate growth was recorded at our sub-luxury malls, including Palace 66 in Shenyang, Parc 66 in Jinan, and Riverside 66 in Tianjin.

Looking ahead, we remain positive about the performance of our mall portfolio and expect that consumers will remain spending majority of their luxury goods purchases on the Mainland even after the international borders reopen, as the world-class experiences offered by the luxury brands along with the support of our HOUSE 66 CRM program have successfully solidified customer loyalty and stickiness with our luxury malls.

Our office portfolio remained stable and continued to demonstrate resilience amid varied market situations. Positive growth in revenue was recorded during the reporting year, with many existing tenants opting to either renew their leases or expand. The success of our portfolio can be attributed to the landmark locations, mixed-use development, quality property management services and our tireless drive on sustainability that keep us top of mind among international companies, premium local corporations, and state-owned enterprises. Our three new office towers that opened in Wuxi, Kunming and Wuhan in 2019 and 2020, will continue to support growth in the office segment.

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

Luxury Malls
↑30%

Sub-luxury Malls
↑2%

Offices
↑13%

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

Completed Investment Properties
2.36 million square meters*

Properties under Development
1.03 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 61

For a detailed breakdown of gross floor area of our properties under development, please refer to table "A. Major Properties under Development" on page 58

Plaza 66's annual "Home to Luxury" Party boosted tenant sales and customer loyalty with exclusive luxury fashion offers, celebrity performances, and interactive touchpoints

Plaza 66, Shanghai

Shopping Mall

Plaza 66 achieved another year of outstanding performance with solid growth in rental revenue and tenant sales as travel restrictions caused by the COVID-19 pandemic encouraged the return of luxury spending to Shanghai.

Home to over 100 global luxury and dining brands, the high-quality tenant mix was further enhanced by the newly opened Burberry flagship store, while existing flagship stores Hermès, Saint Laurent, CELINE, Goyard, Balmain, and Fendi completed their expansions. In the last quarter, Gucci began its expansion across four levels.

With a focus on the mainland China market, the HOUSE 66 CRM program was well-received by tenants and customers, while the member-exclusive events such as the annual "Home to Luxury" party and the mall's 20th anniversary campaign boosted tenant sales, strengthened customer loyalty, and further confirmed the position of Plaza 66 as the "Home to Luxury".

The steady growth of Plaza 66's tenant sales is expected to continue into 2022 due to reduced international travel, along with the expansion plans and marketing campaigns of luxury brands within the mall.

Steps are being taken to further refine the tenant mix across floors L3, L4, and B1 while introducing new exclusive brands to solidify Plaza 66's position as a premium shopping destination.

Office Towers

The excellent service quality and prime location of two Grade A office towers continue to attract top-tier multinational corporations and domestic firms in fashion and accessories, financial, and professional services, resulting in a well-balanced blend of high-quality tenants.

The ongoing high demand and low supply on Nanjing West Road, coupled with the 14th Five-Year macro-economic policy, resulted in a steadily rising occupancy trend with an occupancy rate of 97% by the end of 2021. As a result, the occupancy and rental rates in Plaza 66 Office Towers are expected to remain stable moving into 2022 despite the competition for tenants and aggressive push by landlords to fill office spaces in the more peripheral districts.

During 2022, there will be a focus on tenants' wellness with an upgrade of building facilities, daily operations and service standards within the towers to provide an enhanced working environment and an improved synergy with Plaza 66 mall, including exclusive benefits and privileges offered to office tower tenants.

Grand Gateway 66, Shanghai

Shopping Mall

The mall experienced remarkable growth in rental revenue and tenant sales during 2021 due to the well-managed COVID-19 pandemic, the repatriation of high-end spending due to travel restrictions, and the completion of the three-year AEI. The "Gateway to Inspiration" annual party cemented the mall's position as a regional landmark lifestyle center offering rich luxury content and became the talk of the town with the first X-show performance by Cirque du Soleil.

The launch of HOUSE 66 saw significant growth in both member base and spending, while marketing initiatives in collaboration with tenants helped build customer loyalty. Luxury anchor Louis Vuitton expanded into a duplex flagship store carrying both the men's and women's complete collections and was joined by first-in-China stores Diesel Hub, Charlotte Tilbury, and Royal Copenhagen.

The positioning upgrade for the North Building began in the fourth quarter of 2021, and luxury tenants will include watches and jewelry brands Rolex, IWC, Hublot, Panerai, and Messika, followed by high-end designer labels in 2022 to further enhance the fashion offerings for customers. Stores planning expansions and upgrades include luxury brand Burberry, prominent local designers Dazzle and MO&Co., and the lifestyle sports brands Descente, adidas Original, and The North Face.

Moving into 2022, there is a positive outlook as domestic consumption is expected to grow, coupled with the enhanced positioning of the mall and the continued upgrades in brand mix within the luxury and non-luxury sectors. Additional dining options, luxury kids' and lifestyle brands, and collaborations with luxury tenants through the HOUSE 66 CRM program will grow a quality membership base and customer loyalty.

Office Tower

Performance of the Grand Gateway 66 Office Tower remained strong, and rental revenue reached a historical peak which can be attributed to the optimized tenant mix within the building. Existing tenants of primary target industries such as high-end manufacturing, professional services, and fast-moving consumer goods (FMCG) experienced growth, and multiple high-quality tenants such as Beiersdorf and Timken were retained. New tenants included Dr. Martens and New Hope Group.

The world-renowned Cirque du Soleil brought an eye-opening circus performance to the Grand Gateway 66's "Gateway to Inspiration" Party in October

There continued to be strong demand for quality office spaces within Xujiahui, and despite another competitor entering the market, it is expected that the occupancy rate within the tower will remain high during 2022 as existing tenants expand and major lease renewals are achieved.

Residential and Serviced Apartments

The serviced apartments have continued to attract families, executives, and entrepreneurs, with the local client base nearly doubling, compensating for the weakened demand from expatriates in 2021 due to travel restrictions from the pandemic. Rental revenue increased mildly in 2021, with occupancy returned to pre-COVID-19 level and achieving a healthy 91% by the end of 2021.

The strengthening of digital programs has enabled customers to view the compound online, facilitating easier booking decisions in a time of travel restrictions.

The anticipated gradual opening of domestic and international travel, coupled with stable economic momentum and the completion of additional Grade A offices in Xujiahui in 2022, will create ongoing serviced apartment demand at the local and expatriate level. The serviced apartments will focus on upgrading amenities and services to enhance the overall experience of customers in the year ahead while looking to further develop sustainability initiatives.

Palace 66, Shenyang

Palace 66 achieved respectable revenue growth and tenant sales in 2021 amidst a sluggish retail environment affected by the resurgence of COVID-19 in Northern China and tightened social distancing measures. The poor retail sentiment was especially apparent in the second half of 2021.

Despite the challenges, tenants such as Starbucks, Converse and Häagen-Dazs upgraded their store during the year. The mall also welcomed new tenants – Sephora, Lululemon, King Baby, Lanxingzi, and Tony Studio, further enhancing the tenant mix popular with young families.

The data collected during the year from HOUSE 66 gave us an analytical understanding of shoppers' tastes and preferences, allowing for targeted marketing campaigns. "Boom! Summer Pop!", a trendy and social media engaging marketing event produced increase tenants' sales and higher footfall as compared to the same period in 2020. Multiple collaborations were conducted with tenants assisting them in their brand building efforts to improve customer loyalty and traffic. These also benefited the mall with higher exposure across multiple online and offline social mediums.

Interactive events like the colorful pop-up flower market stimulated an increase in footfall at Palace 66

Installations of the trendy icon FARMER BOB brought an energetic vibe to Forum 66

Moving into 2022, the mall will focus on enhancing food and beverage offerings by introducing more varied and in-trend dining options, while working on attracting more premier fashion and accessories brands into the mix.

Forum 66, Shenyang

Shopping Mall

During 2021, Forum 66 achieved the highest tenant sales since inception with an increase in rental revenue and the year-end occupancy rate despite several COVID-19 resurgences. The growth is attributed to continued international travel restrictions, which led to increased local spending on luxury goods, and the positioning of Forum 66 with luxury marques.

New tenants included Tasaki, Fred, Moncler, Tod's, Burberry, and Balenciaga, most of which were first-time stores in Shenyang and Northern China. There was also an increase in designer labels tenants and a greater mix of well-known fashion brands on level two.

Sensational experiences offered by Forum 66 included the ninth anniversary celebration and Conrad Shenyang's second anniversary party, aptly named "Above the Cloud". A first within mainland China, this large-scale celebration brought together the shopping mall and hotel, creating a new model of business cooperation that maximized their synergy. Combined with the successful HOUSE 66 CRM program, these efforts deepened customer engagement and loyalty during 2021.

With continued refinement of the mall's trade mix and further enrichment of its luxury content, the 2022 outlook is optimistic with steady growth.

Office Tower

The Forum 66 Office Tower is recognized as a well-established, high-quality landmark office complex within the Grade A office market in Northeast China. During 2021, the office tower retained key tenants and acquired new high-quality tenants to achieve record-high rental revenue and a year-end occupancy rate of 92%, despite the fierce competition and an uncertain economic climate.

There was a mix of international and domestic tenants throughout the year, reinforcing the office tower's leading position with the market. Moving into 2022, there will be a focus on enhancing services in order to attract more multinational corporations and high-quality domestic companies amid the heavy market competition.

A collaborative event with Disney at Parc 66 created online and real-world interactive experiences

Hotel

Despite the market not reaching its potential during the year due to the COVID-19 pandemic, the five-star Conrad Shenyang hotel continued to solidify its position as the leading hotel in the city, achieving the number one ranking revenue per available room according to Smith Travel Research data. There was a healthy split demonstrated between hotel room sales and food and beverage.

It is anticipated that during 2022 the hotel will experience residual travel hesitancy through the first quarter and potentially into the second quarter, while a gradual opening of both domestic and international travel is expected thereafter. As travel returns, there is underlying optimism toward the third and fourth quarters revenues based on pent-up demand.

Parc 66, Jinan

Located in the heart of Jinan's Central Business District with proximity to tourist attractions, Parc 66 is top of mind for mid-to-upmarket brands. Despite being in a recovery stage after the COVID-19 outbreak and footfall impacted by extreme weather, the mall's effective marketing campaigns in 2021 helped stimulate consumer demand with the year-end occupancy rate maintained at a similar level compared to 2020 and tenant sales rising by 20%.

New tenants included first-in-town stores Lululemon, Redline, Venchi, Aquascutum, HEFANG, Trek & Travel, and UDX, while food and beverage anchor M Sky opened on floor L6 with an impressive 4,000-sq.m outdoor seating area, creating a unique alfresco wine and dine experience. The opening of world-class dining outlets such as Japanese restaurant, Hua Sheng and Chinese restaurant, Yue Xiu in 2022 will further enhance the dining experience offered.

The improved tenant mix saw sports flagship stores opening with more contemporary casual wear elements, an enhancement in children's fashion flagships, and food and beverage tenants.

From June 2021, the three-year AEI commenced in phases, which will uplift the mall's positioning and luxury content to achieve long-term competitiveness and profitability. A high-end beauty hub will be introduced in 2022 to capture the market's strong demand for luxury items. HOUSE 66 will continue to strengthen relationships with consumers, and marketing campaigns will draw visitors from nearby cities.

Center 66, Wuxi

Shopping Mall

An undisputed leader in luxury retail within Wuxi, Center 66's performance was strong, with many shoppers opting to drive to the mall, including from nearby cities during holidays and festive seasons. Tenant sales increased, and rental revenue rose in response to the tenant sales and healthy rental reversions.

The year-end occupancy rate benefitted from the enrichment of tenant mix and retail ambience. 2021 was the first full year with the current key luxury brands on floor L1, while continued efforts were made to improve the tenant mix on other spaces. Tenants included first-in-town stores Breguet, Redline, The Beast Florist, Burberry Beauty, Putien Restaurant, T9 Premium Tea House, and an outdoor Rolls-Royce pop-up store. HOUSE 66, launched in 2019, continued to help Center 66 foster customer loyalty, tenant collaborations, and ultimately greater customer satisfaction.

There is a positive outlook for 2022 with expected growth in tenant sales. In conjunction with organic growth, efforts will be made to continue the fine-tuning of the tenant mix and improving customer experience by promoting entry of strategic brands and improvement of existing tenants.

Center 66 held workshops exclusive for HOUSE 66 members to strengthen relationships with our loyal customers

Office Towers

With a strong mix of tenants in financial and professional services, and TMT, the two office towers at Center 66 are considered a landmark location within Wuxi. Multinational corporations and leading domestic companies accounted for almost 60% of the leased areas. Despite the uncertain economic environment, both office towers reported solid occupancy rates, with Office Tower 1 and Office Tower 2 achieving an occupancy rate of 90% and 85%, respectively, by the end of 2021.

Our first branded and self-operated multifunctional workspace, HANGOUT, continued to receive positive feedback from quality tenants.

Looking ahead, efforts will continue to be made on optimizing the tenant mix and improving the renewal process with key tenants. Collaborations with local government-related bureau and the Chamber of Commerce will be enhanced to attract more companies to Wuxi and bolster the market.

Riverside 66, Tianjin

Recovering from the impacts of the pandemic in 2020, Riverside 66 experienced a pleasant increase in tenant sales, with the year-end occupancy rate rising from 76% in 2020 to 86% in 2021.

The mall continued to uplift its positioning by attracting new brands, with 60 brands signing leases during 2021. These included: Aquascutum, UDX, Daniel Hechter, Trek & Travel, Wei Park, 52TOYS, and Pizza Bianca – some of which are first-in-town brands to Tianjin.

HOUSE 66 memberships grew considerably, and deepening engagement with customers and tenants allowed for targeted marketing campaigns and more differentiated experiences.

During 2022, there will be a focus on improving the tenant mix within the mall to enhance its offerings, especially in premium ladies' fashion and jewelry.

Riverside 66 spread festive joy with live performances during its "Mystical Christmas Forest, Everlasting Winter Warmth" campaign

Olympia 66 hosted a fun fifth-anniversary party with interactive events, special discounts, and a lucky draw involving more than 150 tenants

Olympia 66, Dalian

Despite the challenging landscape, Olympia 66 performed impressively, with tenant sales, occupancy, and rental revenue rising significantly. Daily footfall grew 54% compared with last year, and HOUSE 66 expanded its membership base with high-spending customers.

The Datong Street Underground Passenger Tunnel opened in April 2021, connecting the mall and Metro station on Line 2. The opening of the underground passenger tunnel has boosted access to the mall by linking the Metro with floor B1 of the mall and seamlessly connecting citizens of Dalian with the wealth of shopping and entertainment experiences awaiting them within Olympia 66.

Notable luxury brands joined the tenant mix, with the wave of luxury openings beginning with Italian premium jewelry and accessory brand BVLGARI, which is exclusive to Olympia 66, and continuing with Brunello Cucinelli, another prestigious Italian fashion brand that opened in May. In June, Armani Group's Emporio Armani migrated from a competing mall, and together with Moncler, opened stores in the luxury zone on floor L1. In December, Louis Vuitton's ladies and men's stores opened. Other top luxury brands that opened stores include CELINE, Tiffany & Co., Chaumet, Fred, Loro Piana, Montblanc, TimeVallée, Burberry, Dior, Fendi, Balenciaga, and Qeelin, all of which achieved strong sales results.

It is expected that 2022 will be a strong year, with a rich line-up of top-tier luxury tenants opening stores. Subsequent to the opening of Gucci's duplex store in January, other brands including Tory Burch, Marc Jacobs, Philipp Plein, Tod's, HOGAN and Rolex will follow suit. There will be a concentrated effort around digital and non-digital marketing and a focus on enhancing customer service to offer a premium shopping experience.

Spring City 66 arranged flash mob shows at its anniversary celebration, bringing an immersive shopping experience to customers

Spring City 66, Kunming

Shopping Mall

Spring City 66's position as Kunming's hub of prime luxury was fortified with international brands establishing their flagship or pop-up stores in the mall, including some first-in-Kunming luxury labels. In 2021, Spring City 66 achieved an increase in rental revenue and tenant sales and was almost fully let by the end of the year.

The second anniversary celebration "Spring into Life" was a success, drawing shoppers and boosting tenant sales to record highs across the two-day event. HOUSE 66 played an important part with strong collaboration between the mall and tenants to attract and retain members.

With the mall already offering comprehensive trade-mix and tenant-mix, the outlook for 2022 is positive. There will be some further tenant-mix refinement within the food and beverage brands and efforts to attract more first-in-town retail stores, so the mall can continue to provide an unrivaled experience.

Office Tower

The Grade A Spring City 66 Office Tower successfully attracted multiple Fortune 500 companies and quality domestic tenants from industries such as insurance, professional services, trading, and TMT, strengthening its position as a landmark location in Kunming. The occupancy rate was 71% as at the end of the year.

Moving into 2022, there will be a focus on attracting tenants from different traditional industries to further improve the tenant mix, while an emphasis will be placed on securing the renewal intentions of existing tenants as early as possible.

Heartland 66, Wuhan

Shopping Mall

Heartland 66 in Wuhan is the tenth mall within our Mainland portfolio and our first large-scale commercial complex in Central China. The mall has performed impressively since opening its doors in March 2021 and continues to offer world-class retail, leisure, and entertainment elements under its "Start Anew" concept.

Flagship and first-in-town stores CELINE and Balenciaga achieved strong sales, while popular restaurants Dong.Fa.Tao and Nashi Xinjiang opened their doors and attracted high footfall. Luxury international fashion and jewelry stores Hermès, Cartier, and Tiffany & Co. will be joining the mall in 2022, joining an impressive assortment of luxury brands already opened in 2021, including Louis Vuitton, Dior, Gucci, among many others.

The mall's occupancy rate met expectations, while tenant sales and rental revenues exceeded expectations. Footfall had been improving since its opening, as at the end of the reporting period, two million visitors had entered the mall.

HOUSE 66 proved to be a strong tool with customers attracted to the shopping benefits and value-added privileges. Within six months, members' sales penetration at Heartland 66 had comprised nearly 55% of the total retail sales and highlighted the program's strategic value within the portfolio.

Looking ahead, the tenant mix within the mall will continue to be refined, with an emphasis on replacing underperforming stores and improving the tenant mix to tailor it more to local consumers' needs.

Office Tower

The office tower at Heartland 66 opened for occupancy in November 2020 and is a prestigious location in Wuhan. It successfully leads the highly competitive market, achieving high occupancy and premium tenants. Rental revenue is increasing steadily as occupancy rates rise, and most major transactions resulted from letting spaces to new, high-quality multinational and domestic companies.

Major tenants include Fortune 500 and international companies TotalEnergies, Ernst & Young, DHL, Johnson & Johnson, Rider Levett Bucknall, Pernod Ricard, and Ping An Life Insurance, CITI – Prudential Life Insurance, China Railway Trust, China CITIC Bank, Taikang Life Insurance, and Everbright Securities. The tenant mix will be further enhanced as the occupancy rate increases.

During 2022, the market is expected to be more challenging as market supply increases, causing high vacancies and lower rental rates. To strengthen the office tower's leading position in the market, efforts will be made to improve tenant mix and capturing further opportunities to create greater synergy between the mall and office tower.

Superior in design, tenant mix, service, and experiences, Heartland 66 is a world-class landmark in Wuhan that reflects the city's pulse and dynamism

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

With the prestigious Grand Hyatt as the operator, this luxury hotel is set to become an accommodation and social hub for the local community and international travelers. Situated at Spring City 66 in Kunming, the development will be the city's first fully-integrated mixed-use project that comprises a world-class shopping mall, a Grade A office tower, a luxury hotel, and branded premium serviced residences. Featuring 332 guestrooms and suites, state-of-the-art amenities, and extraordinary dining experiences, the hotel will cater to the most discerning local residents and international business and leisure travelers. The Grand Hyatt Kunming hotel is scheduled to open in late 2023.

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

Total gross floor area
98,054 square meters (including the total gross floor area of Grand Hyatt Residences Kunming)

Expected year of completion
2023

Wuxi – Hotel

The distinctive and luxurious boutique hotel in Wuxi forms part of the Phase 2 development of Center 66, which currently features a shopping mall and two office towers. It will include a seven-story tower and three-story heritage building that will be developed into premium accommodation with 106 hotel rooms. Creating a fusion of old and new, complementing and enriching the Center 66 experience, the hotel is targeted to open in late 2024.

Location
Jiankang Lu, Liangxi District, Wuxi

Total gross floor area
7,165 square meters

Expected year of completion
2024

Westlake 66, Hangzhou

The Westlake 66 site is being developed into a high-end commercial complex, comprising of a world-class shopping mall, five Grade A office towers, and the prestigious hotel Mandarin Oriental Hangzhou. The project is scheduled for completion by phases from 2024 onwards. Featuring over 190 guestrooms and suites, the Mandarin Oriental Hangzhou is currently in its early design phase with an intended opening date in 2025 and is anticipated to become the social hub in the city for both residents and visitors alike.

Location
Bai Jing Fang, Xiacheng District, Hangzhou

Total gross floor area
194,100 square meters (including above ground only)

Main usage
Retail, office, hotel

Expected year of completion
2024 onwards

Forum 66, Shenyang

The remaining phases of Forum 66 in Shenyang consist of a retail mall and offices complementing the development's existing luxury shopping mall, Grade A office tower, and the Conrad Shenyang hotel. The project is scheduled for completion in stages from 2027 onwards.

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
2027 onwards

Hong Kong Property Leasing

The portfolio was set to recover as market sentiment continued to improve amid the stabilizing COVID-19 situation throughout much of 2021 and launch of the government's Consumption Voucher Scheme in Hong Kong, coupled with our efforts in enhancing the tenant mix tailored for local consumers' needs, and the launch of our CRM program to deepen engagement with customers and tenants.

Market Landscape

The retail leasing market continued to improve with the COVID-19 pandemic under control throughout much of 2021 until concerns over the recent Omicron outbreak, the government's Consumption Voucher Scheme boosting consumer spending, and various business marketing campaigns energizing the retail market.

The economy continued to gain traction during the year, with unemployment figures falling to 3.9%. Figures released by the Census and Statistics Department showed that total retail sales value grew by 8.1% in 2021 over 2020.

There were some slight changes to consumer behavior as a result of COVID-19 and the travel restrictions in place, with local consumers favoring unique experiences, outdoor activities, and special offers and discounts. This indicates the importance of the continued focus of CRM programs among mall operators to attract and retain customers.

The recovery of the retail leasing market is highly dependent on whether the recent fifth wave of the COVID-19 pandemic can be put under control, and when the Hong Kong-mainland China border will re-open.

A mild correction is still expected across Grade A office rents during 2022, adding to pressure on commercial landlords as competition for tenants heats up amid rising vacancy rates and increased commercial space becoming available in the peripheral districts.

Hong Kong Property Leasing Continued to Demonstrate Resilience

Tenant Sales

↑8%
Year-to-year

Retail

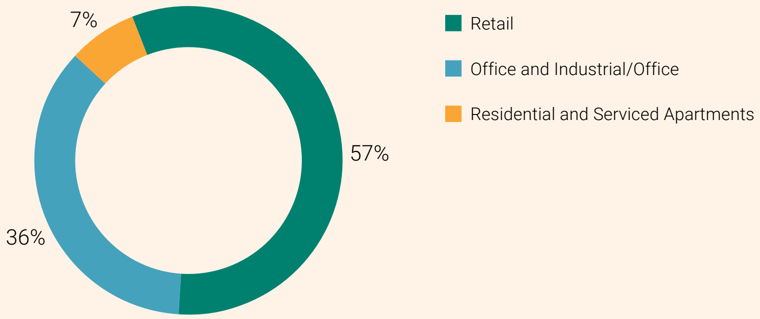
Occupancy Rate#
97%

Office and Industrial/Office

Occupancy Rate#
87%

All occupancy rates stated therein were as of December 31, 2021

Distribution of Revenue of Our Hong Kong Property Leasing Portfolio in 2021



Business Overview

Shopping malls in our Hong Kong portfolio enjoyed high occupancy rates, with many sitting at 100% throughout the year thanks to the management teams' well-thought-out leasing strategies. The unique tenant mix within the properties was a key strategy for development, as the diverse range of shops coupled with mid- to high-end food and beverage outlets helped draw in consumers.

The tourist-centric mall Peak Galleria also noticed a slight increase in traffic with our e-shopping coupons, which attracted more locals visiting the mall. To capture this growing market, the teams have been changing their tenant mix to attract more local shoppers while waiting for travel restrictions to ease.

The "hello Hang Lung Malls Rewards Program" and the Hang Lung Malls App were launched in 2021, enabling over 100,000 members to earn unlimited points and redeem them for attractive gifts or enjoy personalized shopping experiences in one centralized location. During the second half of 2021, the "Go Shopping! Rewards Program" was successfully launched through the Hang Lung Malls App, stimulating both tenant sales and footfall within the malls.

Causeway Bay Portfolio

Despite unfavorable market conditions with border restrictions and social distancing measures in place, Fashion Walk was able to maintain 100% occupancy at the end of 2021. A strong line-up of tenants in fashion, beauty, and lifestyle was introduced to this distinctive shopping destination during the reporting year. New Balance debuted its GREY concept in Hong Kong – the third in the world after Tokyo and Beijing – and Guerlain opened a special concept store featuring rotational themes year-round.

The portfolio of exclusive fashion and lifestyle shops was bolstered by additions from AIGLE, Initial Gentlemen, O.N.S kapok, Vivienne Tam, German Pool, and at.home, while the dining offering was strengthened by the opening of Ramen House Hototogisu, and Studio City by Cali-Mex. The additions of high-end and trendy collectibles shops, including Hot Toys Echo Base and AMAZ By Lokianno further added to the diverse variety of stores that appeals to our customers.

Pop-ups and concept stores are constantly reenergizing Fashion Walk in Causeway Bay

Our Central portfolio presents customers with a selection of premium and exceptional dining outlets

Looking ahead, efforts will be made to enhance the blend of tenants with a focus on global fashion, beauty, and trendy street fashion trades. Occupancy at the nearby Hang Lung Centre remained stable in 2021 despite major segments of our tenant mix hit hard by the pandemic, including fashion wholesalers and travel agencies. We will persist in capturing more tenants in medical, beauty, and lifestyle segments, which are more resilient against challenging economic situations.

Central Portfolio

The Central portfolio comprises four office buildings – Standard Chartered Bank Building, 1 Duddell Street, Printing House, and Baskerville House – and continued to attract excellent tenants from the finance and professional service sectors.

The overall retail and office leasing performance remained solid, with high occupancy rates amid ongoing COVID-19 impacts and market uncertainty. On the retail leasing side, the fine-dining offerings at the Central portfolio, which features renowned establishments such as Mott 32, Duddell's, SUSHI SASE and Wolfgang's SteakHouse, were further enhanced with the additions of ODDS, a Japanese restaurant offering sushi and teppanyaki, and ESTRO, an Italian restaurant opened by Michelin-star chef Antimo Maria Merone. For the office leasing side, despite some downsizing decisions in the fourth quarter of 2021, efforts have been paid to diversify the office sizes and offer more refurbished units or sub-divided office spaces to accommodate the change in market demand.

Peak Galleria

Despite the plunge in international tourist arrivals due to the COVID-19 pandemic and the suspension of the Peak Tram service during the reporting year, Peak Galleria managed to boost its footfall and occupancy rate by introducing the new-to-Hong Kong experiential location GO@PEAK GALLERIA, which features innovative exhibitions and performances, as well as quality brands such as Imperial Patisserie and Dafu. The introduction of The Barkyard, which features a swimming pool for pets and grooming facilities, coupled with the existing line-up of amenities and services, further strengthens the attractiveness of Peak Galleria to local pet lovers.

The new-to-Hong Kong experiential location GO@PEAK GALLERIA has revitalized the mall's appeal to local visitors

The continued enhancement in the tenant mix at Kornhill Plaza has captured the interest of nearby residents and office workers

With tourist arrivals remaining subdued, Peak Galleria will continue to focus on creating a unique destination and introducing more lifestyle brands and experiential trades, including outlets focusing on lifestyle and wellness, while preparing for the return of tourists.

Kornhill Plaza and Kornhill Apartments

Our community stronghold, Kornhill Plaza, continued to serve nearby residents and office workers, maintaining high occupancy rates with rental income staying at a similar level to the previous year. The largest Japanese department store in Hong Kong, AEON STYLE, continued to perform well, and FRESH – a new supermarket concept which opened in January 2021 – received a positive response from nearby residents. During the reporting year, the dining offerings were further enhanced with the additions of Japanese restaurants Gyu-Kaku, Yaki ANA, and Zou Qing, which serves Cantonese noodles, congee, and dim sum. During 2022, there will be a focus on strengthening the fashion and accessories categories by introducing small but trendy local brands, delivering a unique shopping experience to those who visit.

The office tower and serviced apartments at Kornhill Plaza maintained their occupancy rates, achieving similar levels to the previous year. The serviced apartments continued to be hit hard by COVID-19, with tight border controls still being enforced, reducing demand from expatriates. However, the "hello Hang Lung Malls Rewards Program" proved effective in boosting occupancy of the serviced apartments by offering loyalty privileges to Hang Lung retail shoppers.

The office tower will continue to diversify its mix of education providers during 2022. STEM and action-driven learning workshops will meet the different learning needs of customers, further enhancing the tower's position as an education hub within the community. The demand for serviced apartments will depend on the COVID-19 situation and the opening schedule of the Hong Kong-Mainland border. The flexible pricing strategy will continue while focusing on customer-centricity to improve occupancy.

Several new sports specialty stores in our Mongkok portfolio have met growing demand among locals for outdoor activity equipment

Amoy Plaza's refinement of its tenant mix to enrich the customer experience includes the crossover grocery concept TASTE X FRESH

Mongkok Portfolio

Our lifestyle malls in Mongkok – Gala Place and Grand Plaza – continued to solidify the area's position as the place "Where Trends Meet".

Gala Place achieved 100% occupancy amid adversity in 2021, with the Foot Locker Power Store and the mega lifestyle concept store AEON STYLE officially opening in February and August 2021, respectively. The latter features high-quality products directly imported from Japan and is home to several popular lifestyle brands, including the homeware brand HOME COORDY. The basement of Gala Place was transformed into a brand-new 15,000-square-foot dining floor, where the existing Starbucks Reserve™ Coffee Experience Bar was joined by a number of dining outlets, including the popular yakiniku restaurant, Yakiniku Like, the new concept store Coucou Hotpot • Tea Break with its tea and beverage brand Coucou • TeaMiTea. A new popular café concept, The Alchemist Coffee, opened in Grand Plaza in November 2021, further enriching the dining offerings in our Mongkok portfolio.

To increase footfall and stabilize occupancy rates, the shopping centers are looking to recruit more popular restaurants to replace underperforming food and beverage tenants. Efforts will also be made to promote the "hello Hang Lung Malls Rewards Program" to further enhance customer loyalty.

The office towers in Grand Plaza continue to be a popular destination for leading operators in the medical and beauty sectors. Several medical groups expanded in 2021 on top of several encouraging new lets, bolstering the tower's position as a premium healthcare services hub in Mongkok. The portfolio of exclusive outdoor and lifestyle shops in Mongkok was also strengthened by additions from Backpacker and Ball Head, and expansions by Cam2, Supreme Co., and more. Looking ahead, efforts will be made to widen semi-retail trades with the introductions of more tenants in the medical and beauty segments to enhance the resilience of the office leasing business.

Amoy Plaza

A one-stop community hub in Kowloon Bay, Amoy Plaza strives to look after the diversified community interests and needs of the burgeoning district of Kowloon East. It is home to extensive casual dining options and pragmatic business trades, including groceries, education, and entertainment. The first-in-Hong Kong crossover groceries concept, TASTE X FRESH, was launched in August 2021, combining the finest supermarket and fresh market offerings. Dining options were further enriched with the introduction of the popular Chiuchow concept Yum Yum Goose, the first-in-Hong Kong all-day casual dining location Wing Wah All-Day, the authentic yakiniku bowl concept Gyu-Kaku Jinan-Bou, plus others. The traffic to the mall is expected to surge with DON DON DONKI opening in January 2022 and the expected opening of the nearby East Kowloon Cultural Centre in 2023.

New Project Under Development

228 Electric Road Redevelopment in North Point

In collaboration with our subsidiary, Hang Lung Properties, 228 Electric Road* in North Point is being redeveloped into a Grade A office tower with a retail area on the podium floors. Superstructure works are in progress and the project is scheduled for completion in late 2022.

Location
228 Electric Road, IL 1618, North Point

Total gross floor area
9,754 square meters

Main usage
Office, Retail

Expected year of completion
2022

* This provisional number is subject to confirmation when the building is completed

Review of Operations

Mainland China Property Sales and Development

Setting a new benchmark for urban living through quality design, prime locations, optimum connectivity, and an unparalleled pivot on the owner experience, Hang Lung Residences broadens the Company's customer-centric focus, aligning with the market's aspirations for premium living experiences.

Market Landscape

We expect the demand for high-end residential properties in mainland China to remain positive, despite underlying weaknesses in current market sentiment due to increased government regulatory control and liquidity issues among some local developers. There continues to be a demand for higher tier residential projects, with purchasers inclined to look for projects emphasizing quality, core locations, and well-established developers with a solid financial reputation.

Business Overview

In June 2021, we announced the launch of our Hang Lung Residences, which will bring premium serviced residences to mainland China. With projects in Wuhan, Wuxi, Kunming, and Shenyang, our developments will set a new benchmark for urban living and capture the Company's vision "to create compelling spaces that enrich lives".

This new revenue stream will form part of Hang Lung's long-term vision for sustainable growth by maximizing the value across our investment properties on the Mainland and highlighting our commitment to creating shareholder value. These developments will inject vitality into the real estate market with fully integrated and exciting new lifestyle experiences.

We draw on our extensive experience as a leading commercial property developer from Hong Kong with an established reputation for producing high-quality developments in mainland China and an eye for excellence.

Introduction to our Hang Lung Residences

Heartland Residences, Wuhan

Heartland Residences in Wuhan is the inaugural Hang Lung Residences project comprising three uniquely designed towers that offer 492 units, and a three-story clubhouse designed to accommodate the needs of the most discerning residents. Seamlessly connected to the Heartland 66 shopping mall and office towers, Heartland Residences benefits from a range of educational and medical facilities, greeneries, five-star hotels, and other amenities with a one-to-three-kilometer radius. The first batch of pre-sales is expected to start in the first half of 2022, while construction was topped out in November with completion in phases from the second half of 2023.

Location
Jinghan Avenue, Qiaokou District, Wuhan

Total gross floor area
131,493 square meters

Expected year of completion
2023 onwards

Center Residences, Wuxi

Center Residences forms part of the Phase 2 development of Center 66 in Wuxi. Building on the proven success of the luxury retail mall and two office towers at the world-class commercial complex, the Center Residences is set to transform the Central Business District into a work-life hub that presents a modern interpretation of this historic city's artistic and cultural heritage. The two high-rise towers share a gross floor area of around 100,000 sq.m, housing approximately 600 units and a world-class clubhouse. Adjacent to the property will be an international boutique hotel offering a total of 106 hotel rooms. Center Residences is expected to be launched for pre-sale from end 2022, with construction scheduled to be completed in phases beginning from mid-2024.

Location
Jiankang Lu, Liangxi District, Wuxi

Total gross floor area
99,953 square meters

Expected year of completion
2024 onwards

Grand Hyatt Residences Kunming

Grand Hyatt Residences Kunming is an integral component of the Spring City 66 development, which spans luxury retail, Grade A offices, and the five-star Grand Hyatt Kunming hotel. The Grand Hyatt Residences sits above the 332-room Grand Hyatt Kunming hotel, occupying the highest zone of the 250-meter-tall building. It offers 254 apartments that enjoy sweeping views across the city and three immaculate penthouses, each with its own private terrace and swimming pool. Pre-sale is expected to launch in the first half of 2023, and construction is scheduled to be completed in phases from the first half of 2024.

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

Total gross floor area
98,054 square meters (including the total gross floor area of Grand Hyatt Kunming)

Expected year of completion
2024 onwards

Forum Residences, Shenyang

The Forum Residences comprises part of the Forum 66 development in Shenyang. Integrating seamlessly into the luxury retail mall, office establishment, and the renowned international hotel Conrad Shenyang, the Forum Residences offers the exclusivity of upscale urban living in the city. The master layout plan is currently being refined. Target pre-sale is expected from 2024.

Location
Qingnian Da Jie, Shenhe District, Shenyang

Total gross floor area
502,660 square meters*

Expected year of completion
2027 onwards

* This is the total gross floor area of the remaining phases of Forum 66, Shenyang

Review of Operations

Hong Kong Property Sales and Development

We will continue to look for opportunities to sell completed residential properties and dispose of some non-core properties in Hong Kong to unlock value from our property portfolio, depending on market conditions.

Market Landscape

There was strong demand in the Hong Kong market during 2021, especially for small and medium units, which pushed prices up in the first half of the year. Mid-year property price indexes climbed to new highs before becoming more volatile following the introduction of China's new austerity measures. That, plus the spread of COVID-19 variants, weakened purchasing power and affected the property market in the second half of the year, offsetting part of the uptrend that occurred in the first half.

The luxury property market has adapted to COVID-19 and re-emerged as an attractive asset class since the second half of 2020 and strong momentum remained throughout the reporting year. With little new supply and strong market demand, the luxury property market continued to break record sale price.

We believe the residential market will remain resilient in 2022 due to the limited supply of homes, the robust performance of the luxury end of the market will continue.

Business Overview

During the reporting year, our new development project named The Aperture in Kowloon East started pre-sales in December. As the first new residential development in Ngau Tau Kok and Kowloon Bay districts in the last three decades, market response was positive, with a total of 123 units was sold as at the end of 2021, generating total sales proceeds of HK$1,083 million – an average of HK$22,644 per square foot. A new record was also set in the Kowloon Bay area, with the highest transaction priced at HK$26,628 per square foot. Revenue is expected to be recognized in 2023 upon sale completion.

One house on Blue Pool Road was sold, with the sales revenue and profit from the transaction due to be recognized in the first quarter of 2022 upon the completion of the legal assignment. As such, no property sales revenue was recorded during the reporting period. The operating loss from property sales for 2021 in Hong Kong was HK$53 million, mainly representing the pre-sale marketing expenses for The Aperture as well as other operating expenditures.

Non-core investment properties were disposed of as the opportunity arose. 34 car parking spaces at AquaMarine and The Long Beach were sold in the reporting year.

New Projects Under Development

The Aperture

Situated in the sought-after location of Kowloon East, The Aperture is Hang Lung's exquisite new residential project and embodies the **We Do It Well** philosophy. Close to the MTR Kowloon Bay Station and with three large shopping malls within close proximity, the development will satisfy residents' needs for daily necessities while offering premium living. With the superstructure currently underway and completion anticipated in 2023, the development will offer 294 units with a selection of one-bedroom to three-bedroom layouts.

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
2023

* This provisional number is subject to confirmation when the building is completed

Shouson Hill Road Redevelopment

The land acquisition at 37 Shouson Hill Road in the Southern District of Hong Kong Island was completed in February 2021. The site will be re-developed into luxurious houses and is now in the planning stage.

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
2024

Review of Operations

Outlook

Barring unforeseen circumstances, our Mainland portfolio is expected to continue to grow and record another solid performance in 2022. We will persist in capturing the favorable market sentiment with more luxury brands joining our malls along with strategic marketing initiatives through HOUSE 66. The steady leasing pace of our new office towers will carry forward into 2022, driving up the overall occupancy and contributions of our office portfolio.

In Hong Kong, we expect the road to recovery to be a strenuous journey and dependent on the various restrictions and measures relating to the containment of COVID-19. We will continue to capture local consumption and overcome the challenges ahead by optimizing our tenant mix, retaining quality tenants, and enhancing our customer engagement.

For the property sales segment, we expect the demand for high-end residential properties in mainland China to remain strong. Hang Lung Residences, our premium serviced residences brand in Wuhan, Wuxi, and Shenyang, and our hotel-branded residences in Kunming, are dedicated to demonstrating the Group's commitment to enriching the lives of the communities we serve by building a sustainable future together. Those will further enrich the total offerings and enhance the premium positioning of our overall portfolio. We will launch the pre-sale of our Heartland Residences in Wuhan in the first half of 2022, followed by our Center Residences in Wuxi from the end of 2022.

Our redevelopment projects in Hong Kong are making headway. The response from The Aperture pre-sale since December 2021 has been positive. We will continue to look for opportunities to sell development properties and dispose of non-core assets in Hong Kong to support capital recycling into new projects with higher returns.

Review of Operations

Major Properties of the Group

A. Major Properties under Development

At December 31, 2021

	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							
WUHAN							
Heartland Residences	Jinghan Avenue, Qiaokou District	16,687	Apartments for Sale	131,493	58.7%	Superstructure	2023 onwards
WUXI							
Center 66 (Phase 2)	Jiankang Lu, Liangxi District	16,767	Apartments for Sale, Hotel	107,118	58.7%	Superstructure (Center Residences) Foundation (Hotel)	2024 onwards
KUNMING							
Spring City 66	Dongfeng Dong Lu/ Beijing Lu, Panlong District	56,043	Apartments for Sale, Hotel	98,054	58.7%	Superstructure	2023 (Grand Hyatt Kunming) 2024 onwards (Grand Hyatt Residences Kunming)
HANGZHOU							
Westlake 66	Bai Jing Fang, Xiacheng District	44,827	Retail, Office, Hotel	194,100	58.7%	Foundation and basement construction	2024 onwards
SHENYANG							
Forum 66	Qingnian Da Jie, Shenhe District	92,065	Retail, Office, Apartments for Sale	502,660	58.7%	Foundation	2027 onwards
HONG KONG							
NORTH POINT							
228 Electric Road Redevelopment	228 Electric Road, IL 1618	650	Retail, Office	9,754	72.5%	Superstructure	2022
KOWLOON BAY							
The Aperture	11 Ngau Tau Kok Road, NKIL 1744	1,923	Retail, Apartments for Sale	16,226	58.7%	Superstructure	2023
SOUTHERN DISTRICT							
Shouson Hill Road Redevelopment	37 Shouson Hill Road, RBL 357	8,806	Apartments for Sale	4,403	58.7%	Planning	2024

Retail Office Apartments for Sale Hotel

B. Residential Properties Completed for Sale

At December 31, 2021

	Location	Site Area (sq.m.)	Total Saleable Area (sq.m.)	% Held by the Group	No. of Residential Unit for Sale	No. of Car Parking Spaces for Sale
HONG KONG						
23-39 Blue Pool Road	23-39 Blue Pool Road, IL 5747	7,850	3,835	58.7%	9	18

C. Major Investment Properties

At December 31, 2021

	Location	Lease Expiry	Total Gross Floor Area (sq.m.) Retail	Total Gross Floor Area (sq.m.) Office and Industrial/ Office	Total Gross Floor Area (sq.m.) 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	–	7,935	–
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, 2021

	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	–
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	–	–	352
The Long Beach	8 Hoi Fai Road, KIL 11152	2050	20,174	–	–	87
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, 6A & 6B, Lai King Hill Road, Lot 3336 of SD 4	2047	2,973	–	–	–
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, 2021

	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 (Phase 1)	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

Financial Review

Consolidated Results

For the financial year ended December 31, 2021, the total revenue of Hang Lung Group Limited (the Company) and its subsidiaries (collectively known as "the Group") grew by 15% to HK$10,919 million, while the operating profit advanced by 13% to HK$7,807 million. No property sales revenue was recognized in 2021.

The underlying net profit attributable to shareholders increased by 6% to HK$2,991 million. The underlying earnings per share correspondingly rose to HK$2.20.

The Group achieved a net profit attributable to shareholders of HK$2,589 million (2020: net loss of HK$1,541 million) after taking into account the net revaluation loss of properties attributable to shareholders of HK$402 million (2020: net revaluation loss of HK$4,375 million). The earnings per share was HK$1.90 (2020: loss per share of HK$1.13).

Revenue and Operating Profit

	Revenue			Operating Profit		
	2021 HK$ Million	2020 HK$ Million	Change	**2021 HK$ Million**	2020 HK$ Million	Change
Property Leasing	**10,919**	9,464	15%	**7,898**	6,836	16%
Mainland China	**7,402**	5,694	30%	**5,020**	3,757	34%
Hong Kong	**3,517**	3,770	-7%	**2,878**	3,079	-7%
Property Sales	**–**	62	-100%	**(91)**	44	N/A
Total	**10,919**	9,526	15%	**7,807**	6,880	13%

Dividends

The Board of Directors has recommended a final dividend of HK65 cents per share for 2021 (2020: HK63 cents) to be paid in cash on May 19, 2022, to shareholders whose names are listed on the register of members on May 4, 2022. Together with an interim dividend of HK21 cents per share (2020: HK19 cents), the full year dividends for 2021 amounted to HK86 cents per share (2020: HK82 cents).

Property Leasing

During the year, the Group's total rental revenue surged by 15% to HK$10,919 million. Our Mainland portfolio achieved rental revenue growth of 22% in Renminbi (RMB) terms and 30% in HKD terms, outweighing the 7% decline of our Hong Kong portfolio.

On the Mainland, the retail market sentiment remained upbeat in 2021 despite sporadic resurgences of COVID-19 cases reported in some cities during the year. The rental revenue of our malls climbed by 25% in RMB terms year-on-year, owing to the particularly strong performance of our luxury malls.

In Hong Kong, the pandemic continues to hamper economic recovery with travel restrictions and social distancing measures in effect throughout the reporting year. However, the Hong Kong retail market had shown recovery since May 2021 prior to the recent Omicron outbreak. In 2021, our tenant sales improved by 8% overall, with a much reduced level of rent relief needed as the year progressed.

Mainland China[1]

Property Leasing – Mainland China Portfolio

	Revenue		
	2021 RMB Million	2020 RMB Million	Change
Malls	**4,662**	3,731	25%
Offices	**1,248**	1,107	13%
Residential & Serviced Apartments	**137**	127	8%
Hotel	**94**	80	18%
Total	**6,141**	5,045	22%
Total in HK$ Million equivalent	**7,402**	5,694	30%

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

The total rental revenue and operating profit jumped by 22% and 25% in RMB terms or rose 30% and 34% in HKD terms, respectively. The overall rental margin was 68%.

When excluding the rental contributions from the Heartland 66 office tower and mall in Wuhan, which opened in November 2020 and March 2021, respectively, revenue increased by 18% against last year, while revenue in the second half of 2021 edged up by 6% when compared with the first half of 2021.

Malls

The mall portfolio collected 25% more rents year-on-year. Significant revenue growth of 30% was captured by our luxury-positioned malls, while the increase for the sub-luxury malls was more moderate at 2%.

Property Leasing – Mainland China Mall Portfolio

	Revenue			Year-End Occupancy Rate	
Name of Mall and City	**2021 RMB Million**	2020 RMB Million	Change	**2021**	2020
Luxury malls					
Plaza 66, Shanghai	**1,782**	1,426	25%	**100%**	99%
Grand Gateway 66, Shanghai	**1,163**	984	18%	**100%**	98%
Forum 66, Shenyang	**106**	95	12%	**90%**	89%
Center 66, Wuxi	**373**	267	40%	**98%**	96%
Olympia 66, Dalian	**164**	136	21%	**87%**	77%
Spring City 66, Kunming	**269**	183	47%	**97%**	91%
Heartland 66, Wuhan#	**153**	–	N/A	**84%**	N/A
	4,010	3,091	30%		
Sub-luxury malls					
Palace 66, Shenyang	**179**	175	2%	**90%**	88%
Parc 66, Jinan	**305**	297	3%	**93%**	94%
Riverside 66, Tianjin	**168**	168	–	**86%**	76%
	652	640	2%		
Total	**4,662**	3,731	25%		

Opened in March 2021

All of our luxury malls enjoyed double-digit revenue growth due to a robust retail market for high-end products throughout the year. The tenant sales growth of our luxury malls ranged from 33% to 89% year-on-year. In particular, Olympia 66 in Dalian, which was recently transformed into a luxury-led mall, delivered revenue growth of 45% in the second half of 2021, compared with the first half of 2021. The overall tenant sales of our luxury malls in the second half of 2021 grew by 21% against the same period in 2020 despite the high base.

The performance of our sub-luxury malls was affected by resurgences of COVID-19 cases in the respective cities. Moderate growth in year-on-year rental revenue of 2% was reported, reflecting the uneven impact of the pandemic on different market segments.

Luxury malls

Revenue of the **Plaza 66** mall in Shanghai indicated another year of solid growth and rose by 25% against last year, driven by increases in turnover rents and favorable rental reversions. Tenant sales grew by 37%, and an exciting line-up of promotions and events took place throughout the year, including the "Home to Luxury" Party held in November 2021. Our loyal customers enjoyed diverse and personalized services as well as prestigious offerings under HOUSE 66, our customer relationship management (CRM) program. These efforts offered unparalleled customer experience and successfully captured the upward trend in luxury sales, resulting in solid growth in tenant sales, rental revenue, and profit.

The **Grand Gateway 66** mall in Shanghai generated 18% more revenue with a 56% rise in tenant sales, benefiting from the Asset Enhancement Initiative (AEI) completed in 2020. The mall has introduced a league of premium brands to enrich its luxury content and position it as a regional lifestyle center in Shanghai.

Despite intermittent COVID-19 resurgences during the year, revenue and tenant sales of the **Forum 66** mall in Shenyang were up by 12% and 33%, respectively. Compelling marketing campaigns were implemented throughout the year, such as sales-driven HOUSE 66 events and incentives for loyal customers. We also launched cross-trade promotions between Forum 66, Palace 66 in Shenyang, and Conrad Shenyang to promote awareness of the Hang Lung brand.

The **Center 66** mall in Wuxi recorded revenue growth of 40% and tenant sales growth of 77% year-on-year following the continued migration of luxury brands from other shopping centers in the city. We rolled out a number of compelling promotional campaigns and refined the tenancy profile to sustain the growth in revenue and profit. With a variety of premium brands and innovative offerings in place, the mall has further established its luxurious image and landmark status.

During the reporting year, **Olympia 66** in Dalian was successfully transformed into a luxury-led mall, with multiple top-tier brands commencing business there during the second half of 2021. Several well-defined zones were created under the strategically calibrated tenant mix, housing high-end luxury, trendy lifestyle, sportswear, and food & beverage tenants, attracting lifestyle-focused and brand-savvy customers to the mall. Revenue and tenant sales were 21% and 89% higher than last year, respectively. An underground passenger tunnel connecting the mall to a metro station on Line 2 opened in April 2021, adding convenience and another stream of foot traffic.

By tapping into strong luxury tenant sales through turnover rents and achieving positive rental reversion, the **Spring City 66** mall in Kunming delivered 47% more revenue against last year. Its location, design and build quality, together with our successful marketing campaigns and HOUSE 66 endeavors attracted more brands to the mall. Numerous international brands, including some first-in-Kunming luxury labels, established flagship or pop-up stores in the mall, and by the end of the year, the mall was almost fully let.

Heartland 66 in Wuhan, our tenth mall on the Mainland, commenced business in March 2021 and outperformed expectations. The mall is located on Jinghan Avenue in the bustling Qiaokou District—the commercial and business heart of Wuhan with mass transit railway accessibility—a prime location that guarantees high connectivity and footfall. It's rental revenue achieved RMB153 million, and tenant sales was almost RMB1 billion in less than ten months of operations. The mall introduced more than 250 brands, consisting of a favorable combination of top-tier brands and high-quality tenants. Among them were well-known brands making their debut in Wuhan. The mall's occupancy rate reached 84% by the end of the year.

Sub-luxury malls

Palace 66 in Shenyang reported an increase of 2% in revenue and 11% in tenant sales. This was despite sluggish retail market sentiment against the backdrop of tightened social distancing measures following resurgences of COVID-19 cases in northern China. We took this opportunity to refresh and refine our tenant mix by replacing non-performing tenants with more competitive and unique brands. Occupancy rose by two points to 90%.

The revenue growth of **Parc 66** in Jinan was moderate at 3%. A three-year AEI began in June 2021 with the aim of revitalizing the mall after the tenth anniversary of its business operations. The strategically planned AEI will strengthen the mall's long-term competitiveness and profitability by leveraging our experience with major AEI programs in Shanghai. The mall is expected to further enhance its positioning and enrich its luxury content. Tenant sales soared by 20% due to strong local demand for luxury items and the phased scheduling of renovation works during non-operating hours to minimize the disturbances to our tenants. The renovated areas will re-open in phases from mid-2022.

Revenue of **Riverside 66** in Tianjin stayed flat compared to last year and tenant sales increased by 28%. Popular brands in a spectrum of products and services, including fashion and accessories, sportswear, and food & beverage, were introduced to strengthen the mall's offerings.

Offices

Our office portfolio on the Mainland continued to provide a steady income stream, accounting for 20% of our total Mainland rental revenue. The total revenue grew by 13% as the occupancy rates of our three new towers that opened in 2019 and 2020 continued to rise. When excluding the impacts of these new towers, our office portfolio generated organic revenue growth of 3% in a challenging market environment.

Property Leasing – Mainland China Office Portfolio

	Revenue			Year-End Occupancy Rate	
Name of Office and City	**2021 RMB Million**	2020 RMB Million	Change	**2021**	2020
Plaza 66, Shanghai	**629**	606	4%	**97%**	93%
Grand Gateway 66, Shanghai	**247**	243	2%	**98%**	99%
Forum 66, Shenyang	**132**	124	6%	**92%**	90%
Center 66, Wuxi [(a)]	**113**	96	18%	**88%**	72%
Spring City 66, Kunming [(b)]	**81**	37	119%	**71%**	41%
Heartland 66, Wuhan [(c)]	**46**	1	45 times	**57%**	15%
	1,248	1,107	13%		

(a) Center 66 Office Tower 2 in Wuxi opened in August 2019

(b) Spring City 66 Office Tower in Kunming opened in August 2019

(c) Heartland 66 Office Tower in Wuhan opened in November 2020

Despite increasing market competition, the two world-class office towers at **Plaza 66** in Shanghai recorded mild revenue growth of 4% with a high occupancy rate and positive rental reversions. A wave of relocations and tenant expansions from the technology, media, telecommunications, finance, and pharmaceutical sectors introduced new demand for prime office space.

The office tower at **Grand Gateway 66** in Shanghai continued to perform well for the reporting year. Revenue remained stable despite highly competitive market conditions. Occupancy was consistently high at 98% as the premium office space remained the preferred choice of many multinational corporations and large domestic enterprises.

Income from the office tower at **Forum 66** in Shenyang grew by 6% while the occupancy rate rose to 92%. Despite ample supply of new office spaces in Shenyang, Forum 66 maintained its market-leading position by leveraging its top-graded design, build quality, prestigious location, and premium management services.

The total revenue of the two office towers at **Center 66** in Wuxi climbed by 18%, while the overall occupancy rate increased by 16 points to 88%, driven by relocations of new tenants from competing buildings and the internal expansions of existing tenants. Our first branded and self-operated multifunctional workspace that launched in 2020, HANGOUT, received consistently positive feedback from our tenants. The enhanced offering of this agile workspace attracted small-sized tenants of excellent caliber and further improved the occupancy rate.

Revenue from the two-year-old office tower at **Spring City 66** in Kunming soared by 119%, while the occupancy rate jumped 30 points to 71%. Modular offices with high-standard fit-outs and furnishings were offered to speed up the leasing of the office tower. Top-tier tenants opted for Spring City 66 over other properties in Kunming in consideration of its prime location, premium facilities, and value-added services.

Heartland 66 in Wuhan, the eighth office tower in our Mainland portfolio, commenced operations in November 2020. Rental revenue recognized during the reporting year reached RMB46 million. The occupancy rate was 57% at the end of the year. Heartland 66 has already established a landmark status in Wuhan after one year of operation.

Residential & Serviced Apartments

Income from residential and serviced apartments at **Grand Gateway 66** in Shanghai grew by 8% against last year. The occupancy rate increased by five points to 91% driven by higher domestic demand.

Hotel

Facing international border restrictions and intermittent lockdowns amid sporadic resurgences of COVID-19 cases in northern China, Conrad Shenyang demonstrated strong resilience and earned 18% more revenue at a total of RMB94 million during the year. Room sales and food & beverage income gradually improved upon the resumption of domestic travel and business conferences.

Hong Kong

Market sentiment in Hong Kong was improving throughout much of 2021 until concerns over the recent Omicron outbreak. In 2021, while the border remained closed for the whole year and social distancing measures continued, retail activities were stimulated by the government's electronic Consumption Voucher Scheme and various marketing campaigns by businesses, such as our "Go Shopping!" Rewards Program. Against such backdrop, the total revenue in 2021 decreased by 7% to HK$3,517 million year-on-year. The revenue drop in the second half of 2021 versus the same period last year narrowed to 1%, compared with a 12% decline in the first half of the year. Overall, the operating profit for the year receded by 7% to HK$2,878 million, and the rental margin remained steady at 82%.

Under the improved market sentiment, we adopted a more sales-driven approach to support our tenants. The launch of the "hello Hang Lung Malls Rewards Program" and the Hang Lung Malls App in March 2021 enhanced our customer engagement and elevated our shopping experiences. The "Go Shopping!" Rewards Program was launched through the Hang Lung Malls App in the second half of the year to stimulate tenant sales and footfall. We also introduced initiatives worth HK$27 million to support the government's COVID-19 vaccination drive in 2021. The campaign included free e-shopping coupons offered via the Hang Lung Malls App to members who were fully vaccinated by the end of September 2021. Most of our tenants greatly supported our initiatives to push the vaccination drive. Tenant sales in 2021 improved by 8% against 2020 with the second half generating year-on-year growth of 16%.

Properties located in Causeway Bay and Mongkok, as well as Peak Galleria, remained under pressure due to their traditional reliance on tourism. Tenants of specific trades like cinemas, gyms, and restaurants were more severely affected by social distancing measures imposed by the government.

Property Leasing – Hong Kong Portfolio

	Revenue			Year-End Occupancy Rate	
	2021 HK$ Million	2020 HK$ Million	Change	**2021**	2020
Retail	**2,002**	2,158	-7%	**97%**	96%
Offices and Industrial/Office	**1,273**	1,349	-6%	**87%**	87%
Residential & Serviced Apartments	**242**	263	-8%	**72%**	56%
Total	**3,517**	3,770	-7%		

Retail

Our Hong Kong retail portfolio recorded a 7% revenue drop to HK$2,002 million.

Having suffered from inevitable negative rental reversions amid the absence of tourists, the revenue of the **Causeway Bay portfolio** declined by 14%. However, the occupancy rate at the end of 2021 reached 100% after efforts were introduced with a domestic consumption focus, providing a solid foundation for future rental growth.

The revenue of our **Mongkok portfolio** decreased by 17% as a result of negative rental reversions. We were able to maintain full occupancy despite the former three-story anchor tenant at Gala Place vacating in late 2020. The successor tenants are Foot Locker, a leading global athletic footwear brand, a new AEON STYLE concept store, and food and beverage tenants in a new dining cluster in the basement.

Our community malls, **Kornhill Plaza in Hong Kong East** and **Amoy Plaza in Kowloon East** were relatively defensive. Both revenue declined by 4%.

Offices and Industrial/Office

Revenue of our office portfolio declined by 6% to HK$1,273 million due to a lower average occupancy rate which dropped by three points to 87% and the granting of rent relief packages.

Revenue from our offices in Causeway Bay fell by 21% in 2021 as our fashion wholesale and travel agency tenants suffered during the pandemic, leading to a higher portion of business terminations during the year. Due to negative rental reversions, the rental revenue generated from our offices in Mongkok retreated gently by 1%. After an anchor tenant downsized its lease in October 2021, the revenue of our Central portfolio decreased by 4% with the occupancy rate at 82% at the end of the year. To meet changing market demands, we have diversified the product mix by offering more refurbished units and sub-divided office spaces.

Residential & Serviced Apartments

The revenue of our residential and serviced apartments segment declined by 8% against last year to HK$242 million due to stringent border restrictions and shrinking demand from expatriates. The occupancy rate improved gradually by 16 points to 72% at the end of 2021 as a more flexible leasing strategy was adopted in the second half of the year.

Property Sales

In June 2021, one house at Blue Pool Road was sold. The sales revenue and profit from this transaction will be recognized upon completion of legal assignment in the first quarter of 2022.

Pre-sale of The Aperture, a development project in Kowloon Bay located close to the MTR Kowloon Bay Station and the future East Kowloon Cultural Centre, commenced in December 2021. The project comprises 294 residential units with additional commercial areas on the podium floors. Up to December 31, 2021, 123 residential units were pre-sold at a total of HK$1,083 million. This revenue is expected to be recognized in 2023 upon sale completion.

Consequently, no property sales revenue was recorded during the reporting year. Taking into account the selling expenses for The Aperture, marketing expenses for Heartland Residences in Wuhan, and other operating expenditures, an operating loss of HK$91 million was posted from property sales for the year.

We continued to seize opportunities to dispose of non-core investment properties for capital recycling. In 2021, 34 car parking spaces were sold with total disposal gains of HK$17 million, recognized as Other Net Income.

Property Revaluation

The total value of our investment properties and those under development amounted to HK$208,981 million as of December 31, 2021, including the mainland China portfolio of HK$145,861 million and the Hong Kong portfolio of HK$63,120 million. These properties were appraised by Savills, an independent valuer, as of December 31, 2021.

A revaluation gain of HK$458 million was recorded (2020: loss of HK$6,856 million).

The mainland China portfolio recorded a revaluation gain of HK$1,763 million (2020: loss of HK$2,627 million), a 1% increase since the valuation at the end of 2020 that primarily reflects the expected growth in our luxury malls. The valuation of our offices remained relatively stable.

The Hong Kong portfolio had a revaluation loss of HK$1,305 million (2020: loss of HK$4,229 million), representing a 2% decrease against the value as of December 31, 2020. The decline was smaller compared with the 6% drop in 2020.

After the related deferred tax and non-controlling interests, an attributable net revaluation loss of HK$402 million was reported (2020: net revaluation loss of HK$4,375 million).

Property Development and Capital Commitment

The total values of our development projects for leasing and sale were HK$22,399 million and HK$9,765 million, respectively. These represent 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 our investment properties amounted to HK$19 billion.

Mainland China

Heartland Residences 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 three towers offering a total of more than 490 units. The project is scheduled for completion in phases from the second half of 2023. The pre-sale of the first batch of units is expected to commence in the first half of 2022.

Center Residences in Wuxi and an adjacent boutique hotel form the Phase 2 development of Center 66. The Residences comprise of two high-rise residential towers housing around 600 units. In addition, there will be a seven-story new-build tower and a three-floor heritage building offering a total of 106 hotel rooms. Excavation and piling works are making good progress, and the project is scheduled for completion in phases from 2024 onwards. Center Residences is expected to be launched for pre-sale from the end of 2022.

Grand Hyatt Residences Kunming and **Grand Hyatt Kunming** are integral components of the remaining Spring City 66 development. The Residences sit above the hotel and house 254 apartments and three immaculate penthouses. Grand Hyatt Kunming features more than 330 guestrooms and suites. Site development kick-started following possession of the construction permit in May 2021. The pre-sale of the Residences is expected to be launched in the first half of 2023 with expected completion in phases from 2024 onwards, while the opening of the Grand Hyatt Kunming is planned for late 2023.

Westlake 66 in Hangzhou is an integrated high-end commercial development comprising a retail podium, five Grade A office towers, and a luxurious hotel — **Mandarin Oriental Hangzhou**. The piling works are progressing well, and the project is scheduled for completion in phases from 2024 onwards. Mandarin Oriental Hangzhou, featuring more than 190 premium guestrooms and suites, is slated to open in 2025.

Forum Residences forms part of the mixed-use Forum 66 development in Shenyang. The remaining developments of Forum 66 yield a gross floor area of more than 500,000 square meters. The master layout plan is presently in the refining stage. The project is planned for pre-sale from 2024 onwards and completion in stages from 2027 onwards.

Hong Kong

The pre-sale of The Aperture was launched in December 2021. Construction is on schedule and targeted for completion in 2023.

Construction works of the Grade A office tower redevelopment at 228 Electric Road in North Point are in progress. The project is a joint development with our subsidiary, Hang Lung Properties Limited (Hang Lung Properties), and includes a retail area across the lower floors. Superstructure works are underway, and the project is scheduled for completion in late 2022.

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 re-developed into luxurious detached houses and is now in the planning stage.

Financing Management

An appropriate capital structure with multiple financing channels has been maintained. We aim to ensure financial resources are always available to meet operational needs and expansions. A sufficient level of standby banking facilities and other debt capital funding has been sustained to cushion the Group from any unexpected market dislocation. 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 RMB/HKD/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 use of sustainable finance. During the year, we issued green bonds worth HK$3.2 billion, obtained HK$1.5 billion in green loan facilities, and HK$7 billion in sustainability-linked loan facilities. These are collectively referred to as sustainable finance, which now accounts for 28% of our total debts and available facilities. We have plans to increase that proportion further.

Cash Management

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

	At December 31, 2021		At December 31, 2020	
	HK$ Million	% of Total	HK$ Million	% of Total
Denominated in:				
HKD	**5,617**	61%	2,631	39%
RMB	**3,367**	37%	4,021	59%
USD	**156**	2%	141	2%
Total cash and bank balances	**9,140**	100%	6,793	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$45,883 million (December 31, 2020: HK$38,770 million), of which 27% 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 fell to 48% of total borrowings as of December 31, 2021 following the (a) redemption of a USD500 million MTN and an RMB1,000 million Panda Bond in April 2021 and July 2021, respectively; (b) issuance of some MTNs in HKD and USD with an aggregate equivalent amount of HK$3.8 billion during the year.

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

(i) by currency (after currency swap):

	At December 31, 2021		At December 31, 2020	
	HK$ Million	% of Total	HK$ Million	% of Total
Denominated in:				
HKD	**33,384**	73%	25,860	67%
RMB	**12,499**	27%	12,910	33%
Total borrowings	**45,883**	100%	38,770	100%

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

	At December 31, 2021		At December 31, 2020	
	HK$ Million	% of Total	HK$ Million	% of Total
Fixed	**21,998**	48%	23,772	61%
Floating	**23,885**	52%	14,998	39%
Total borrowings	**45,883**	100%	38,770	100%

Gearing Ratios

At the reporting date, the net debt balance amounted to HK$36,743 million (December 31, 2020: HK$31,977 million). The net debt to equity ratio was 22.3% (December 31, 2020: 20.1%), and the debt to equity ratio was 27.9% (December 31, 2020: 24.3%). The increase in both ratios was largely due to capital expenditures in both the Mainland and Hong Kong, as well as the balance payment for the acquisition of 37 Shouson Hill Road in Hong Kong.

Excluding the balances of Hang Lung Properties and its subsidiaries (HLP Group), the Company and its other subsidiaries had a net cash balance amounted to HK$437 million (December 31, 2020: net debt balance of HK$379 million).

Maturity Profile and Refinancing

At the balance sheet date, the average tenure of the entire loan portfolio was 3.0 years (December 31, 2020: 2.8 years). The maturity profile was staggered over more than 10 years. Around 65% of the loans were repayable after two years.

	At December 31, 2021		At December 31, 2020	
	HK$ Million	% of Total	HK$ Million	% of Total
Repayable:				
Within 1 year	8,079	18%	7,863	20%
After 1 but within 2 years	7,753	17%	8,582	22%
After 2 but within 5 years	23,869	52%	19,102	50%
Over 5 years	6,182	13%	3,223	8%
Total borrowings	45,883	100%	38,770	100%

As of December 31, 2021, the total undrawn committed banking facilities amounted to HK$18,295 million (December 31, 2020: HK$16,538 million). The available balances of the USD4 billion (December 31, 2020: USD4 billion) MTN program amounted to USD1,760 million, equivalent to HK$13,722 million (December 31, 2020: HK$12,945 million).

Excluding the balances of HLP Group, the undrawn committed banking facilities of the Company and its other subsidiaries amounted to HK$3,650 million (December 31, 2020: HK$3,975 million).

Net Finance Costs and Interest Cover

For the year ended December 31, 2021, gross finance costs decreased 1% to HK$1,509 million. The effect of the drop in the average effective cost of borrowings which was lowered to 3.7% (2020: 4.4%), benefiting from lower interest rates upon the refinancing of maturing debts, was partially offset by the increase in total borrowings.

The net amount charged to the statement of profit or loss increased to HK$509 million mainly because of the decrease in finance costs capitalized for projects under development after the completion of the mall and office at Heartland 66 in Wuhan.

Interest cover for 2021 was 5 times (2020: 4 times).

Foreign Exchange Management

Normal operations in mainland China and MTNs denominated in USD expose our business activities to foreign exchange fluctuations. Appropriate measures have been taken to reduce our risk.

(a) RMB Exposure

Our RMB exposure is mainly derived from the currency translation risk arising from the net assets of our subsidiaries in mainland China.

As of December 31, 2021, net assets denominated in RMB accounted for approximately 72% of our total net assets. The RMB appreciated against the HKD by 2.9% compared with December 31, 2020. The translation of these net assets from RMB into HKD at the exchange rate as of the reporting date resulted in a translation gain of HK$3,342 million (2020: HK$6,604 million), recognized in other comprehensive income/exchange reserve.

Our business operations and projects under development in mainland China are funded by a combination of cash inflows from local operations, RMB borrowings, and capital injections from Hong Kong. We have adopted a systematic approach to mitigate currency risks and practice the strict discipline of not speculating on the movement of the RMB against the HKD. Regular business reviews assess the level of funding needed for our mainland China projects based on factors such as regulatory constraints, project development timelines, and the market environment. Appropriate modifications to our funding plan will be conducted in light of any changing circumstances.

(b) USD Exposure

Our USD foreign exchange exposure is related to the USD550 million fixed-rate bonds issued, equivalent to HK$4,289 million at the reporting date. The related currency exchange risk was covered back-to-back by USD/HKD cross-currency swap contracts.

Charge of Assets

Assets of the Group were not charged to any third parties as of December 31, 2021.

Contingent Liabilities

The Group did not have any material contingent liabilities as of December 31, 2021.

A tree planting activity by Hang Lung As One Volunteer Team in Hong Kong

sustainability

We collaborate with like-minded stakeholders to drive sustainable growth not only in our Company but also in our communities

Sustainability

We made significant strides in our sustainability journey during 2021. We remain committed to embedding sustainability in all aspects of our work, with a focus especially on our four priorities of Climate Resilience, Resource Management, Wellbeing, and Sustainable Transactions.

Alongside our **2030 Sustainability Goals and Targets** announced in December 2020, we have established 25 sustainability targets for the end of 2025, **25 x 25 Sustainability Targets**. Our combined targets for 2025 and 2030 provide a clear agenda for our ambition to become one of the world's most sustainable real estate companies.

Key Highlights in 2021

Ambitious Targets Towards Sustainability Leadership

25 x 25 Sustainability Targets

Set company-wide **strategic Environmental, Social and Governance Key Performance Indicators (ESG KPIs), tied to departmental and employee performance reviews**

Through our subsidiary Hang Lung Properties committed to setting both **near-term** and **long-term targets** to reach **net-zero** value chain greenhouse gas (GHG) emissions by no later than 2050

Major Milestones

Spring City 66, Kunming is **100%** powered by **renewable energy**

Conducted **comprehensive employee engagement survey**

>1,800 volunteers

133 volunteering activities

>14,500 hour

>14,800 people benefitted

Secured **28%** of debts and available facilities from **sustainable financing**

Launches initiatives worth **HK$27 million** to encourage **COVID-19 vaccination** in Hong Kong

Reporting Approach and Standards

The Report's Sustainability section summarizes the Company's sustainability performance in 2021, including key achievements and plans. The initiatives are aligned with our Sustainability Policy, which outlines our sustainability leadership approach over the next decade, including our Sustainability Framework, our 2030 Sustainability Goals and Targets, and the principles and processes ensuring effective implementation and governance. We will disclose our sustainability policies, metrics, and performance in greater detail in our standalone *Sustainability Report 2021*, prepared in accordance with the Global Reporting Initiative (GRI) Standards and the "mandatory disclosure requirements" and "comply and explain" provisions of the ESG Guide contained in Appendix 27 of the Listing Rules.

Progress Towards Sustainability Leadership

In support of our long-term sustainability ambition, we introduced annual Strategic ESG KPIs tied to the performance reviews of departments and employees in 2021, including our top management. The Strategic ESG KPIs have fuelled our momentum across our four sustainability priorities.

Climate Resilience

Commitments to Science-Based Targets

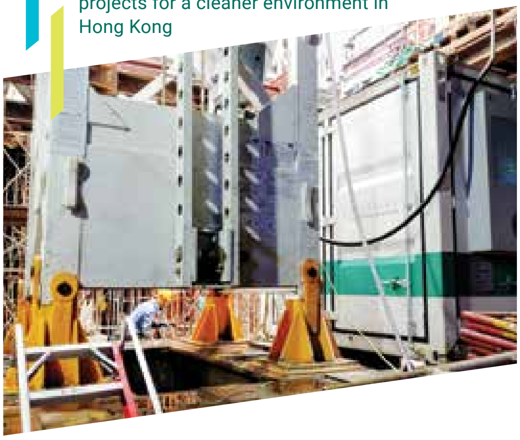
Our GHG emissions reduction scenarios for 2025 and 2030 include a detailed analysis of sensitivities related to grid decarbonization, energy efficiency, and renewable energy procurement. In late December 2021, our subsidiary Hang Lung Properties became one of Asia's first real estate companies to make commitments through The Science Based Targets initiative (SBTi) to setting near-term and long-term targets to reach net-zero value chain greenhouse gas emissions by no later than 2050.

Scopes 1 and 2 (GHG) Emissions

We also implemented our 2021 GHG Mitigation Plan to reduce portfolio-wide Scope 1 and 2 GHG emissions and prepared our 2022 GHG Mitigation Plan. Within each plan, our properties must identify and include carbon reduction measures in the annual budgeting process. We also installed smart energy meters at most properties in Hong Kong and are on track to complete the installation work at our mainland China properties in the first quarter of 2022.

Our CEO Mr. Weber Lo joined the Carbon Neutrality Partnership Certification cum Pledging Ceremony organized by the Environment Bureau of the HKSAR Government

An advanced battery energy storage system has been introduced to replace traditional diesel generators at our new development projects for a cleaner environment in Hong Kong



Spring City 66, Kunming is 100% Powered by Renewable Energy

In December 2021, we announced that Spring City 66 in Kunming is fully powered by renewable energy. A first for the Company, Spring City 66 is also the first commercial complex in Yunnan Province to achieve net-zero carbon emissions in terms of annual electricity consumption for both landlords' and tenants' operations. We aim to replicate this landmark achievement and have established a 2025 target to meet at least 25% of our mainland China portfolio's electricity demand with renewable energy.

Scope 3 GHG Emissions

Following a comprehensive inventory of our Scope 3 emissions in 2021, we found that embodied carbon from our building materials (e.g. steel and concrete) and emissions from our tenants' energy consumption constitute the two most significant sources of such emissions.

We have adopted low carbon concrete at our new development projects, and we are applying battery storage technologies to replace diesel at our construction sites in Hong Kong.

We have also developed a 2025 embodied carbon target to achieve a minimum 10% reduction in embodied carbon intensity (kg CO_2e/m^2) for new development projects that begin in 2022 or later, compared to standard practice for an equivalent project. Embodied carbon is a challenging but critical area, and we are one of the first developers in the region to commit to a 2025 target addressing it.

For Scope 3 downstream emissions, we are piloting amendments to our tenant handbook and fit-out guide for our Shanghai properties (please refer to "Tenant Collaboration" section). Our 2025 target is to reduce GHG intensity (kg CO_2e/m^2) from tenants' electricity consumption at our properties in mainland China by at least 15% compared to 2018.

Amoy Plaza was awarded the Smart Technology Excellence Award in the Smart Energy Award 2021 for its outstanding achievements in energy saving

Adaptation to Physical Climate Risks

To address physical risks from climate change, we worked with an expert consultancy to complete a detailed physical risk analysis for all properties. The risk analysis modelled the impact of potential changes to key climate indicators, including temperature, precipitation, and typhoons, under various scenarios from now until 2030 and 2050. Over the year, we conducted four workshops to review and discuss the findings, including a corporate level discussion of the results and implications with our top management. We are currently reviewing our existing risk controls and evaluating key areas and priority properties that may require enhanced adaptation measures.

Resource Management

Energy Management

Our properties are embracing technologies to improve their energy management. For example, CLP in Hong Kong honored Amoy Plaza with a Smart Energy Award in recognition of significant energy savings achieved through collaboration between our central and local Service Delivery teams in embracing IoT and the latest HVAC control technologies.

We have also adopted brushless direct current (DC) motor fan coil unit designs for multiple projects, and are piloting artificial intelligence technologies starting with Arup's Neuron Energy system at the Standard Chartered Bank Building in Hong Kong. The Company will continue to innovate in energy and electricity management and aims by 2025 to reduce our electricity intensity by 18%, compared to 2018.

Water Management

We have completed a detailed review of water consumption and practices across our mainland China and Hong Kong portfolio. We also conducted on-site visits to Grand Gateway 66, Shanghai and our properties in Hong Kong East in Hong Kong (Kornhill Plaza, Kornhill Apartments, and Kornhill Recreation Club) to gauge our properties' current water operations and conservation practices. We have identified key strategies to enhance water management, including water-efficient fixtures, water recycling, efficient use of cooling towers, rainwater harvesting, and irrigation methods. We have set a 2025 target to reduce our water intensity by 10% compared to 2018.

Recycling and Waste Management

A variety of initiatives improved our understanding of current waste management and recycling practices in 2021. To verify data accuracy and identify areas of improvement, we completed a waste data analysis for 29 properties across our mainland China and Hong Kong portfolios. We also conducted more detailed waste audits at Plaza 66, Shanghai and our properties in Hong Kong East in Hong Kong. Our overall landfill diversion rate exceeds 60%, mainly due to the incineration of municipal solid waste at our properties in mainland China. Our 2025 waste targets are to divert 70% of operational waste from landfill and divert 60% of construction waste from landfill and maximizing recycling for projects under development.

We have also improved and enhanced our recycling and reuse practices in collaboration with various stakeholders. For example, in mainland China, we collaborated with a recycling company to collect about 24 tons of used frontline staff uniforms which were either upcycled into gloves, yarn, and other materials or reused in other markets. Our project team at Heartland 66, Wuhan also partnered with national NGO Flying Ant and the Hang Lung As One Volunteer Team to collect, sort, and donate old clothes from customers to people in need. Tenants also sponsored shopping vouchers to incentivize customers to support the campaign. We are planning to replicate the project at other properties in mainland China, aiming to collect and donate up to 5,000 kilograms of clothing.

Wellbeing

COVID-19 Measures

In 2021, the Company supported Hong Kong's COVID-19 vaccination drive with initiatives worth HK$27 million. The Company offered two additional days of paid vaccination leave and up to HK$4,000 in e-shopping coupons for fully vaccinated and eligible staff.

Employee Wellbeing and Engagement

We remain committed to fostering employee wellbeing and engagement through a range of measures and initiatives. The Company provides competitive remuneration and benefits regularly benchmarked against the market. In 2021, we achieved a key talent retention rate of 92.6% and approximately 53% of our key staff members were promoted or given opportunities to broaden their horizons in 2021.

Heartland 66 in Wuhan partnered with NGO Flying Ant and the Hang Lung As One Volunteer Team to collect, sort, and donate old clothes from customers to people in need

We collaborated with a recycling company to collect about 24 tons of frontline staff uniforms in mainland China for upcycling or reuse

We respect each employee's personal needs and unique professional development and promote a healthy work-life balance with flexible working hours and work from home options. In 2021, *JobMarket* named our subsidiary Hang Lung Properties Employer of Choice and honored our subsidiary with its Work-Life Balance and COVID-19 Caring Employer awards.

Our first employee engagement survey launched in 2021 with an impressive overall participation rate of 97.4%. Based on the findings, we formulated plans to improve employee engagement and keep management informed with regular updates. Our 2025 target sets out to achieve an employee engagement rating equal to or greater than the 75th percentile.

Diversity and Inclusion

Our Equal Employment Opportunities Policy prohibits discriminatory practices to ensure that all job candidates and employees are treated fairly. We are also committed to further improving the current 4:6 female-to-male ratio of executive employees. Our 2025 target sets out to maintain a 1:1 female-to-male pay ratio.

The Company creates opportunities for people from diverse backgrounds in mainland China and Hong Kong. In 2021, we launched a national summer internship program and provided 72 students, including two students with special needs, with working opportunities across various functions and projects. We also recruited interns to participate in and organize social service initiatives, including soap recycling and battery disposal, to encourage community service among young people. We recognize that we can do more to support people with disabilities and aim to audit all our properties and corporate practices – in other words, both our hard and soft infrastructure – to enhance inclusive opportunities by 2025.

We organized a national summer internship program to provide young people with working opportunities across different functions

Learning and Development

We remain committed to providing our employees with learning and development opportunities. Extensive training programs include professional skills training, leadership programs, and company knowledge training through our Academy 66. In 2021, we completed 94,649 hours of training, including 16 webinars on wide-ranging topics related to our business.

We also launched the first cohort of our Leadership Development Program Series to help key employees hone their leadership skills. Going forward, the initiative will expand to cover key employees at all levels in the Company.

Lastly, we are rolling out ESG-specific training across the Company. In 2021, we delivered webinars on important topics such as climate resilience and sustainability leadership and aim to provide priority ESG training across all departments and seniority levels by 2025, starting with practical ESG training in four major departments in 2022.

Health and Safety

Endorsed by our Sustainability Steering Committee, we are launching a group-level Health and Safety Policy in 2022. The policy will encourage collaboration and the exchange of best practices between our projects, offices, and operations. In addition, a Service Delivery Safety Management Committee established in 2021 tracks relevant safety KPIs and monitors safety issues across our operations. Among our 2025 targets, we aim to maintain a Lost Time Injury Rate of 1.5 or below for employees and zero work-related fatalities for employees and contractors.

Sustainable Community Investment (SCI) Initiatives

The Group is committed to enriching lives and promoting diversity and inclusion in our communities. Despite the pandemic, 1,800 volunteers completed 133 volunteering activities, collectively contributing more than 14,500 service hours and benefitting over 14,800 people in Hong Kong and mainland China during 2021. Examples include:

- **Nationwide Volunteer Day**. To commemorate the founding anniversary of the Group, our employees participate in a nationwide volunteer day across nine cities in mainland China and Hong Kong in September every year. In 2021, 980 corporate volunteers dedicated over 4,000 service hours to promote low-carbon living and deliver care to more than 5,000 people in need.
- **Hang Lung x HKYWCA in Hong Kong**. In 2021, the Group partnered with the Hong Kong Young Women's Christian Association (HKYWCA) to launch a three-year program, Hang Lung x HKYWCA Love·No·Limit, to build an inclusive, dementia-friendly environment in the community. Volunteers contributed over 400 service hour with more than 900 in attendance benefiting from the services offered in the first year.
- **Hang Lung x St James Settlement in Hong Kong**. We partnered with St. James Settlement in Hong Kong to introduce a volunteer program, Walking Through Arts with Kids, in which 26 volunteers contributed 200 service hours to help 28 children with special education needs experience various art forms, including dance therapy and arts and crafts workshops.

The Hang Lung x HKYWCA "Love · No· Limit" program aims to build an inclusive, dementia-friendly environment in the community.

980 corporate volunteers from mainland China and Hong Kong took part in the Nationwide Volunteer Day to promote low-carbon living

We donate HK$2.5 million to each edition of Hang Lung Mathematics Awards, encouraging students to realize their creative potential in mathematics and sciences, and stimulating their passion for intellectual discovery

- **Parc 66, Jinan**. The shopping mall hosted an art exhibition, Lighting Up the Starry Sky with Arts, to raise awareness of autism and encourage social integration and understanding of people living with autism.
- **Grand Gateway 66, Shanghai**. In anticipation of the Tuen Ng Festival, volunteers made and gave as presents scented sachets, along with rice dumplings, to senior citizens in an elderly care center.

The Hang Lung As One Volunteer Team in Shanghai prepared handicrafts for the elderly as a celebration of Tuen Ng Festival

- **Hang Lung Mathematics Awards**. The prestigious biennial mathematics research competition is for secondary school students in Hong Kong. Over the past eight editions, over 2,400 students from 200 schools have participated. Hang Lung donates HK$2.5 million to each edition of the competition, to cover academic consultancy, assessment, administration, promotion, and of which HK$1 million will be used as prize money. In 2021, the event included over 60 teams from nearly 40 secondary schools across Hong Kong.

Sustainable Transactions

Sustainable Finance

The Company secured 28% of debts and available facilities from green bonds, green loan facilities, and sustainability-linked loan facilities. In March 2021, to educate employees on the topic, we conducted a webinar on sustainable finance for 316 colleagues in Hong Kong and mainland China. Through our subsidiary Hang Lung Properties, our 2025 target is to obtain 50% of debts and available facilities from sustainable finance.

Supplier Collaboration

In 2021, we made significant progress in advancing sustainability across our operations and project supply chains. On the operations side, we developed a sustainable procurement strategy and updated our Central Purchasing Department – Operating Manual and Procedures with enhanced ESG considerations. We also embedded ESG requirements into priority procurement categories, and we invited two experts to speak about ESG and supply chain issues at an internal conference attended by more than 100 colleagues from our finance, IT, and central procurement departments.

On the projects side, we defined an initial framework to improve sustainability and will engage more than ten key project suppliers on 16 improvement ideas, including low embodied carbon materials, energy efficiency, environmentally friendly design features, indoor environmental quality, and employee wellbeing. Additionally, we plan to host an ESG suppliers conference in late 2022 focused on embodied carbon and other priority areas to advance sustainability in partnership with our suppliers. Our 2025 target seeks to build a robust digital platform to assess suppliers' ESG performance.

Tenant Collaboration

We recognize the vital importance of working with our tenants to reduce emissions and bolster sustainability objectives. Planned amendments to our tenant handbook and fit-out guide for office and retail tenants will include sustainability provisions and roll out in Shanghai before expanding to all our properties.

In Hong Kong, we are collaborating with the Hong Kong University of Science and Technology's Environmental Management and Technology Program so students can assess our tenants' understanding of and commitments to sustainability as part of their final year Capstone Project. The project not only benefits students but also identifies and prioritizes opportunities for landlord-tenant sustainability collaboration.

We plan to incorporate sustainability provisions into 100% of our leases by 2025.

25 x 25 Sustainability Targets

The 25 x 25 Sustainability Targets address the four priorities outlined in the Company's Sustainability Framework, defining concrete and quantifiable measures to tackle sustainability challenges and provide employees with a clear blueprint for the next four years. Highlights include:

- **Climate Resilience.** Targets related to Scopes 1, 2, and 3 emissions, renewable electricity, and climate adaptation.
- **Resource Management.** Targets related to recycling, water use, and landfill diversion.
- **Wellbeing.** Targets related to employee engagement, gender pay ratio, people with disabilities, health and wellness, safety, and youth.
- **Sustainable Transactions.** Targets related to suppliers' ESG performance, marketing events, leases, sustainable finance, and asset acquisitions.

25 x 25 Sustainability Targets

Climate Resilience

2030 Goal : Reduce carbon footprint in line with climate science

2030 Target	25 x 25 Sustainability Targets	
Nearly net zero carbon building		
Demonstrate best efforts to achieve a 70% reduction in scopes 1 and 2 greenhouse gas emissions intensity (per m²), compared to 2018 baseline	1 40% cumulative reduction in GHG intensity (kg CO_2e/m^2) relative to 2018	2 18% cumulative reduction in electricity intensity (kWh/m²) relative to 2018
	3 25% of our mainland China portfolio electricity demand met by renewable energy	4 Wherever feasible exceed local regulations for the provision of parking spaces installed with EV charging facilities across our portfolio
	5 Demonstrate best efforts to achieve at least 10% reduction in embodied carbon intensity (kg CO_2e/m^2) for new development project that begin in 2022 or later, compared to typical practice in an equivalent building	6 15% reduction in GHG intensity (kg CO_2e/m^2) from tenants' electricity consumption for our properties in mainland China, relative to 2018
	7 Complete technical analysis for climate adaptation measures for all properties	

Resource Management

2030 Goal : Promote circular economy by reducing resource consumption and maximizing recycling

2030 Target	25 x 25 Sustainability Targets	
Incorporate circular building principles in new properties	8 60% of construction waste diverted from landfill for new projects starting in 2022 with maximized recycling	9 Demonstrate best efforts to maximize the use of recycled, reused and bio-based materials on all new projects
Implement water management program in all properties	10 10% reduction in water intensity (m³/m²/year) relative to 2018	
Divert 90% of operational waste from landfill	11 70% of operational waste diverted from landfill	

Wellbeing

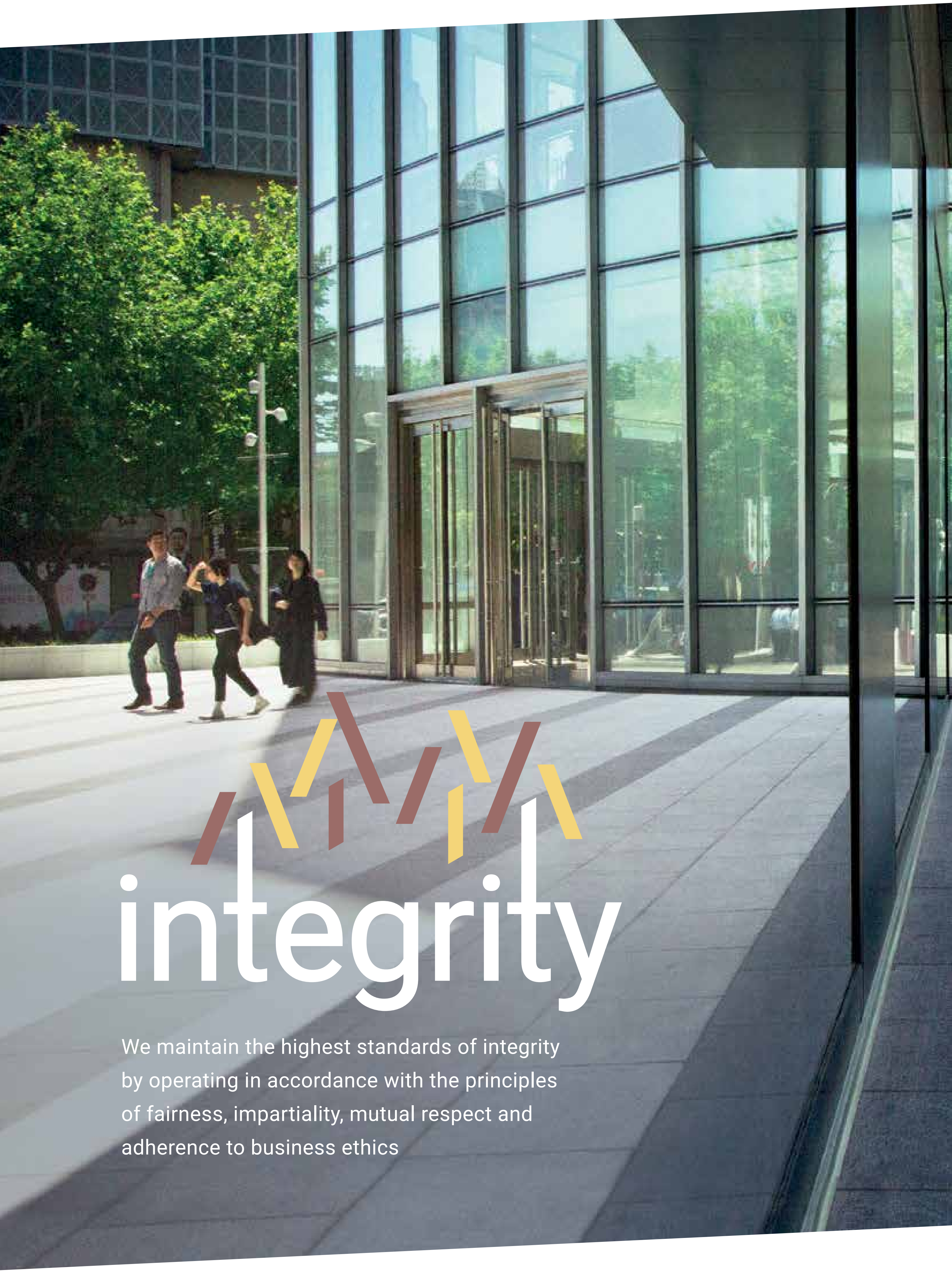
2030 Goal : Ensure employees, customers and communities enjoy an unrivalled environment that promotes their health and wellbeing

2030 Target	25 x 25 Sustainability Targets
Assess wellbeing for all employees and key customers	12 Achieve an employee engagement rating greater than or equal to the 75th percentile 13 Maintain Female-to-Male pay ratio of 1:1 14 Conduct an audit of all our properties and corporate practices on how to enhance wellbeing and opportunities for persons with disabilities
Meet or exceed wellbeing standards for new properties	15 Obtain local or international health and wellness certification for all our existing Mainland properties 16 Obtain WELL Gold certificate or equivalent for at least one new property in Hong Kong and mainland China 17 Deliver priority ESG training targeted to all departments and seniority levels 18 Maintain a Lost Time Injury Rate of 1.5 or below for employees 19 Maintain zero work-related fatalities for employees and contractors
Work with youth on sustainability solutions in all cities where we have asset	20 Work with youth on wellbeing community initiatives at all properties by 2025

Sustainable Transactions

2030 Goal : Collaborate with all suppliers and customers to advance our sustainability priorities

2030 Target	25 x 25 Sustainability Targets
Implement supplier evaluation and ranking system	21 Embrace technology to build a robust digital platform for assessing suppliers' ESG performance 22 100% of marketing events evaluated for their sustainability impacts
Engage all tenants on emissions reduction, resource management, and wellbeing enhancement	23 100% of leases incorporate sustainability provisions
	24 50% of total debts and available facilities from sustainable finance through our subsidiary Hang Lung Properties
	25 100% of potential asset acquisitions include ESG due diligence



integrity

We maintain the highest standards of integrity by operating in accordance with the principles of fairness, impartiality, mutual respect and adherence to business ethics

Plaza 66, Shanghai

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

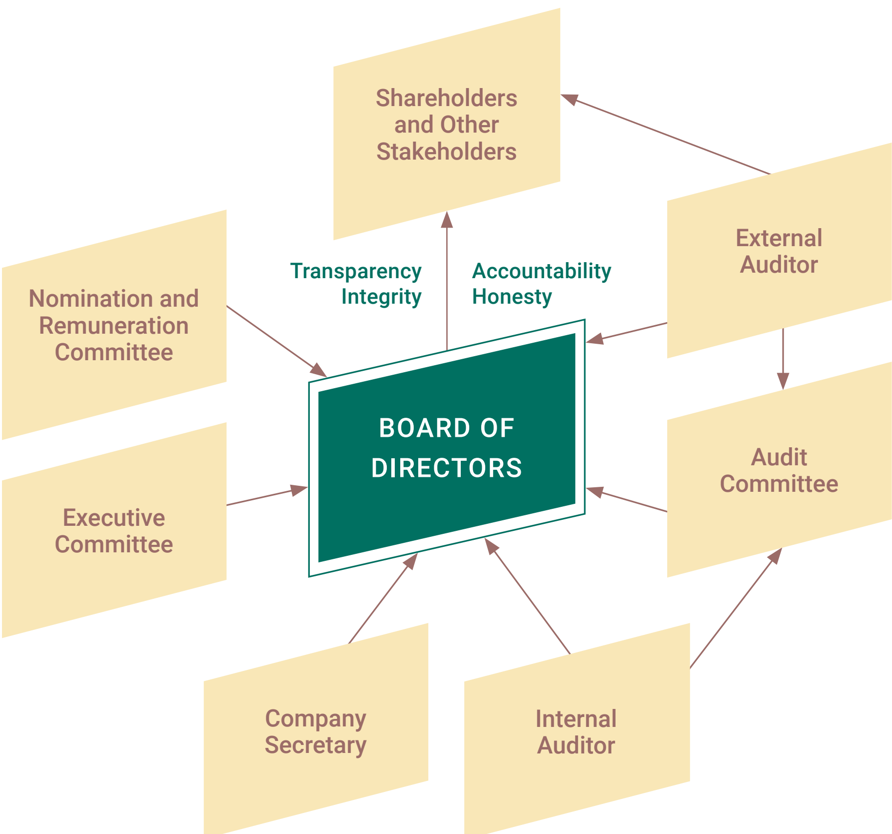
Integrity
Sustainability
Excellence
Openness

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
- Nomination and Remuneration 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 2017
- 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 with more than 20 clear business days before AGM

Our major subsidiary, HLP, received 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 12 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)
- three NEDs
  Mr. Gerald L. Chan
  Mr. George K.K. Chang
  Mr. Roy Y.C. Chen
- four INEDs
  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. Kenneth K.K. Chiu was appointed as Executive Board Member and CFO Designate of the Company and HLP 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 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.

Board Diversity

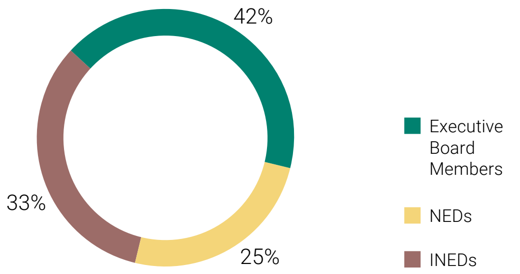
The Board Diversity Policy sets out the approach to achieve diversity on the Board with the aim to further enhance its effectiveness. Board diversity has been considered from different perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, expertise, skills, knowledge, and length of service. 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.

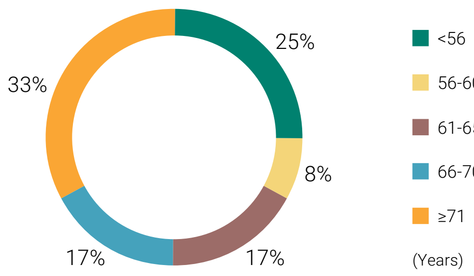
The Nomination and Remuneration Committee and the Board have taken into account the Board Diversity Policy in the appointment of Mr. Kenneth K.K. Chiu as Executive Board Member and CFO Designate in October 2021.

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

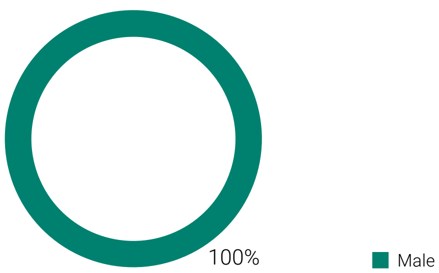
Designation



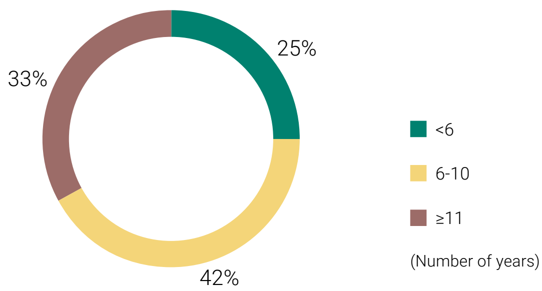
Age



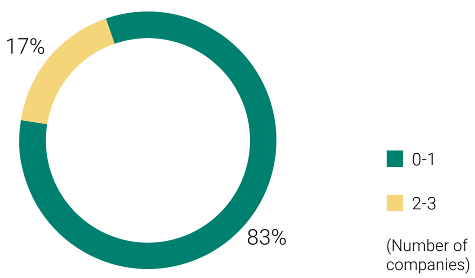
Gender



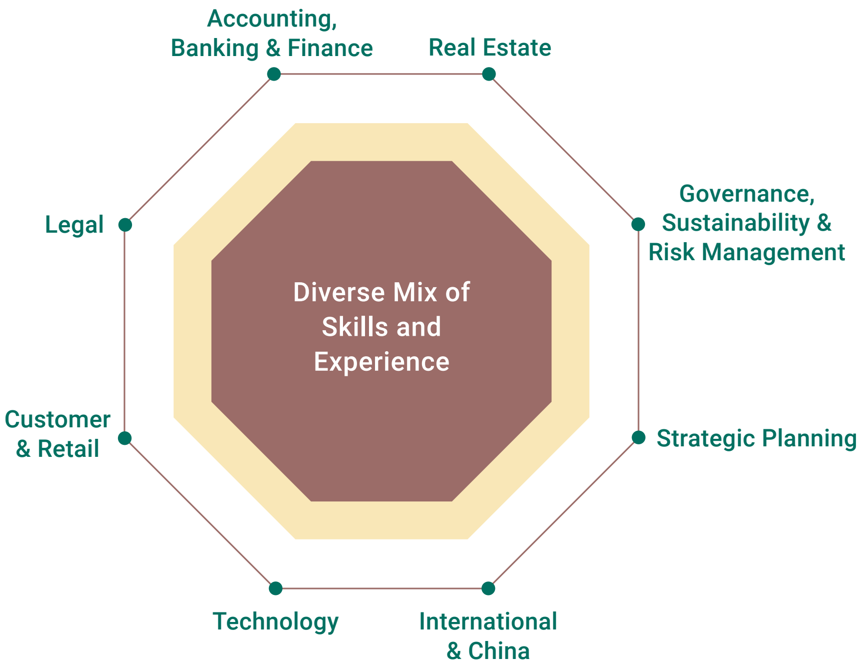
Directorship with the Company



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 119 to 124 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.

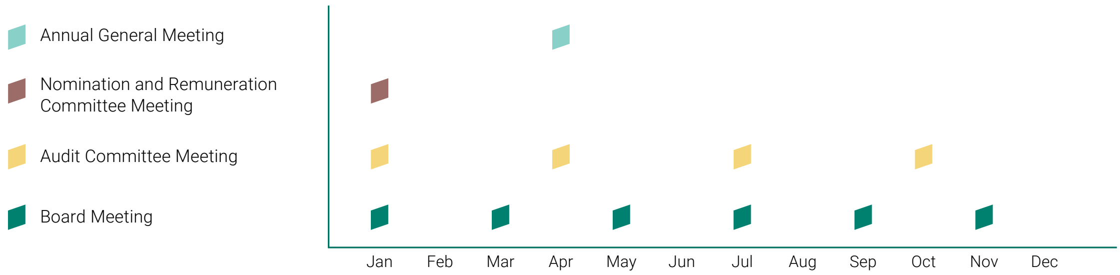
NEDs and INEDs have made an invaluable contribution to the development of the Company's strategies and policies, providing independent, constructive, and informed advice. They have given the Board and the Board committees on which they serve, the benefit of their skills, expertise, and diversified backgrounds 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 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 average attendance rate of Board Members at Board meetings was 96%. To encourage attendance and active 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
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	6/6	N/A	1/1	1/1
Non-Executive Directors				
Gerald L. Chan	3/6	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
Executive Board Members				
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 (Note)	1/1	N/A	N/A	N/A

Note
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 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 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 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 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 NEDs 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 NEDs and INEDs, in particular, and ensures constructive relations between Executive Board Members, NEDs 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 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.

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 NEDs 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
Gerald L. Chan	A, B
Simon S.O. Ip	A, B
P.W. Liu	A, B, C
L.C. Tsui	A, B, C
Martin C.K. Liao	A, B
George K.K. Chang	A, B
Roy Y.C. Chen	A, B
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 three INEDs and one NED, namely, Mr. Simon S.O. Ip (Chair of the Committee), Prof. P.W. Liu, Prof. L.C. Tsui and Mr. George K.K. Chang, 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, 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 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 included 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 NEDs 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 HLP as of December 31, 2021 are as follows:

	The Company	Hang Lung Properties Limited	
Board Members	Number of Shares	Number of Shares	Number of Shares under Option
Ronnie C. Chan	27,713,500 (Note 1)	17,155,000	15,500,000
Adriel Chan	538,345,080 (Notes 1 & 2)	2,670,248,340 (Note 2)	7,400,000
Weber W.P. Lo	200,000	600,000	15,750,000
Gerald L. Chan	–	–	–
Simon S.O. Ip	–	–	–
P.W. Liu	–	100,000	–
L.C. Tsui	–	–	–
Martin C.K. Liao	–	–	–
George K.K. Chang	–	–	–
Roy Y.C. Chen	–	–	–
H.C. Ho	78,000	–	10,700,000
Kenneth K.K. Chiu	–	–	2,000,000

Notes

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

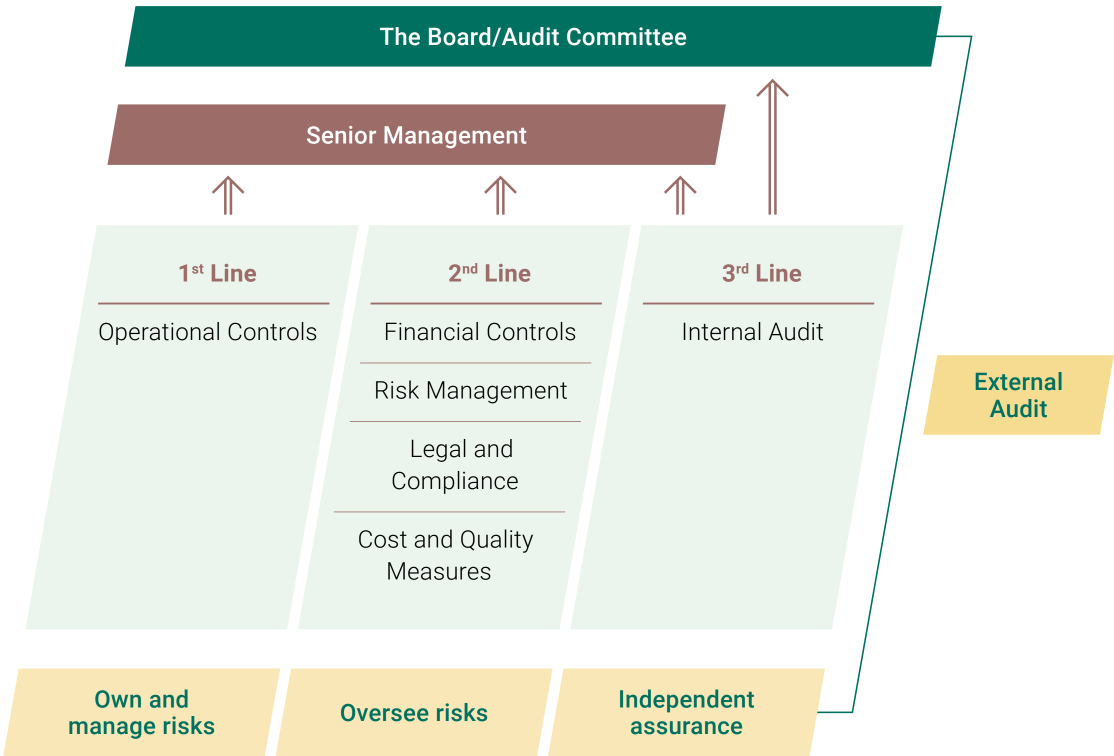
2. Risk Management and Internal Controls

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



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:

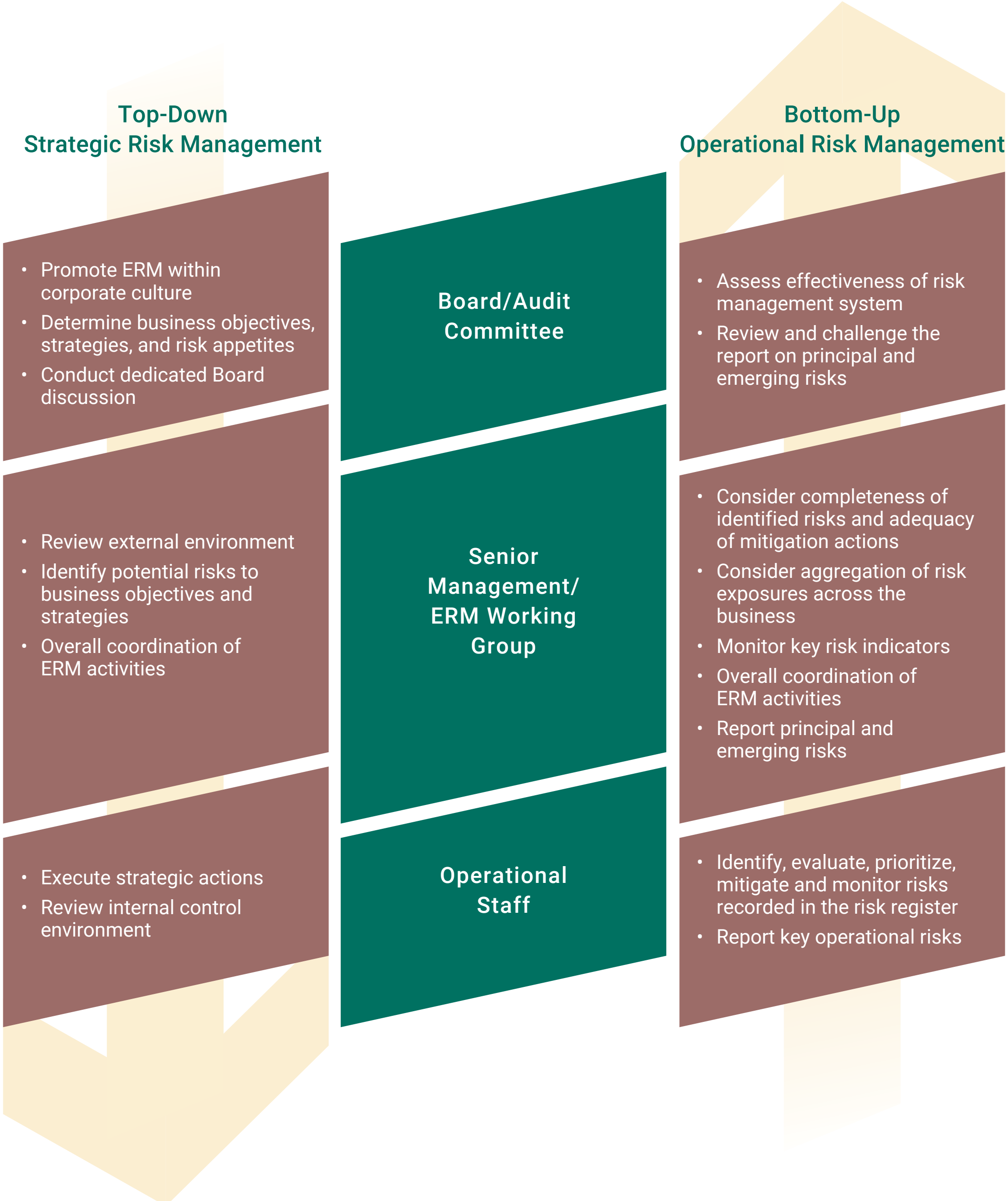
- reviewed the effectiveness of the Company's ERM framework;
- reviewed risk assessment criteria to ensure they were appropriately defined and continued to be relevant in light of the Company's business and risk profile;
- organized various workshops for management and operational staff to promote understanding 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.

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	• Stay in touch with the latest relevant technologies for understanding customers through data analytics and smart retail solutions • Explore and adopt applicable new technologies, such as virtual reality/augmented reality, 3D imaging, and innovative digital platforms, to create exciting new experiences • Ensure IT infrastructure readiness for anticipated IT developments, such as our data journey project and WeChat mini program • Grow customer engagement and loyalty via well-established CRM programs to better understand customers and drive sales • 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

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

Risk Description	Risk Trend	Key Controls and Risk Mitigations
Challenges to reposition or redefine our leasing strategy for Hong Kong projects under turbulent market conditions	⇑ Lingering impacts of the global pandemic have affected customer footfall and rental revenue to varying degrees	• 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 • 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 • Conduct ongoing branding and marketing programs to excite and engage with target audiences • Enhance precautions and regular deep cleaning of office buildings with medical tenants, as well as our serviced apartments with overseas returnees
Heavy capital investment coupled with a long investment period and market cycles provide opportunities and challenges in land acquisition	⇌	• Set investment strategy, criteria, and risk appetite prior to land acquisition • Consolidate local market 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 the early involvement of the Business Operation Team • Focus on our product quality and core location as our differentiator • Exercise financial prudence and continually monitor our return on investment
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	⇌	• 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 • Closely monitor project progress and review all aspects of a development's planning and construction • 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 • 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 rectify any non-compliance cases by the designated safety manager and external safety consultant • Establish clear and comprehensive policies and procedures with periodic enhancements to tighten controls • Provide regular and comprehensive reports to the Board and the Audit Committee, and strengthen management supervision

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	• 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, such as epidemics, floods, earthquakes, cyber-crimes, etc., could impact assets or business sustainability	⇌	• Review, update, and test business continuity plans of each critical function on an annual basis • Keep track of premises with cases of infection and ensure timely communication with tenants, customers, staff, media, and other stakeholders • Proactively participate in dialogue and discussions with tenants on rental arrangements • Continue to enhance IT security policies and guidelines, such as conducting IT disaster recovery drills, security awareness education, and penetration tests • Launch the Crisis Management Refresh Program 2021, and conduct crisis audits and media training • Ensure appropriate insurance coverage for properties and business

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	Challenges in recruiting qualified and competent talent in both mainland China and Hong Kong	• Formulate manpower plan led by functional heads 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 twice a year 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, expand the internal job posting platform "CareerConnect" to mainland China, and enhance the employee referral program policy • Review the competitiveness of our compensation and conduct benefits enhancements • Launch the employee engagement survey to understand opportunities for improvement and establish action plans across the Company
Fraud and corruption activities could result in significant financial losses and/or impact the reputation of the business		• Strengthen our 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 that benchmarks industry best practices • Periodically review and update the Staff Handbook and Code of Conduct to emphasize zero tolerance for unethical behavior
Physical risks of climate change and the risks of the transition to a low-carbon economy	Align our sustainable growth with the nationwide new development concept for carbon peak and carbon neutrality	• Strengthen Board and corporate governance of our ESG and maintain a high level of transparency on our ESG performance • Embed ESG metrics into business priorities and set up measurable ESG KPIs for each business function • Conduct preliminary physical risk assessments for all our existing properties in mainland China and complete the first iteration of our climate adaption plan • Engage an external consultant to conduct a carbon pricing assessment for our building portfolio • Establish a greenhouse gas (GHG) mitigation plan as a strategic ESG KPI and require input from all properties • Procure 100% renewable energy at a property in mainland China in support of our 2025 renewable energy targets

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	⇌	• 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 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 centricity 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 subsidiary, HLP, 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:

	Year ended December 31, 2021 HK$ (in million)	Year ended December 31, 2020 HK$ (in million)
Statutory audit services	**13**	13
Non-audit services	**4**	2

(V) Communication with Stakeholders

1. Shareholders

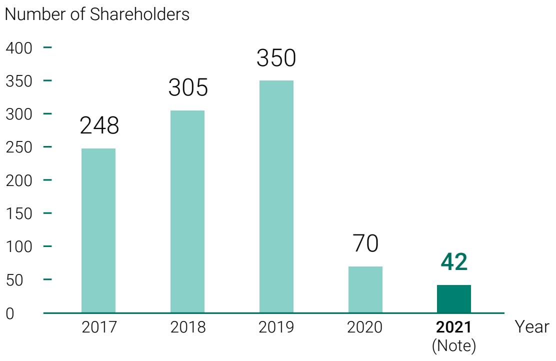
The Board has a shareholders communication policy setting out strategies to promote effective communication between the Company and its shareholders, with the aim of ensuring that sufficient information is provided to enable active engagement with the Company and the proper exercise of shareholder rights 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.

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 exercised 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 42 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.

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 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. 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:

	Shareholders		Shareholdings	
Domicile	**Number**	**%**	**Number of Shares**	**%**
Hong Kong	1,823	97.96	1,017,095,784	74.70
Mainland China	8	0.43	139,375	0.01
Macau	3	0.16	112,700	0.01
Taiwan	2	0.11	2,874	0.00
Australia and New Zealand	3	0.16	16,250	0.00
Canada and United States of America	14	0.75	97,923	0.01
South East Asia	1	0.05	33,000	0.00
United Kingdom	2	0.11	508	0.00
Others	5	0.27	344,119,828	25.27
TOTAL	**1,861**	**100.00**	**1,361,618,242**	**100.00**

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

	Shareholders*		Shareholdings*	
Holding Range	**Number**	**%**	**Number of Shares**	**%**
1 – 1,000 shares	472	25.36	210,249	0.01
1,001 – 5,000 shares	624	33.53	1,888,331	0.14
5,001 – 10,000 shares	293	15.75	2,423,210	0.18
10,001 – 100,000 shares	424	22.78	11,391,888	0.84
Over 100,000 shares	48	2.58	1,345,704,564	98.83
TOTAL	**1,861**	**100.00**	**1,361,618,242**	**100.00**

* incorporating, in their respective shareholdings range, 260 participants of Central Clearing and Settlement System holding a total of 837,307,436 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.

Profile of the Directors

Mr. Ronnie Chichung Chan GBM

Chair

Aged 72, Mr. Chan joined the Group in 1972, and became Chair in 1991. He also serves as Chair of Hang Lung Properties Limited, the Group's major publicly listed subsidiary. Mr. Chan is a Director of The Real Estate Developers Association of Hong Kong, Chair Emeritus of Asia Society and Chairman of its Hong Kong Center, Chairman of the Executive Committee of The Better Hong Kong Foundation and former Chairman of the Executive Committee of One Country Two Systems Research Institute. He is also former Vice President and former Advisor of China Development Research Foundation in Beijing. Mr. Chan sits on the governing or advisory bodies of several think-tanks and universities, including The Hong Kong University of Science and Technology, and Peterson Institute for International Economics. He is a Life Trustee of University of Southern California, USA, 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, Vice Chair of the Company.

Mr. Adriel Wenbwo Chan

Vice Chair

Aged 39, Mr. Chan joined the Group in 2010. He was appointed to the Board of the Company and of its major listed subsidiary, Hang Lung Properties Limited, in 2016, and became Vice Chair in September 2020. He is now mainly responsible for Development and Design, Project Management (including asset assurance & improvement) and Cost & Controls. Mr. Chan is also the chair of the Sustainability Steering Committee and a member of Enterprise Risk Management Working Group, among his other responsibilities within the Group.

Mr. Chan is Vice-President and a member of the executive committee of The Real Estate Developers Association of Hong Kong, a member of the advisory council of The Hong Kong University of Science and Technology (the "HKUST") Business School, and overseers committee of Morningside College of The Chinese University of Hong Kong. He is also a director of China Institute for Knowledge, a member organization of Our Hong Kong Foundation. Mr. Chan holds an Executive Master of Business Administration degree jointly awarded by the Kellogg School of Management at Northwestern University, USA and the HKUST, and a Bachelor of Arts degree in International Relations from University of Southern California, USA. Prior to joining the Group, he worked in finance, audit, advisory, and risk management fields. Mr. Chan is a son of Mr. Ronnie Chan, Chair of the Group.

Mr. Weber Wai Pak Lo

Chief Executive Officer

Aged 51, Mr. Lo joined the Company and its major listed subsidiary, Hang Lung Properties Limited, as Chief Executive Officer Designate in May 2018, and became Chief Executive Officer in July 2018. He has more than 25 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 and the Advisory Committee of The Jockey Club CPS Limited (Tai Kwun). He was a Director of The Real Estate Developers Association of Hong Kong and a member of the Court of The University 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 70, Mr. Chan has been a Director of the Company since 1986. As 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, and a director of LumiraDx Limited. Mr. Chan was a Non-Executive Director of Aduro Biotech, Inc. He is a brother of Mr. Ronnie Chan, Chair of the Group.

Mr. Simon Sik On Ip GBS, CBE, JP

Independent Non-Executive Director

Aged 73, Mr. Ip joined the Board 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 a member 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 two 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 74, Prof. Liu joined the Board as an Independent Non-Executive Director in March 2015. He is Research Professor and was formerly Pro-Vice-Chancellor of The Chinese University of Hong Kong. He was formerly Director of the Institute of Global Economics and Finance and was appointed Distinguished Fulbright Scholar in 2000-01. Prof. Liu serves on many government advisory bodies. He is the Chairman of the Advisory Committee on Post-office Employment for Former Chief Executives and Politically Appointed Officials and a member of the Judicial Officers Recommendation Commission. Prof. Liu was 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 Chairman of its Remuneration Committee. Prof. Liu received his AB degree from Princeton University and Ph.D degree from Stanford University in the US. He is an Independent Non-Executive Director of Transport International Holdings Limited and China Zheshang Bank Co., Ltd., and was an Independent Non-Executive Director of Hang Lung Properties Limited, 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 71, 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, 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 of the National Academy of Sciences of the US 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 was awarded the Grand Bauhinia Medal in July 2016.

Mr. Martin Cheung Kong Liao GBS, JP

Independent Non-Executive Director

Aged 64, Mr. Liao joined the Board as an Independent Non-Executive Director in November 2014. Mr. Liao is 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 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 and the Chairman of The Advisory Committee on Corruption of the ICAC. Mr. Liao previously served as 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 was Called to the Bar in England and Wales in 1984 and was Called to the Bar in Hong Kong in 1985 and is a practicing barrister in Hong Kong. He is also an advocate and 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 69, Mr. Chang joined the Board as a Non-Executive Director in March 2015. He is managing director of Morningside Group chaired and co-founded by Mr. Gerald Chan and co-founded by Mr. Ronnie Chan. Mr. Chang started his professional career in a major international accounting firm and has over eight 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 the 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 58, 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 Chief Executive Officer of Grace Financial Limited specializing in wealth management. Starting his career as merchant banker in the US and UK until joining Sterling Enterprises Limited since 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 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 MBA from Columbia University in the US.

Mr. Hau Cheong Ho

Chief Financial Officer (Retired on March 1, 2022)

Aged 62, Mr. Ho joined the Group in 2008. He was appointed to the Board of the Company and of its publicly listed subsidiary, Hang Lung Properties Limited, in 2010. Mr. Ho possesses over 30 years of management experience covering a wide range of industries in England, Australia, Hong Kong and mainland China. He qualified as a chartered accountant in England and Wales and Australia and holds an MBA from the University of Melbourne, Australia and a Bachelor of Commerce Degree in Accounting from the University of Birmingham, UK.

Mr. Kenneth Ka Kui Chiu

Chief Financial Officer Designate
(became Chief Financial Officer on March 1, 2022)

Aged 46, Mr. Chiu joined the Boards of the Company and its major listed subsidiary, Hang Lung Properties Limited, as Executive Director and Chief Financial Officer Designate in October 2021, and became Chief Financial Officer with effect from March 1, 2022. He has over 24 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 20 years of legal advisory experience and holds a Postgraduate Certificate in Laws as well as a Bachelor of Laws degree from The University of Hong Kong.

Report of the Directors

The Directors of the Board of Hang Lung Group Limited are pleased to present their report, together with the audited consolidated Financial Statements for the year ended December 31, 2021.

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 34 and 35 to the Financial Statements.

Financial Results

The results of the Group for the year ended December 31, 2021 are set out in the consolidated Financial Statements on pages 139 to 201.

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, 2021, makes a total of HK86 cents per share in respect of the year ended December 31, 2021. The proposed final dividend, if approved by the shareholders at the AGM on April 27, 2022, will be paid on May 19, 2022 to shareholders whose names appear on the register of members on May 4, 2022.

The Company aims at providing a stable dividend to shareholders. The dividend reflects the financial performance of its subsidiary HLP. 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 22 to 61 and pages 62 to 73 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 90 to 118. The particulars of important events affecting the Company which have occurred since the end of the financial year 2021, 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 22 to 61.

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 62 to 73 respectively. A discussion of the Company's sustainability policies and performance, including but not limited to environmental issues across its operations, and an account of the Company's relationships with its key stakeholders are provided in the Sustainability section on pages 76 to 87.

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 Labour Law, the Labour Contract Law and the Trade Union Law in the People's Republic of 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 ten financial years is set out on pages 202 and 203.

Major Suppliers and Customers

During the year, both the percentage of purchases attributable to the Group's five largest suppliers combined and the percentage of revenue from sales of goods or rendering of services attributable to the Group's five 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, 2021 amounted to HK$19,990 million (2020: HK$18,830 million).

Donations

Donations made by the Group during the year amounted to HK$17 million (2020: HK$25 million).

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at December 31, 2021 are set out in Note 18 to the Financial Statements.

Borrowing Costs Capitalization

Borrowing costs capitalized by the Group during the year amounted to HK$1,000 million (2020: HK$1,296 million).

Major Group Properties

Details of major properties of the Group as at December 31, 2021 are set out on pages 58 to 61.

Share Capital

During the year, the Company did not issue any shares (2020: Nil).

Details of the movement in the share capital of the Company during the year are set out in Note 21 to the Financial Statements.

Share Capital of the Company's Listed Subsidiary

During the year, the Company's listed subsidiary, HLP issued 1,461,000 fully paid shares (2020: 81,000 shares), for a total consideration of HK$29,099,780 (2020: HK$1,618,380) as a result of the exercise of share options under a share option scheme of HLP.

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 of the Board of Hang Lung Group Limited 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. H.C. Ho
Mr. Kenneth K.K. Chiu (appointed on October 6, 2021)

Mr. H.C. Ho will retire with effect from March 1, 2022.

The biographical details of the Directors of the Board are set out on pages 119 to 124. Details of their remuneration are set out in Note 6 to the Financial Statements.

Mr. Kenneth K.K. Chiu, being Executive Board Member newly appointed on October 6, 2021, will retire from the Board at the forthcoming AGM in accordance with article 94 of the Articles of Association and, being eligible, offer himself for re-election.

In accordance with article 103 of the Articles of Association, Mr. Ronnie C. Chan, Mr. Weber W.P. Lo and Mr. Simon S.O. Ip will retire from the Board by rotation at the forthcoming AGM and, being eligible, offer themselves 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 Document & Directors of Subsidiaries" in the "Corporate Governance" subsection of the "Investor Relations" section.

Directors' Service Contracts

No Director of the Board 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 one 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 of the Board 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 of the Board 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 of the Board 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, 2021, the interests or short positions of each Director of the Board in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning 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 are as follows:

		The Company (Long Position)		Hang Lung Properties Limited (Long Position)		
Name	**Capacity**	**Number of Shares**	**% of Number of Issued Shares**	**Number of Shares**	**% of Number of Issued Shares**	**Number of Shares under Option** (Note 3)
Ronnie C. Chan	Personal & Other	27,713,500 (Note 1)	2.04	17,155,000	0.38	15,500,000
Adriel Chan	Personal & Other	538,345,080 (Notes 1 & 2)	39.54	2,670,248,340 (Note 2)	59.35	7,400,000
Weber W.P. Lo	Personal	200,000	0.01	600,000	0.01	15,750,000
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	–	–	–	–	–	–
H.C. Ho	Personal	78,000	0.01	–	–	10,700,000
Kenneth K.K. Chiu	Personal	–	–	–	–	2,000,000

Notes

1. Other interests included 15,923,500 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. Other interests included 522,421,580 shares of the Company and 2,670,248,340 shares of HLP 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.

3. Movements of Options under the Share Option Schemes of HLP

(i) Share Option Scheme adopted on November 22, 2002

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option: As at Jan 1, 2021	Lapsed during the Year	As at Dec 31, 2021	Exercise Price per Share (HK$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
06/13/2011	Ronnie C. Chan	4,500,000	4,500,000	–	$30.79	06/13/2013 : 10%	06/12/2021
	H.C. Ho	3,000,000	3,000,000	–		06/13/2014 : 20%	
						06/13/2015 : 30%	
						06/13/2016 : 40%	

(ii) Share Option Scheme adopted on April 18, 2012

Date Granted (mm/dd/yyyy)	Name	Number of Shares under Option: As at Jan 1, 2021	Granted during the Year	Exercised during the Year	As at Dec 31, 2021	Exercise Price per Share (HK$)	Vested Dates (mm/dd/yyyy)	Expiry Date (mm/dd/yyyy)
06/04/2013	Ronnie C. Chan	4,500,000	–	–	4,500,000	$28.20	06/04/2015 : 10%	06/03/2023
	Adriel Chan	200,000	–	–	200,000		06/04/2016 : 20%	
	H.C. Ho	3,000,000	–	–	3,000,000		06/04/2017 : 30%	
							06/04/2018 : 40%	
12/05/2014	Ronnie C. Chan	2,750,000	–	–	2,750,000	$22.60	12/05/2016 : 10%	12/04/2024
	Adriel Chan	150,000	–	–	150,000		12/05/2017 : 20%	
	H.C. Ho	1,850,000	–	–	1,850,000		12/05/2018 : 30%	
							12/05/2019 : 40%	
08/10/2017	Ronnie C. Chan	2,750,000	–	825,000	1,925,000	$19.98	08/10/2019 : 10%	08/09/2027
	Adriel Chan	1,850,000	–	–	1,850,000		08/10/2020 : 20%	
	H.C. Ho	1,850,000	–	–	1,850,000		08/10/2021 : 30%	
							08/10/2022 : 40%	
05/16/2018	Weber W.P. Lo	10,000,000	–	–	10,000,000	$18.98	05/16/2020 : 10%	05/15/2028
							05/16/2021 : 20%	
							05/16/2022 : 30%	
							05/16/2023 : 40%	
06/28/2019	Ronnie C. Chan	3,025,000	–	–	3,025,000	$18.58	06/28/2021 : 10%	06/27/2029
	Adriel Chan	2,200,000	–	–	2,200,000		06/28/2022 : 20%	
	Weber W.P. Lo	2,750,000	–	–	2,750,000		06/28/2023 : 30%	
	H.C. Ho	1,900,000	–	–	1,900,000		06/28/2024 : 40%	
05/12/2021	Ronnie C. Chan	–	3,300,000	–	3,300,000	$19.95	05/12/2023 : 10%	05/11/2031
	Adriel Chan	–	3,000,000	–	3,000,000		05/12/2024 : 20%	
	Weber W.P. Lo	–	3,000,000	–	3,000,000		05/12/2025 : 30%	
	H.C. Ho	–	2,100,000	–	2,100,000		05/12/2026 : 40%	
10/06/2021	Kenneth K.K. Chiu	–	2,000,000	–	2,000,000	$17.65	10/06/2023 : 10%	10/05/2031
							10/06/2024 : 20%	
							10/06/2025 : 30%	
							10/06/2026 : 40%	

Save as disclosed above, none of the Directors of the Board had, as at December 31, 2021, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations.

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 of the Board to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at December 31, 2021, 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 are as follows:

Name	Note	Number of Shares or Underlying Shares Held (Long Position)	% of Number of Issued Shares (Long Position)
Adriel Chan	1	538,345,080	39.54
Chan Tan Ching Fen	2	522,421,580	38.37
Cole Enterprises Holdings (PTC) Limited	2	522,421,580	38.37
Merssion Limited	2	522,421,580	38.37
Kingswick Investment Limited	3	103,609,000	7.61
Dodge & Cox	4	122,848,600	9.02
Silchester International Investors LLP	4	110,342,000	8.10
Schroders Plc	4	68,315,500	5.02

Notes

1. These shares were held by two trusts, 522,421,580 shares of which were held by Merssion Limited under a trust and 15,923,500 shares of which were held by another trust. As Mr. Adriel Chan was a discretionary beneficiary (for 522,421,580 shares) of a trust and both a settlor and discretionary beneficiary (for 15,923,500 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 538,345,080 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 522,421,580 shares held by Merssion Limited.
4. These shares were held in the capacity of investment managers.

Save as disclosed above, as at December 31, 2021, 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 are set out in Note 27 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

HLP Finance Limited, a non-wholly owned subsidiary of the Company, fully redeemed the US$500 million 4.45% guaranteed notes due in 2021 (stock code: 5726) at principal amount upon maturity on April 16, 2021.

Saved as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the year.

Corporate Governance

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 90 to 118.

Auditor

The consolidated Financial Statements for the year ended December 31, 2021 have been audited by KPMG.
A resolution for the re-appointment of KPMG as 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 27, 2022

Independent Auditor's Report

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 139 to 201, which comprise the consolidated statement of financial position as at December 31, 2021, 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 to the consolidated financial statements, including a summary of significant accounting policies.

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, 2021 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, 2021 amounted to HK$208,981 million, representing 88% of the Group's total assets as at that date. The net increase 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, 2021 amounted to HK$887 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 27, 2022

Financial Statements

Consolidated Statement of Profit or Loss

For the year ended December 31, 2021

	Note	2021 HK$ Million	2020 HK$ Million	*For information purpose only* 2021 RMB Million	2020 RMB Million
Revenue	2(a)	**10,919**	9,526	**9,059**	8,461
Direct costs and operating expenses		**(3,112)**	(2,646)	**(2,581)**	(2,346)
		7,807	6,880	**6,478**	6,115
Other net income	3	**60**	54	**50**	47
Administrative expenses		**(618)**	(559)	**(512)**	(500)
Profit from operations before changes in fair value of properties		**7,249**	6,375	**6,016**	5,662
Net increase/(decrease) in fair value of properties	2(b)	**458**	(6,856)	**380**	(6,121)
Profit/(loss) from operations after changes in fair value of properties		**7,707**	(481)	**6,396**	(459)
Interest income		**82**	70	**68**	62
Finance costs		**(509)**	(222)	**(422)**	(195)
Net interest expense	4	**(427)**	(152)	**(354)**	(133)
Share of losses of joint ventures	12	**(14)**	(291)	**(11)**	(255)
Profit/(loss) before taxation	5	**7,266**	(924)	**6,031**	(847)
Taxation	7(a)	**(2,191)**	(1,261)	**(1,814)**	(1,110)
Profit/(loss) for the year	2(b)	**5,075**	(2,185)	**4,217**	(1,957)
Attributable to:					
Shareholders	22(a)	**2,589**	(1,541)	**2,154**	(1,376)
Non-controlling interests		**2,486**	(644)	**2,063**	(581)
Profit/(loss) for the year		**5,075**	(2,185)	**4,217**	(1,957)
Earnings/(loss) per share	9(a)				
Basic		**HK$1.90**	(HK$1.13)	**RMB1.58**	(RMB1.01)
Diluted		**HK$1.90**	(HK$1.13)	**RMB1.58**	(RMB1.01)

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, 2021

				For information purpose only	
	Note	**2021 HK$ Million**	2020 HK$ Million	**2021 RMB Million**	2020 RMB Million
Profit/(loss) for the year		**5,075**	(2,185)	**4,217**	(1,957)
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		**3,351**	6,684	**(1,007)**	(2,777)
Net investment hedge – net loss	28(d)	**(9)**	(80)	**(8)**	(69)
Movement in hedging reserve:					
Effective portion of changes in fair value		**51**	(132)	**42**	(117)
Net amount transferred to profit or loss		**6**	62	**5**	55
Deferred tax		**(7)**	10	**(6)**	9
Item that will not be reclassified to profit or loss:					
Net change in fair value of equity investments		**(2)**	(9)	**(2)**	(7)
Other comprehensive income for the year, net of tax		**3,390**	6,535	**(976)**	(2,906)
Total comprehensive income for the year		**8,465**	4,350	**3,241**	(4,863)
Attributable to:					
Shareholders		**4,477**	2,090	**1,531**	(3,206)
Non-controlling interests		**3,988**	2,260	**1,710**	(1,657)
Total comprehensive income for the year		**8,465**	4,350	**3,241**	(4,863)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

At December 31, 2021

	Note	2021 HK$ Million	2020 HK$ Million	*For information purpose only* 2021 RMB Million	2020 RMB Million
Non-current assets					
Property, plant and equipment					
Investment properties		**186,582**	173,235	**152,549**	145,654
Investment properties under development		**22,399**	27,544	**18,314**	23,181
Other property, plant and equipment		**286**	250	**234**	210
	10	**209,267**	201,029	**171,097**	169,045
Interests in joint ventures	12	**3,729**	3,781	**3,049**	3,173
Other assets	13	**1,435**	1,436	**1,173**	1,205
Deferred tax assets	20(b)	**84**	91	**69**	76
		214,515	206,337	**175,388**	173,499
Current assets					
Cash and deposits with banks	14	**9,140**	6,793	**7,472**	5,706
Trade and other receivables	15	**3,555**	3,531	**2,906**	2,969
Properties for sale	16	**10,811**	8,009	**8,839**	6,731
Assets held for sale	17	**–**	69	**–**	58
		23,506	18,402	**19,217**	15,464
Current liabilities					
Bank loans and other borrowings	18	**8,079**	7,863	**6,605**	6,604
Trade and other payables	19	**10,790**	10,853	**8,822**	9,129
Lease liabilities	11(a)	**31**	26	**25**	22
Current tax payable	20(a)	**551**	659	**451**	554
		19,451	19,401	**15,903**	16,309
Net current assets/(liabilities)		**4,055**	(999)	**3,314**	(845)
Total assets less current liabilities		**218,570**	205,338	**178,702**	172,654
Non-current liabilities					
Bank loans and other borrowings	18	**37,804**	30,907	**30,909**	25,962
Lease liabilities	11(a)	**305**	302	**249**	254
Deferred tax liabilities	20(b)	**15,974**	14,790	**13,060**	12,447
		54,083	45,999	**44,218**	38,663
NET ASSETS		**164,487**	159,339	**134,484**	133,991
Capital and reserves					
Share capital	21	**4,065**	4,065	**3,164**	3,164
Reserves	22	**91,777**	88,040	**75,196**	74,283
Shareholders' equity		**95,842**	92,105	**78,360**	77,447
Non-controlling interests		**68,645**	67,234	**56,124**	56,544
TOTAL EQUITY		**164,487**	159,339	**134,484**	133,991

Weber W.P. Lo
Chief Executive Officer

H.C. Ho
Chief Financial Officer

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

HK$ Million	Shareholders' equity				Non-controlling interests	Total equity
	Share capital (Note 21)	Other reserves (Note 22)	Retained profits (Note 22)	Total		
At January 1, 2020	4,065	3,280	83,949	91,294	67,033	158,327
Loss for the year	–	–	(1,541)	(1,541)	(644)	(2,185)
Exchange difference arising from translation to presentation currency	–	3,718	–	3,718	2,966	6,684
Net investment hedge – net loss	–	(47)	–	(47)	(33)	(80)
Cash flow hedges: net movement in hedging reserve	–	(35)	–	(35)	(25)	(60)
Net change in fair value of equity investments	–	(5)	–	(5)	(4)	(9)
Total comprehensive income for the year	–	3,631	(1,541)	2,090	2,260	4,350
Dividends in respect of previous year						
– Special	–	–	(354)	(354)	–	(354)
– Final	–	–	(858)	(858)	–	(858)
Interim dividend in respect of current year	–	–	(258)	(258)	–	(258)
Employee share-based payments	–	(76)	110	34	21	55
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	157	–	157	(323)	(166)
Dividends paid to non-controlling interests	–	–	–	–	(1,757)	(1,757)
At December 31, 2020 and January 1, 2021	4,065	6,992	81,048	92,105	67,234	159,339
Profit for the year	**–**	**–**	**2,589**	**2,589**	**2,486**	**5,075**
Exchange difference arising from translation to presentation currency	**–**	**1,866**	**–**	**1,866**	**1,485**	**3,351**
Net investment hedge – net loss	**–**	**(5)**	**–**	**(5)**	**(4)**	**(9)**
Cash flow hedges: net movement in hedging reserve	**–**	**29**	**–**	**29**	**21**	**50**
Net change in fair value of equity investments	**–**	**(2)**	**–**	**(2)**	**–**	**(2)**
Total comprehensive income for the year	**–**	**1,888**	**2,589**	**4,477**	**3,988**	**8,465**
Final dividend in respect of previous year	**–**	**–**	**(858)**	**(858)**	**–**	**(858)**
Interim dividend in respect of current year	**–**	**–**	**(286)**	**(286)**	**–**	**(286)**
Employee share-based payments	**–**	**(77)**	**117**	**40**	**26**	**66**
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	**–**	**364**	**–**	**364**	**(758)**	**(394)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**(1,845)**	**(1,845)**
At December 31, 2021	**4,065**	**9,167**	**82,610**	**95,842**	**68,645**	**164,487**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

For information purpose only

RMB Million	Shareholders' equity				Non-controlling interests	Total equity
	Share capital	Other reserves	Retained profits	Total		
At January 1, 2020	3,164	8,462	70,197	81,823	60,062	141,885
Loss for the year	–	–	(1,376)	(1,376)	(581)	(1,957)
Exchange difference arising from translation to presentation currency	–	(1,756)	–	(1,756)	(1,021)	(2,777)
Net investment hedge – net loss	–	(39)	–	(39)	(30)	(69)
Cash flow hedges: net movement in hedging reserve	–	(31)	–	(31)	(22)	(53)
Net change in fair value of equity investments	–	(4)	–	(4)	(3)	(7)
Total comprehensive income for the year	–	(1,830)	(1,376)	(3,206)	(1,657)	(4,863)
Dividends in respect of previous year						
– Special	–	–	(325)	(325)	–	(325)
– Final	–	–	(789)	(789)	–	(789)
Interim dividend in respect of current year	–	–	(228)	(228)	–	(228)
Employee share-based payments	–	(67)	97	30	19	49
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–	142	–	142	(292)	(150)
Dividends paid to non-controlling interests	–	–	–	–	(1,588)	(1,588)
At December 31, 2020 and January 1, 2021	3,164	6,707	67,576	77,447	56,544	133,991
Profit for the year	**–**	**–**	**2,154**	**2,154**	**2,063**	**4,217**
Exchange difference arising from translation to presentation currency	**–**	**(641)**	**–**	**(641)**	**(366)**	**(1,007)**
Net investment hedge – net loss	**–**	**(4)**	**–**	**(4)**	**(4)**	**(8)**
Cash flow hedges: net movement in hedging reserve	**–**	**24**	**–**	**24**	**17**	**41**
Net change in fair value of equity investments	**–**	**(2)**	**–**	**(2)**	**–**	**(2)**
Total comprehensive income for the year	**–**	**(623)**	**2,154**	**1,531**	**1,710**	**3,241**
Final dividend in respect of previous year	**–**	**–**	**(711)**	**(711)**	**–**	**(711)**
Interim dividend in respect of current year	**–**	**–**	**(237)**	**(237)**	**–**	**(237)**
Employee share-based payments	**–**	**(64)**	**96**	**32**	**23**	**55**
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	**–**	**298**	**–**	**298**	**(622)**	**(324)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**(1,531)**	**(1,531)**
At December 31, 2021	**3,164**	**6,318**	**68,878**	**78,360**	**56,124**	**134,484**

Consolidated Cash Flow Statement

For the year ended December 31, 2021

	Note	2021 HK$ Million	2020 HK$ Million	2021 RMB Million	2020 RMB Million
				For information purpose only	
Operating activities					
Cash generated from operations	23	**4,591**	5,236	**3,796**	4,612
Tax paid					
Hong Kong Profits Tax paid		**(352)**	(896)	**(292)**	(797)
Mainland China Income Tax paid		**(1,196)**	(579)	**(991)**	(527)
Net cash generated from operating activities		**3,043**	3,761	**2,513**	3,288
Investing activities					
Payment for property, plant and equipment		**(2,878)**	(3,125)	**(2,378)**	(2,780)
Net sale proceeds from disposal of property, plant and equipment		**70**	6	**58**	5
Net sale proceeds from disposal of assets held for sale		**69**	–	**58**	–
Interest received		**86**	148	**72**	133
Dividends received from joint ventures		**38**	47	**32**	42
Advance to unlisted investee companies		**(1)**	–	**(1)**	–
Decrease in bank deposits with maturity greater than 3 months		**1,176**	716	**976**	636
Net cash used in investing activities		**(1,440)**	(2,208)	**(1,183)**	(1,964)
Financing activities					
Proceeds from new bank loans and other borrowings	24	**25,402**	19,130	**21,078**	17,021
Repayment of bank loans and other borrowings	24	**(18,760)**	(12,273)	**(15,572)**	(10,916)
Capital element of lease rentals paid	24	**(12)**	(8)	**(10)**	(7)
Interest and other borrowing costs paid		**(1,424)**	(1,377)	**(1,180)**	(1,224)
Interest element of lease rentals paid	24	**(16)**	(15)	**(13)**	(14)
Dividends paid		**(1,144)**	(1,470)	**(948)**	(1,342)
Dividends paid to non-controlling interests		**(1,845)**	(1,757)	**(1,531)**	(1,588)
Decrease in non-controlling interests in subsidiaries		**(382)**	(166)	**(314)**	(150)
Net cash generated from financing activities		**1,819**	2,064	**1,510**	1,780
Increase in cash and cash equivalents		**3,422**	3,617	**2,840**	3,104
Effect of foreign exchange rate changes		**86**	164	**(97)**	(24)
Cash and cash equivalents at January 1		**5,508**	1,727	**4,627**	1,547
Cash and cash equivalents at December 31	14	**9,016**	5,508	**7,370**	4,627

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1 Significant 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"). Significant 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 29.

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(y) as if the presentation currency is Renminbi.

1 Significant 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 Significant 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 Significant 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(t)) 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(t)), 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 Significant 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(w)(2).

1 Significant 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(w)(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 Significant 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 Significant 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) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell, except that financial assets, deferred tax assets and investment properties continue to be measured in accordance with the Group's accounting policies.

(r) 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.

1 Significant Accounting Policies (Continued)

(s) 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(t)).

(t) 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.

(u) 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).

1 Significant Accounting Policies (Continued)

(u) Financial guarantees issued (Continued)

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.

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.

(v) 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.

(w) 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. 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.

1 Significant Accounting Policies (Continued)

(w) Revenue and other income (Continued)

2. 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.

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.

(x) 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 Significant Accounting Policies (Continued)

(x) 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.

(y) 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 Significant Accounting Policies (Continued)

(y) 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.

(z) 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 Significant Accounting Policies (Continued)

(aa) 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.

(ab) 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	2021	2020
Under the scope of HKFRS 16, *Leases*:		
Rental income (Note 11(b))	9,637	8,386
Under the scope of HKFRS 15, *Revenue from contracts with customers:*		
Sales of completed properties	–	62
Building management fees and other income from property leasing	1,282	1,078
	1,282	1,140
	10,919	9,526

As of December 31, 2021, the aggregate amount of revenue expected to be recognized in the future arising from signed property pre-sale agreements amounted to HK$1,083 million (2020: Nil), which is expected to be recognized in second half of 2023 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	2021			2020		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Revenue						
– Mainland China	**7,402**	**–**	**7,402**	5,694	–	5,694
– Hong Kong	**3,517**	**–**	**3,517**	3,770	62	3,832
	10,919	**–**	**10,919**	9,464	62	9,526
Profit/(loss) from operations before changes in fair value of properties						
– Mainland China	**4,655**	**(38)**	**4,617**	3,471	(8)	3,463
– Hong Kong	**2,668**	**(36)**	**2,632**	2,858	54	2,912
	7,323	**(74)**	**7,249**	6,329	46	6,375
Net increase/(decrease) in fair value of properties	**458**	**–**	**458**	(6,856)	–	(6,856)
– Mainland China	**1,763**	**–**	**1,763**	(2,627)	–	(2,627)
– Hong Kong	**(1,305)**	**–**	**(1,305)**	(4,229)	–	(4,229)
Net interest expense	**(427)**	**–**	**(427)**	(152)	–	(152)
– Interest income	**82**	**–**	**82**	70	–	70
– Finance costs	**(509)**	**–**	**(509)**	(222)	–	(222)
Share of losses of joint ventures	**(14)**	**–**	**(14)**	(291)	–	(291)
Profit/(loss) before taxation	**7,340**	**(74)**	**7,266**	(970)	46	(924)
Taxation	**(2,200)**	**9**	**(2,191)**	(1,252)	(9)	(1,261)
Profit/(loss) for the year	**5,140**	**(65)**	**5,075**	(2,222)	37	(2,185)
Net profit/(loss) attributable to shareholders	**2,627**	**(38)**	**2,589**	(1,563)	22	(1,541)

2 Revenue and Segment Information (Continued)

(c) Total segment assets

HK$ Million	2021			2020		
	Property Leasing	Property Sales	Total	Property Leasing	Property Sales	Total
Mainland China	148,623	4,887	153,510	140,137	3,739	143,876
Hong Kong	64,169	5,954	70,123	64,422	4,340	68,762
	212,792	10,841	223,633	204,559	8,079	212,638
Interests in joint ventures			3,729			3,781
Other assets			1,435			1,436
Deferred tax assets			84			91
Cash and deposits with banks			9,140			6,793
			238,021			224,739

3 Other Net Income

HK$ Million	2021	2020
Government grants	29	21
Gain on disposal of investment properties	17	2
Ineffectiveness on cash flow hedges	–	1
Dividend income from equity investments measured at FVTOCI	2	–
Others	12	30
	60	54

4 Net Interest Expense

HK$ Million	2021	2020
Interest income on bank deposits	82	70
Interest expense on bank loans and other borrowings	1,414	1,429
Interest on lease liabilities	16	15
Other borrowing costs	79	74
Total borrowing costs	1,509	1,518
Less: Borrowing costs capitalized (Note)	(1,000)	(1,296)
Finance costs	509	222
Net interest expense	(427)	(152)

Note:

The borrowing costs were capitalized at an average rate of 3.7% (2020: 4.5%) per annum to properties under development.

5 Profit/(Loss) Before Taxation

HK$ Million	2021	2020
Profit/(loss) before taxation is arrived at after charging:		
Cost of properties sold	–	5
Staff costs (Note)	1,527	1,313
Depreciation	62	48
Auditors' remuneration		
– audit services	14	13
– non-audit services	4	2
and after crediting:		
Rental and related income from investment properties less direct outgoings of HK$3,021 million (2020: HK$2,628 million)	7,898	6,836

Note:

The staff costs included employee share-based payments of HK$66 million (2020: HK$55 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$1,812 million (2020: HK$1,575 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	2021	2020
Executive Directors						
Ronnie C. Chan	**2.2**	**28.6**	**10.8**	**2.9**	**44.5**	43.9
Adriel Chan	**1.6**	**12.3**	**6.1**	**1.2**	**21.2**	12.8
Weber W.P. Lo	**1.6**	**19.2**	**14.2**	**1.0**	**36.0**	35.5
H.C. Ho	**1.6**	**5.5**	**4.3**	**0.5**	**11.9**	11.6
Kenneth K.K. Chiu (Appointed on October 6, 2021)	**0.4**	**1.2**	**2.8**	**0.1**	**4.5**	–
Non-Executive Directors						
Gerald L. Chan	**0.8**	**–**	**–**	**–**	**0.8**	0.7
George K.K. Chang	**1.0**	**–**	**–**	**–**	**1.0**	0.9
Roy Y.C. Chen	**0.8**	**–**	**–**	**–**	**0.8**	0.7
Independent Non-Executive Directors						
Simon S.O. Ip	**1.2**	**–**	**–**	**–**	**1.2**	1.2
P.W. Liu	**1.2**	**–**	**–**	**–**	**1.2**	1.1
L.C. Tsui	**1.0**	**–**	**–**	**–**	**1.0**	0.9
Martin C.K. Liao	**0.9**	**–**	**–**	**–**	**0.9**	0.9
2021	**14.3**	**66.8**	**38.2**	**5.7**	**125.0**	110.2
2020	13.0	60.6	31.7	4.9	110.2	

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, four (2020: four) are existing directors of the Company whose emoluments are disclosed in note 6(a). The emoluments in respect of the remaining one (2020: one) individual are as follows:

HK$ Million	2021	2020
Salaries, allowances and benefits in kind	**3.1**	5.8
Discretionary bonuses	**6.6**	3.1
The Group's contributions to retirement schemes	**0.2**	0.4
	9.9	9.3

(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 26(b).

7 Taxation in the Consolidated Statement of Profit or Loss

(a) Taxation in the consolidated statement of profit or loss represents:

HK$ Million	**2021**	2020
Current tax		
Hong Kong Profits Tax	**311**	399
Under-provision in prior years	**2**	2
	313	401
Mainland China Income Tax	**1,114**	870
Total current tax	**1,427**	1,271
Deferred tax		
Changes in fair value of properties	**624**	(66)
Other origination and reversal of temporary differences	**140**	56
Total deferred tax (Note 20(b))	**764**	(10)
Total income tax expense	**2,191**	1,261

Provision for Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year. Mainland China Income Tax represents mainland China Corporate Income Tax calculated at 25% (2020: 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% (2020: 5%).

(b) Share of joint ventures' taxation for the year ended December 31, 2021 of HK$16 million (2020: HK$24 million) is included in the "share of losses of joint ventures".

(c) Reconciliation between actual tax expense and profit/(loss) before taxation at applicable tax rates is as follows:

HK$ Million	**2021**	2020
Profit/(loss) before taxation	**7,266**	(924)
Notional tax on profit/(loss) before taxation at applicable rates	**1,520**	2
Tax effect of non-taxable income	**(33)**	(250)
Tax effect of non-deductible expenses	**418**	781
Tax effect of unrecognized temporary differences	**(15)**	305
Tax effect of unrecognized tax losses	**299**	421
Under-provision in prior years	**2**	2
Actual tax expense	**2,191**	1,261

8 Dividends

(a) Dividends attributable to the year

HK$ Million	2021	2020
Interim dividend declared and paid of HK21 cents (2020: HK19 cents) per share	286	258
Final dividend of HK65 cents (2020: HK63 cents) per share proposed after the end of the reporting period	885	858
	1,171	1,116

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$858 million (calculated based on HK63 cents per share and the total number of issued shares as of the dividend pay-out date) for the year ended December 31, 2020 were approved and paid in the year ended December 31, 2021 (2020: HK$858 million).

9 Earnings/(Loss) Per Share

(a) The calculation of basic and diluted earnings/(loss) per share is based on the following data:

HK$ Million	2021	2020
Net profit/(loss) attributable to shareholders	2,589	(1,541)

	Number of shares	
	2021	2020
Weighted average number of shares used in calculating basic and diluted earnings/(loss) per share (Note)	1,361,618,242	1,361,618,242

Note:

Diluted earnings/(loss) per share was the same as the basic earnings/(loss) 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	2021	2020
Net profit/(loss) attributable to shareholders	2,589	(1,541)
Effect of changes in fair value of properties	(458)	6,856
Effect of corresponding income tax	624	(66)
Effect of changes in fair value of investment properties of joint ventures	116	422
	282	7,212
Non-controlling interests	120	(2,837)
	402	4,375
Underlying net profit attributable to shareholders	2,991	2,834

The earnings per share based on underlying net profit attributable to shareholders was:

	2021	2020
Basic	HK$2.20	HK$2.08
Diluted	HK$2.20	HK$2.08

10 Property, Plant and Equipment

HK$ Million	Investment properties	Investment properties under development	Others	Total
Cost or valuation:				
At January 1, 2020	168,218	27,602	805	196,625
Exchange adjustment	6,459	1,789	25	8,273
Additions	540	4,691	57	5,288
Disposals	(4)	–	(7)	(11)
Net decrease in fair value	(4,906)	(1,950)	–	(6,856)
Transfer in/(out)	2,997	(2,997)	–	–
Transfer to properties for sale (Note 16)	–	(1,591)	–	(1,591)
Transfer to assets held for sale (Note 17)	(69)	–	–	(69)
At December 31, 2020 and January 1, 2021	173,235	27,544	880	201,659
Exchange adjustment	**3,549**	**558**	**27**	**4,134**
Additions	**383**	**1,878**	**94**	**2,355**
Disposals	**(53)**	**–**	**(9)**	**(62)**
Net increase/(decrease) in fair value	**1,663**	**(776)**	**–**	**887**
Transfer in/(out)	**7,805**	**(7,805)**	**–**	**–**
Transfer from properties for sale (Note 16)	**–**	**1,000**	**–**	**1,000**
At December 31, 2021	**186,582**	**22,399**	**992**	**209,973**
Accumulated depreciation:				
At January 1, 2020	–	–	574	574
Exchange adjustment	–	–	14	14
Charge for the year	–	–	48	48
Written back on disposals	–	–	(6)	(6)
At December 31, 2020 and January 1, 2021	–	–	630	630
Exchange adjustment	**–**	**–**	**22**	**22**
Charge for the year	**–**	**–**	**62**	**62**
Written back on disposals	**–**	**–**	**(8)**	**(8)**
At December 31, 2021	**–**	**–**	**706**	**706**
Net book value:				
At December 31, 2021	**186,582**	**22,399**	**286**	**209,267**
At December 31, 2020	173,235	27,544	250	201,029

Cost or valuation of the property, plant and equipment is made up as follows:

December 31, 2021				
Valuation	**186,582**	**22,399**	**–**	**208,981**
Cost	**–**	**–**	**992**	**992**
	186,582	**22,399**	**992**	**209,973**
December 31, 2020				
Valuation	173,235	27,544	–	200,779
Cost	–	–	880	880
	173,235	27,544	880	201,659

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 2021**		
	Level 1	**Level 2**	**Level 3**
Investment properties	**–**	**186,582**	**–**
Investment properties under development	**–**	**–**	**22,399**

HK$ Million	Fair value measurement at 2020		
	Level 1	Level 2	Level 3
Investment properties	–	173,235	–
Investment properties under development	–	–	27,544

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, 2021 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, 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$11.2 billion (2020: HK$0.2 billion to HK$11.1 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 "net increase/(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	
	2021	2020	**2021**	2020
In Hong Kong				
– long-term leases (over 50 years)	**39,304**	39,956	**–**	–
– medium-term leases (10 to 50 years)	**22,316**	22,486	**1,500**	483
Outside Hong Kong				
– long-term leases (over 50 years)	**–**	–	**28**	23
– medium-term leases (10 to 50 years)	**124,962**	110,793	**20,871**	27,038
	186,582	173,235	**22,399**	27,544

(d) The net book value of other property, plant and equipment of the Group included long-term leases of HK$9 million (2020: HK$9 million) in respect of land and buildings held in Hong Kong, medium-term leases of HK$4 million (2020: HK$4 million) and long-term leases of HK$29 million (2020: HK$30 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	**2021**	2020
Interest on lease liabilities	**16**	15
Expenses relating to short-term leases	**5**	4
	21	19

Lease liabilities recognized in the consolidated statement of financial position:

HK$ Million	**2021**	2020
Current liabilities	**31**	26
Non-current liabilities	**305**	302
	336	328

A maturity analysis of lease liabilities is disclosed in note 28(b).

11 Leases (Continued)

(a) As a lessee (Continued)

Amounts included in the cash flow statement:

HK$ Million	2021	2020
Within operating cash flows	(5)	(4)
Within financing cash flows	(28)	(23)
	(33)	(27)

(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	2021	2020
Operating leases		
Fixed or variable depending on an index or rate	7,981	7,362
Variable not depending on an index or rate	1,656	1,024
	9,637	8,386

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	2021	2020
Within 1 year	7,187	6,410
After 1 year but within 2 years	5,025	4,071
After 2 years but within 3 years	3,094	2,362
After 3 years but within 4 years	1,773	1,394
After 4 years but within 5 years	977	829
After 5 years	744	882
	18,800	15,948

12 Interests in Joint Ventures

HK$ Million	2021	2020
Share of net assets	**3,051**	3,126
Amounts due from joint ventures	**683**	662
Amounts due to joint ventures	**(5)**	(7)
	3,729	3,781

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, 2021, the Group had financial guarantees payable on demand of an amount not exceeding HK$500 million (2020: HK$500 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 35. The aggregate financial information related to the Group's share of joint ventures that are not individually material are as follows:

HK$ Million	2021	2020
Non-current assets	**4,092**	4,227
Current assets	**425**	400
Non-current liabilities	**(1,234)**	(1,238)
Current liabilities	**(232)**	(263)
Net assets	**3,051**	3,126

HK$ Million	2021	2020
Revenue	**226**	234
Losses and total comprehensive income for the year	**(14)**	(291)

13 Other Assets

HK$ Million	2021	2020
Investments in unlisted equity instruments (Note 13(a))	**94**	96
Advance to unlisted investee companies	**159**	158
Intangible assets (Note 13(b))	**1,182**	1,182
	1,435	1,436

(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	2021	2020
Cash at banks	**4,432**	1,591
Time deposits	**4,708**	5,202
Cash and deposits with banks in the consolidated statement of financial position	**9,140**	6,793
Less: Bank deposits with maturity greater than 3 months	**(124)**	(1,285)
Cash and cash equivalents in the consolidated cash flow statement	**9,016**	5,508

During the year, the Group's cash and deposits with banks were interest-bearing at an average rate of 1.8% (2020: 1.7%) per annum. The currencies of cash and deposits with banks at the year end date were as follows:

HK$ Million	2021	2020
Hong Kong Dollars	**5,617**	2,631
Hong Kong Dollar equivalent of:		
Renminbi	**3,367**	4,021
United States Dollars	**156**	141
	9,140	6,793

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	2021	2020
Bank loans and other borrowings (Note 18)	**45,883**	38,770
Less: Cash and deposits with banks	**(9,140)**	(6,793)
Net debt	**36,743**	31,977

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	2021	2020
Not past due or less than 1 month past due	117	116
1 – 3 months past due	7	26
More than 3 months past due	4	11
	128	153

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 28(c).

(b) Included in "other receivables" of the Group is a deposit of land acquisition in mainland China of HK$306 million (2020: HK$297 million).

16 Properties for Sale

HK$ Million	2021	2020
In mainland China		
– Completed properties for sale	4	4
– Properties under development for sale	4,883	3,735
	4,887	3,739
In Hong Kong		
– Completed properties for sale	1,042	983
– Properties under development for sale	4,882	3,287
	5,924	4,270
	10,811	8,009

During the year ended December 31, 2021, one of the properties under development for sale in Hong Kong with a carrying amount of HK$1,429 million (2020: Nil) were transferred to investment properties under development upon the change in intended use. The fair value of these properties at the date of transfer was HK$1,000 million (Note 10). The difference between the fair value and carrying amount was included in "net increase/(decrease) in fair value of properties" in the consolidated statement of profit or loss.

During the year ended December 31, 2020, investment properties under development with a carrying amount of HK$1,591 million were transferred to properties for sale upon the change in intended use (Note 10).

All properties under development for sale are expected to be recovered after more than one year.

17 Assets Held for Sale

The balance at December 31, 2020 represented 44 car parking spaces at AquaMarine and The Long Beach in Hong Kong which were disposed of in the first half of 2021.

The investment properties were stated at fair value with reference to the agreed selling prices as stated in the sale and purchase agreements and the fair value measurement of the properties was classified as Level 2 valuation (Note 10(b)(i)) as there was no significant unobservable input.

18 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	**2021**	2020
Bank loans (Note 18(a))		
Within 1 year or on demand	**2,262**	2,194
After 1 year but within 2 years	**7,098**	2,804
After 2 years but within 5 years	**17,563**	13,049
Over 5 years	**1,654**	1,627
	28,577	19,674
Other borrowings (Note 18(b))		
Within 1 year or on demand	**5,822**	5,673
After 1 year but within 2 years	**680**	5,800
After 2 years but within 5 years	**6,420**	6,185
Over 5 years	**4,550**	1,600
	17,472	19,258
	46,049	38,932
Less: unamortized front end fees	**(166)**	(162)
Total bank loans and other borrowings	**45,883**	38,770
Amount due within 1 year included under current liabilities	**(8,079)**	(7,863)
	37,804	30,907

18 Bank Loans and Other Borrowings (Continued)

(a) All bank loans are interest-bearing at rates ranging from 0.7% to 5.5% (2020: 0.7% to 5.5%) 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, 2021, the Group had HK$18,295 million (2020: HK$16,538 million) of undrawn committed banking facilities.

(b) Other borrowings represent bonds issued at coupon rates ranging from 2.00% to 4.75% (2020: 2.20% to 5.00%) per annum.

At December 31, 2021, the available balances of the Group's USD4 billion (2020: USD4 billion) Medium Term Note Program amounted to USD1,760 million (2020: USD1,670 million), equivalent to HK$13,722 million (2020: HK$12,945 million).

19 Trade and Other Payables

HK$ Million	2021	2020
Creditors and accrued expenses (Note 19(a))	7,517	7,968
Contract liabilities (Note 19(b))	191	64
Deposits received (Note 19(c))	3,082	2,821
	10,790	10,853

(a) Creditors and accrued expenses include retention money payable of HK$387 million (2020: HK$304 million) which is not expected to be settled within one year.

19 Trade and Other Payables (Continued)

(b) Contract liabilities

(i) Building management fees and other income from property leasing received in advance of HK$102 million (2020: HK$64 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$89 million (2020: Nil)

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.

The above balance included HK$55 million (2020: Nil) which are expected to be recognized as revenue after one year.

(c) In the amount of deposits received, HK$1,618 million (2020: HK$1,562 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	2021	2020
Due within 3 months	1,751	4,424
Due after 3 months	3,155	2,040
	4,906	6,464

20 Taxation in the Consolidated Statement of Financial Position

(a) Current taxation

HK$ Million	2021	2020
Hong Kong Profits Tax	101	140
Mainland China Income Tax	450	519
	551	659

(b) Deferred taxation

HK$ Million	2021	2020
Deferred tax liabilities	15,974	14,790
Deferred tax assets	(84)	(91)
	15,890	14,699

20 Taxation in the Consolidated Statement of Financial Position (Continued)

(b) Deferred taxation (Continued)

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, 2020	2,075	11,783	(72)	94	13,880
Exchange adjustments	101	738	–	–	839
Charged/(credited) to					
– profit or loss (Note 7(a))	127	(66)	(3)	(68)	(10)
– other comprehensive income	–	–	–	(10)	(10)
At December 31, 2020 and January 1, 2021	2,303	12,455	(75)	16	14,699
Exchange adjustments	**52**	**372**	**–**	**(4)**	**420**
Charged/(credited) to					
– profit or loss (Note 7(a))	**188**	**624**	**(71)**	**23**	**764**
– other comprehensive income	**–**	**–**	**–**	**7**	**7**
At December 31, 2021	**2,543**	**13,451**	**(146)**	**42**	**15,890**

(c) Deferred tax assets not recognized

The Group has not recognized deferred tax assets in respect of tax losses of HK$9,871 million (2020: HK$10,065 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, 2021. 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.

21 Share Capital

	At January 1, 2021 and December 31, 2021		At January 1, 2020 and December 31, 2020	
	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.

22 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, 2020	(1,978)	(1)	68	443	275	4,473	3,280	83,949	87,229
Loss for the year	–		–	–	–	–	–	(1,541)	(1,541)
Exchange difference arising from translation to presentation currency	3,718		–	–	–	–	3,718	–	3,718
Net investment hedge – net loss	(47)		–	–	–	–	(47)	–	(47)
Cash flow hedges: net movement in hedging reserve	–	(35)	–	–	–	–	(35)	–	(35)
Net change in fair value of equity investments	–		(5)	–	–	–	(5)	–	(5)
Total comprehensive income for the year	3,671	(35)	(5)	–	–	–	3,631	(1,541)	2,090
Dividends in respect of previous year									
– Special	–		–	–	–	–	–	(354)	(354)
– Final	–		–	–	–	–	–	(858)	(858)
Interim dividend in respect of current year	–		–	–	–	–	–	(258)	(258)
Employee share-based payments	–		–	(76)	–	–	(76)	110	34
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	–		–	–	–	157	157	–	157
At December 31, 2020 and January 1, 2021	1,693	(36)	63	367	275	4,630	6,992	81,048	88,040
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,589**	**2,589**
Exchange difference arising from translation to presentation currency	**1,866**	**–**	**–**	**–**	**–**	**–**	**1,866**	**–**	**1,866**
Net investment hedge – net loss	**(5)**	**–**	**–**	**–**	**–**	**–**	**(5)**	**–**	**(5)**
Cash flow hedges: net movement in hedging reserve	**–**	**29**	**–**	**–**	**–**	**–**	**29**	**–**	**29**
Net change in fair value of equity investments	**–**	**–**	**(2)**	**–**	**–**	**–**	**(2)**	**–**	**(2)**
Total comprehensive income for the year	**1,861**	**29**	**(2)**	**–**	**–**	**–**	**1,888**	**2,589**	**4,477**
Final dividend in respect of previous year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(858)**	**(858)**
Interim dividend in respect of current year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(286)**	**(286)**
Employee share-based payments	**–**	**–**	**–**	**(77)**	**–**	**–**	**(77)**	**117**	**40**
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary	**–**	**–**	**–**	**–**	**–**	**364**	**364**	**–**	**364**
At December 31, 2021	**3,554**	**(7)**	**61**	**290**	**275**	**4,994**	**9,167**	**82,610**	**91,777**

22 Reserves (Continued)

(a) The Group (Continued)

The retained profits of the Group at December 31, 2021 included HK$631 million (2020: HK$631 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 28(a)) and currency risk (Note 28(d)):

HK$ Million	Interest rate risk	Currency risk	Total
At January 1, 2020	–	(1)	(1)
Effective portion of cash flow hedge recognized in other comprehensive income	(69)	(63)	(132)
Amount reclassified to profit or loss	10	52	62
Related tax	10	–	10
Effect of share of non-controlling interests	21	4	25
At December 31, 2020 and January 1, 2021	(28)	(8)	(36)
Effective portion of cash flow hedge recognized in other comprehensive income	**14**	**37**	**51**
Amount reclassified to profit or loss	**30**	**(24)**	**6**
Related tax	**(7)**	**–**	**(7)**
Effect of share of non-controlling interests	**(14)**	**(7)**	**(21)**
At December 31, 2021	**(5)**	**(2)**	**(7)**

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(ab).

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.

22 Reserves (Continued)

(b) The Company

HK$ Million	General reserve	Retained profits	Total reserves
At January 1, 2020	862	16,687	17,549
Profit and total comprehensive income for the year	–	2,751	2,751
Dividends in respect of previous year			
– Special	–	(354)	(354)
– Final	–	(858)	(858)
Interim dividend in respect of current year	–	(258)	(258)
At December 31, 2020 and January 1, 2021	862	17,968	18,830
Profit and total comprehensive income for the year	**–**	**2,304**	**2,304**
Final dividend in respect of previous year	**–**	**(858)**	**(858)**
Interim dividend in respect of current year	**–**	**(286)**	**(286)**
At December 31, 2021	**862**	**19,128**	**19,990**

The aggregate amount of the Company's reserves available for distribution to equity shareholders of the Company at December 31, 2021 was HK$19,990 million (2020: HK$18,830 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, 2021 (Note 14). Net debt to equity ratio and debt to equity ratio as of December 31, 2021 were 22.3% (2020: 20.1%) and 27.9% (2020: 24.3%), respectively. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

23 Cash Generated from Operations

HK$ Million	2021	2020
Profit/(loss) before taxation	**7,266**	(924)
Adjustments for:		
Gain on disposal of investment properties	**(17)**	(2)
Dividend income from equity investments measured at FVTOCI	**(2)**	–
Loss on disposal of other property, plant and equipment	**1**	1
Ineffectiveness on cash flow hedges	**–**	(1)
Employee share-based payments	**66**	55
Depreciation	**62**	48
Net (increase)/decrease in fair value of properties	**(458)**	6,856
Interest income on bank deposits	**(82)**	(70)
Finance costs	**509**	222
Share of losses of joint ventures	**14**	291
Increase in properties for sale	**(3,408)**	(318)
Increase in trade and other receivables	**(263)**	(1,228)
Increase in creditors and accrued expenses and contract liabilities	**698**	276
Increase in deposits received	**205**	30
Cash generated from operations	**4,591**	5,236

24 Reconciliation of Liabilities Arising from Financing Activities

HK$ Million	Bank loans and other borrowings (Note 18)	Lease liabilities (Note 11)	Total
At January 1, 2020	31,113	316	31,429
Cash flows	6,857	(23)	6,834
Non-cash changes:			
Unwind of discount and amortization of transaction costs	60	15	75
Exchange adjustment	740	20	760
At December 31, 2020 and January 1, 2021	38,770	328	39,098
Cash flows	**6,642**	**(28)**	**6,614**
Non-cash changes:			
Entering into new leases	**–**	**10**	**10**
Unwind of discount and amortization of transaction costs	**93**	**16**	**109**
Exchange adjustment	**378**	**10**	**388**
At December 31, 2021	**45,883**	**336**	**46,219**

25 Commitments

At the end of the reporting period, capital commitments not provided for in the financial statements were as follows:

HK$ Million	2021	2020
Contracted for	**5,983**	4,304
Authorized but not contracted for	**13,195**	15,049
	19,178	19,353

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.

26 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.

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$34 million (2020: HK$35 million) and forfeited sums refunded to the Group amounted to HK$4 million (2020: HK$7 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$7 million (2020: HK$8 million).

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$67 million (2020: HK$14 million).

26 Employee Benefits (Continued)

(b) Equity compensation benefits

The share option scheme adopted by the Company's subsidiary, HLP, on November 22, 2002 (the "2002 Share Option Scheme") was terminated upon the adoption of a new share option scheme on April 18, 2012 (the "2012 Share Option Scheme", together with the 2002 Share Option Scheme are referred to as the "Schemes"). No further options shall be offered under the 2002 Share Option Scheme, but in all other respects the provisions of the 2002 Share Option Scheme shall remain in full force and effect and all options granted prior to such termination and not exercised at the date of termination shall remain valid. The 2012 Share Option Scheme remains in force for a period of 10 years commencing on its adoption date and expiring on the tenth anniversary thereof.

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.

As of the date of this report, the total number of HLP shares available for issue under the 2012 Share Option Scheme is 143,791,553 shares, representing 3.20% 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.

26 Employee Benefits (Continued)

(b) Equity compensation benefits (Continued)

The movements of share options of HLP during the year are as follows:

(i) 2002 Share Option Scheme

	Number of share options				
Date granted	Outstanding on January 1, 2021	Forfeited/ Lapsed	**Outstanding on December 31, 2021**	Period during which options are exercisable	Exercise price (HK$)
June 13, 2011	17,620,000	(17,620,000)	**–**	June 13, 2013 to June 12, 2021	30.79

All the above 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 options were exercised or cancelled during the year.

During the year, 600,000 options (2020: 720,000 options) were forfeited upon cessations of a grantee's employment and 17,020,000 options (2020: 25,380,000 options) lapsed due to the expiry of the period for exercising the options.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2021		2020	
	Weighted average exercise price (HK$)	**Number of options**	Weighted average exercise price (HK$)	Number of options
Outstanding at January 1	**30.79**	**17,620,000**	30.27	43,720,000
Forfeited	**30.79**	**(600,000)**	30.79	(720,000)
Lapsed	**30.79**	**(17,020,000)**	29.89	(25,380,000)
Outstanding at December 31	**–**	**–**	30.79	17,620,000
Exercisable at December 31	**–**	**–**	30.79	17,620,000

26 Employee Benefits (Continued)

(b) Equity compensation benefits (Continued)

(ii) 2012 Share Option Scheme

	Number of share options						
Date granted	Outstanding on January 1, 2021	Granted	Exercised	Forfeited/ Lapsed	Outstanding on December 31, 2021	Period during which options are exercisable	Exercise price (HK$)
June 4, 2013	24,220,000	–	–	(1,380,000)	22,840,000	June 4, 2015 to June 3, 2023	28.20
December 5, 2014	20,820,000	–	–	(1,000,000)	19,820,000	December 5, 2016 to December 4, 2024	22.60
August 10, 2017	32,931,000	–	(1,396,000)	(1,352,000)	30,183,000	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	48,819,000	–	(65,000)	(3,792,100)	44,961,900	June 28, 2021 to June 27, 2029	18.58
May 12, 2021	–	65,505,000	–	(2,400,000)	63,105,000	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
Total	136,790,000	67,505,000	(1,461,000)	(9,924,100)	192,909,900		

All the above 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 options were cancelled during the year.

In respect of options granted during the year, the closing share prices of HLP immediately before the dates of grant ranged from HK$17.44 to HK$19.48.

During the year, 9,924,100 options (2020: 10,407,500 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:

	2021		2020	
	Weighted average exercise price (HK$)	Number of options	Weighted average exercise price (HK$)	Number of options
Outstanding at January 1	21.26	136,790,000	21.26	147,278,500
Granted	19.88	67,505,000	–	–
Exercised	19.92	(1,461,000)	19.98	(81,000)
Forfeited	20.84	(9,924,100)	21.25	(10,407,500)
Outstanding at December 31	20.81	192,909,900	21.26	136,790,000
Exercisable at December 31	23.35	68,265,990	24.50	55,919,300

26 Employee Benefits (Continued)

(b) Equity compensation benefits (Continued)

(ii) 2012 Share Option Scheme (Continued)

The weighted average closing share prices of HLP immediately before the dates of exercise by the director and employees during the year were HK$19.46 and HK$21.17 respectively.

The weighted average closing share price of HLP at the dates of exercise for share options exercised during the year was HK$20.53.

The weighted average remaining contractual life of options outstanding at the end of the reporting period was 6.6 years (2020: 6.2 years).

The weighted average 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, in weighted average, are as follows:

Fair value at grant date	HK$2.65
Share price at grant date	HK$19.54
Exercise price	HK$19.88
Risk-free interest rate	0.73%
Expected life (in years)	6
Expected volatility	25.34%
Expected dividends per share	HK$0.76

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, 2021, estimated in accordance with the Group's accounting policy in note 1(ab)(2) was as follows:

(1) Mr. Ronnie C. Chan, HK$4.4 million (2020: HK$3.7 million);
(2) Mr. Adriel Chan, HK$3.4 million (2020: HK$2.6 million);
(3) Mr. Weber W.P. Lo, HK$8.1 million (2020: HK$8.7 million);
(4) Mr. H.C. Ho, HK$2.8 million (2020: HK$2.4 million); and
(5) Mr. Kenneth K.K. Chiu, HK$0.3 million (2020: Nil).

27 Material Related Party Transactions

Except for the emoluments to directors and key management personnel disclosed in notes 6 and 26(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.

28 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	**2021**	2020
Notional amount of hedging instruments	**4,500**	4,500
Carrying amount of hedging instruments		
– Trade and other payables	**(15)**	(59)
Change in fair value used for measuring hedge ineffectiveness		
– Hedging instruments	**14**	(69)
– Hedged items	**(14)**	69
Change in fair value of hedging instruments recognized in other comprehensive income	**14**	(69)
Amount reclassified from hedging reserve to profit or loss that are charged to finance costs	**30**	10

These interest rate swaps will mature in 2023, of which the Group receives Hong Kong Interbank Offered Rate and pays fixed rates ranging from 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	**2021**	2020
Fixed	**21,998**	23,772
Floating	**23,885**	14,998
Total borrowings	**45,883**	38,770

28 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$148 million (2020: HK$83 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 2020.

(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	**45,883**	**50,368**	**9,274**	**8,750**	**25,397**	**6,947**
Trade and other payables	**10,790**	**10,790**	**8,785**	**949**	**903**	**153**
Lease liabilities	**336**	**487**	**31**	**29**	**83**	**344**
At December 31, 2021	**57,009**	**61,645**	**18,090**	**9,728**	**26,383**	**7,444**

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	38,770	43,409	9,119	9,536	20,777	3,977
Trade and other payables	10,853	10,853	8,987	1,008	772	86
Lease liabilities	328	491	26	26	79	360
At December 31, 2020	49,951	54,753	18,132	10,570	21,628	4,423

28 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 USD550 million (2020: USD1,000 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 ranging from 2.03% to 4.715% per annum. These swaps will mature in 2022 and 2028.

28 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	2021	2020
Notional amount of hedging instruments	4,263	7,750
Carrying amount of hedging instruments		
– Trade and other receivables	26	2
– Trade and other payables	–	(1)
Change in fair value used for measuring hedge ineffectiveness		
– Hedging instruments	37	(62)
– Hedged items	(37)	63
Hedge ineffectiveness* recognized in profit or loss		
– Other net income	–	1
Change in fair value of hedging instruments recognized in other comprehensive income	37	(63)
Amount reclassified from hedging reserve to profit or loss that are charged/(credited) to		
– Finance costs	9	15
– Other net income	(33)	37

* The hedge ratio is determined to be 1:1 as all critical terms were matched. However, as certain cross currency swaps were entered into before the date they were designated as the hedging instruments, ineffectiveness arose as the terms of these cross currency swaps were not exactly the same as the market position of the bonds.

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 RMB2,753 million (2020: RMB3,379 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, 2021 was HK$98 million (2020: HK$1,287 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 (2020: loss of HK$80 million) was recognized in the Group's other comprehensive income for the year on translation of the Renminbi denominated borrowings to Hong Kong dollars.

28 Financial Risk Management Objectives and Policies (Continued)

(d) Currency risk (Continued)

Management estimated that a 5% (2020: 5%) appreciation/depreciation of Renminbi against Hong Kong dollar would increase/decrease the Group's equity attributable to shareholders by HK$3,317 million (2020: HK$3,067 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 2020.

(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 2021	Fair value 2020	Fair value measurements categorized into
Financial assets			
Trade and other receivables			
Cross currency swaps (cash flow hedges)	**26**	2	Level 2
Other assets			
Investment in equity instruments	**94**	96	Level 3
Financial liabilities			
Trade and other payables			
Cross currency swaps (cash flow hedges)	**–**	(1)	Level 2
Interest rate swaps (cash flow hedges)	**(15)**	(59)	Level 2

28 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, 2020 and 2021.

29 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.

30 Company-Level Statement of Financial Position

At December 31, 2021

HK$ Million	Note	2021	2020
Non-current assets			
Interests in subsidiaries	31	**24,507**	23,337
Current assets			
Cash and deposits with banks		**1**	1
Trade and other receivables		**2**	1
		3	2
Current liabilities			
Trade and other payables		**16**	16
Net current liabilities		**13**	14
Total assets less current liabilities		**24,494**	23,323
Non-current liabilities			
Amounts due to subsidiaries	31(b)	**439**	428
NET ASSETS		**24,055**	22,895
Capital and reserves			
Share capital	21	**4,065**	4,065
Reserves	22(b)	**19,990**	18,830
TOTAL EQUITY		**24,055**	22,895

Weber W.P. Lo
Chief Executive Officer

H.C. Ho
Chief Financial Officer

31 Interests in Subsidiaries

HK$ Million	2021	2020
Unlisted shares, at cost	166	166
Amounts due from subsidiaries (Note 31(a))	24,341	23,171
	24,507	23,337

Details of principal subsidiaries are set out in note 34.

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	2021	2020
NCI percentage at the end of the reporting period	41.3%	41.8%
Non-current assets	201,431	193,441
Current assets	22,804	17,875
Current liabilities	(19,502)	(19,074)
Non-current liabilities	(52,349)	(44,054)
Net assets	152,384	148,188
Carrying amount of NCI	58,530	57,807
Revenue	10,321	8,973
Profit/(loss) for the year	4,805	(2,056)
Total comprehensive income for the year	8,029	4,107
Profit/(loss) allocated to NCI	1,597	(1,075)
Dividends paid to NCI	1,449	1,430
Net cash flow:		
generated from operating activities	2,732	3,413
used in investing activities	(1,424)	(2,196)
generated from financing activities	1,976	2,305

(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.

32 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended December 31, 2021

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, 2021 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.

33 Approval of Financial Statements

The financial statements were approved and authorized for issue by the Board of Directors on January 27, 2022.

34 Principal Subsidiaries

At December 31, 2021

Company	Issued Share Capital (HK$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Antonis Limited*	10,000	58.7	–	Property leasing	Hong Kong
AP City Limited	2	58.7	–	Property leasing	Hong Kong
AP Joy Limited	2	58.7	–	Property leasing	Hong Kong
AP Properties Limited				Property leasing	Hong Kong
'A' shares	34	58.7	–		
'B' shares	6	58.7	–		
AP Star Limited*	2	58.7	–	Investment holding	Hong Kong
AP Success Limited	2	58.7	–	Property leasing	Hong Kong
AP Universal Limited*	2	58.7	–	Property leasing	Hong Kong
AP Win Limited*	1,000,000	58.7	–	Property leasing	Hong Kong
AP World Limited	2	58.7	–	Property leasing	Hong Kong
Bayliner Investment Ltd.*	US$ 1	100	100	Investment holding	British Virgin Islands
Believecity Limited*	2	100	–	Investment holding	Hong Kong
Bonna Estates Company Limited	1,000,000	58.7	–	Property leasing	Hong Kong
Caddo Enterprises, Limited*	4,000,000	58.7	–	Property leasing	Hong Kong
Cokage Limited*	2	100	100	Investment holding	Hong Kong
Country Bond Development Limited				Investment holding	Hong Kong
'A' shares	990	57.0	–		
'B' share	1	58.7	–		
Country First Enterprises Limited	2	100	–	Investment holding	Hong Kong
Country Link Enterprises Limited	5,000,000	58.5	–	Investment holding	Hong Kong
Curicao Company Limited*	2	100	–	Investment holding	Hong Kong
Dokay Limited*	2	58.7	–	Property leasing	Hong Kong
Dynamia Company Limited	2	100	100	Property development & leasing	Hong Kong

34 Principal Subsidiaries (Continued)

At December 31, 2021

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	58.7	–		
Easegood Enterprises Limited	2	58.7	–	Investment holding	Hong Kong
Ever Brilliant Investment Limited	2	100	100	Investment holding	Hong Kong
Fu Yik Company Limited*	3	58.7	–	Property leasing	Hong Kong
Gala Ruby Limited*	2	58.7	–	Investment holding	Hong Kong
Grand Centre Limited	4	58.7	–	Property leasing	Hong Kong
Grand Hotel Group Limited	10,200	58.7	–	Apartment operating & management	Hong Kong
Grand Hotel Holdings Limited				Investment holding	Hong Kong
'A' shares	1,004,834,694	58.7	–		
'B' shares	6,000,000	58.7	–		
Great Cheer Development Limited	2	100	100	Property development	Hong Kong
Hang Chui Company Limited	2	58.7	–	Property leasing	Hong Kong
Hang Far Company Limited*	2	58.7	–	Investment holding	Hong Kong
Hang Fine Company Limited	200	58.7	–	Property leasing	Hong Kong
Hang Kong Company Limited*	2	100	–	Investment holding	Hong Kong
Hang Kwok Company Limited*	10,000	58.7	–	Property leasing	Hong Kong
Hang Lung (Administration) Limited	10,000	58.7	–	Management services	Hong Kong
Hang Lung (China) Limited	2	100	100	Investment holding	Hong Kong
Hang Lung (Dalian) Limited	1	58.7	–	Investment holding	Hong Kong
Hang Lung (Jiangsu) Limited	1	58.7	–	Investment holding	Hong Kong
Hang Lung (Jinan) Limited	1	58.7	–	Investment holding	Hong Kong
Hang Lung (Kunming) Limited	1	58.7	–	Investment holding	Hong Kong
Hang Lung (Liaoning) Limited	1	58.7	–	Investment holding	Hong Kong
Hang Lung (Shenyang) Limited	2	58.7	–	Investment holding	Hong Kong
Hang Lung (Tianjin) Limited	2	58.7	–	Investment holding	Hong Kong

34 Principal Subsidiaries (Continued)

At December 31, 2021

Company	Issued Share Capital (HK$)	% Held by the Group	% Held by the Company	Activity	Place of Incorporation and Operations
Hang Lung (Wuhan) Limited	1	58.7	–	Investment holding	Hong Kong
Hang Lung (Wuxi) Limited	1	58.7	–	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	58.7	–	Property leasing	Hong Kong
Hang Lung Investments Limited*	2	100	100	Investment holding	Hong Kong
Hang Lung Project Management Limited*	10,000	58.7	–	Project management	Hong Kong
Hang Lung Properties Limited	39,949,979,215	58.7	–	Investment holding	Hong Kong
Hang Lung Property Management Limited*	100,000	58.7	–	Property management	Hong Kong
Hang Lung Real Estate Agency Limited*	2	58.7	–	Property agencies	Hong Kong
Hang Lung Treasury Limited	2	100	100	Financial services	Hong Kong
Hang Top Limited*	3	72.5	–	Investment holding	Hong Kong
Hang Wise Company Limited*	200	72.5	–	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	58.7	–	Management services	Hong Kong
HLP (China) Limited	2	58.7	–	Investment holding	Hong Kong
HLP Finance Limited#	US$1	58.7	–	Financial services	British Virgin Islands
HLP Financial Services Limited	RMB1	58.7	–	Financial services	Hong Kong
HLP Treasury Limited	2	58.7	–	Financial services	Hong Kong
HLP Treasury Services Limited*	2	58.7	–	Financial services	Hong Kong
Hoi Sang Limited*	2	58.7	–	Investment holding	Hong Kong

34 Principal Subsidiaries (Continued)

At December 31, 2021

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	58.7	–	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	58.7	–	Property leasing	Hong Kong
Modalton Limited	2	58.7	–	Property leasing	Hong Kong
Nikco Limited	2	100	–	Property leasing	Hong Kong
Palex Limited*	2	58.7	–	Property leasing	Hong Kong
Passion Success Limited*	1	58.7	–	Investment holding	Hong Kong
Pocaliton Limited	2	58.7	–	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	58.7	–	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	58.7	–	Property leasing	Hong Kong
Success Cosmos Development Limited*	2	100	100	Property development	Hong Kong
Superlane Development Limited	1,000	72.5	–	Property development	Hong Kong
Tegraton Limited	2	58.7	–	Property leasing	Hong Kong
Topnic Limited	2	100	100	Property leasing	Hong Kong
Total Select Limited	1	58.7	–	Property development	Hong Kong
Wai Luen Investment Company, Limited*	100,000	58.7	–	Property leasing	Hong Kong
Yangli Limited*	2	58.7	–	Property leasing	Hong Kong
Yee Fly Investment Limited*	1,000	100	100	Investment holding	Hong Kong

34 Principal Subsidiaries (Continued)

At December 31, 2021

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	58.7	–	Property development & leasing	Mainland China
Hangzhou Hang Lung Properties Ltd.	RMB11,767,500,000	58.7	–	Property development	Mainland China
Hubei Hang Lung Property Development Co., Ltd.	RMB7,900,000,000	58.7	–	Property development & leasing	Mainland China
Kunming Hang Ying Properties Ltd.	RMB8,055,634,575	58.7	–	Property development & leasing	Mainland China
Liaoning Hang Lung Properties Ltd.	RMB8,040,096,324	58.7	–	Property development & leasing	Mainland China
Shandong Hang Lung Properties Ltd.	US$385,000,000	58.7	–	Property development & leasing	Mainland China
Shenyang Hang Lung Properties Ltd.	US$349,990,000	58.7	–	Property development & leasing	Mainland China
Tianjin Hang Lung Properties Ltd.	HK$5,329,600,000	58.7	–	Property development & leasing	Mainland China
Wuxi Hang Lung	RMB4,691,746,261	58.7	–	Property development & leasing	Mainland China
Wuxi Hang Ying Properties Ltd.	RMB960,716,180	58.7	–	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	56.7	–	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	55.0	–	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.

35 Principal Joint Ventures

At December 31, 2021

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	20	–	Financial services	Hong Kong
Newfoundworld Holdings Limited	2,000,000	20	–	Investment holding	Hong Kong
Newfoundworld Investment Holdings Limited	US$5	20	–	Investment holding	British Virgin Islands
Newfoundworld Limited	2,000,000	20	–	Property development	Hong Kong
Pure Jade Limited	1,000,000	20	–	Property development	Hong Kong
Star Play Development Limited	3	19.6	–	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)	2021	2020	2019
CONSOLIDATED STATEMENT OF PROFIT OR LOSS			
Revenue			
Property leasing	10,919	9,464	9,139
Property sales	–	62	296
	10,919	9,526	9,435
Operating profit/(loss)			
Property leasing	7,898	6,836	6,736
Property sales	(91)	44	162
	7,807	6,880	6,898
Underlying net profit attributable to shareholders	2,991	2,834	3,796
Effect of changes in fair value of properties	(402)	(4,375)	3,020
Net profit/(loss) attributable to shareholders	2,589	(1,541)	6,816
Dividends for the year	(1,171)	(1,116)	(1,470)
	1,418	(2,657)	5,346
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Net assets employed (Note 1)			
Investment properties	186,582	173,235	168,218
Investment properties under development	22,399	27,544	27,602
Properties for sale	10,811	8,009	5,662
Other assets	9,089	9,158	8,097
	228,881	217,946	209,579
Other liabilities	(27,651)	(26,630)	(23,799)
	201,230	191,316	185,780
Financed by			
Shareholders' equity	95,842	92,105	91,294
Non-controlling interests	68,645	67,234	67,033
Net debt/(cash)	36,743	31,977	27,453
	201,230	191,316	185,780
Number of shares issued (in million)	1,362	1,362	1,362
PER SHARE DATA			
Basic earnings/(loss) (HK$)	$1.90	($1.13)	$5.00
Dividends (HK cents)	86¢	82¢	108¢
Interim	21¢	19¢	19¢
Final	65¢	63¢	63¢
Special	–	–	26¢
Net assets attributable to shareholders (HK$)	$70.4	$67.6	$67.0
FINANCIAL INDICATORS			
Dividend payout ratio	45%	N/A	22%
Underlying dividend payout ratio	39%	39%	39%
Net debt to equity	22.3%	20.1%	17.3%
Debt to equity	27.9%	24.3%	19.7%
Interest cover (times)	5	4	5
Return on average shareholders' equity	2.8%	N/A	7.7%

Note:

1. Net assets employed are presented by excluding net debt/cash.

	2018	2017	2016	2015	2014	2013	2012
	8,784	8,354	8,326	8,330	7,792	7,216	6,711
	1,231	3,420	5,322	1,198	9,814	2,518	1,275
	10,015	**11,774**	**13,648**	**9,528**	**17,606**	**9,734**	**7,986**
	6,484	6,074	6,129	6,110	5,987	5,731	5,313
	765	2,238	3,209	845	7,419	1,521	847
	7,249	**8,312**	**9,338**	**6,955**	**13,406**	**7,252**	**6,160**
	2,631	**3,314**	**3,772**	**2,700**	**5,730**	**3,071**	**3,564**
	2,654	2,000	(59)	511	1,095	1,486	1,698
	5,285	**5,314**	**3,713**	**3,211**	**6,825**	**4,557**	**5,262**
	(1,089)	(1,089)	(1,089)	(1,084)	(1,097)	(1,079)	(1,066)
	4,196	**4,225**	**2,624**	**2,127**	**5,728**	**3,478**	**4,196**
	144,572	142,406	133,005	137,338	128,357	115,818	106,102
	31,186	21,592	17,282	16,709	25,611	30,478	24,482
	2,463	1,634	2,374	3,852	4,068	5,717	6,139
	7,867	7,933	9,184	6,325	7,014	7,248	5,997
	186,088	173,565	161,845	164,224	165,050	159,261	142,720
	(17,210)	(18,193)	(17,237)	(18,074)	(20,582)	(17,533)	(15,643)
	168,878	**155,372**	**144,608**	**146,150**	**144,468**	**141,728**	**127,077**
	86,447	83,137	75,658	75,470	76,026	70,572	65,224
	64,289	66,419	62,355	64,832	68,670	65,836	64,391
	18,142	5,816	6,595	5,848	(228)	5,320	(2,538)
	168,878	155,372	144,608	146,150	144,468	141,728	127,077
	1,362	1,362	1,362	1,355	1,355	1,350	1,350
	$3.88	$3.90	$2.73	$2.37	$5.04	$3.38	$3.90
	80¢	80¢	80¢	80¢	81¢	80¢	79¢
	19¢	19¢	19¢	19¢	19¢	19¢	19¢
	61¢	61¢	61¢	61¢	62¢	61¢	60¢
	–	–	–	–	–	–	–
	$63.5	$61.0	$55.5	$55.7	$56.1	$52.3	$48.3
	21%	20%	29%	34%	16%	24%	20%
	41%	33%	29%	40%	19%	35%	30%
	12.0%	3.9%	4.8%	4.2%	0.0%	3.9%	0.0%
	20.3%	18.7%	22.5%	26.6%	27.7%	33.0%	29.0%
	7	10	14	14	25	23	60
	6.2%	6.7%	4.9%	4.2%	9.3%	6.7%	8.4%

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 & other borrowings, net of unamortized other borrowing costs
Net debt	Total borrowings net of cash and deposits with banks
Net profit/(loss) attributable to shareholders	Profit/(loss) for the year (after tax) less amounts attributable to non-controlling interests
Underlying net profit attributable to shareholders	Net profit/(loss) attributable to shareholders excluding changes in fair value of properties net of related income tax and non-controlling interests

Financial Ratios

$$\text{Basic earnings/(loss) per share} = \frac{\text{Net profit/(loss) attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Debt to equity} = \frac{\text{Total borrowings}}{\text{Total equity}}$$

$$\text{Net assets attributable to shareholders per share} = \frac{\text{Shareholders' equity}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Net debt to equity} = \frac{\text{Net debt}}{\text{Total equity}}$$

$$\text{Interest cover} = \frac{\text{Profit from operations before changes in fair value of properties}}{\text{Finance costs before capitalization less interest income}}$$

$$\text{Payout ratio} = \frac{\text{Dividends attributable to the year}}{\text{Net profit attributable to shareholders}}$$

General Terms

AGM	annual general meeting of the Company
Articles of Association	the articles of association of the Company
Board	board of Directors
Board Member(s)	Director(s) of the Board
CEO	chief executive officer
CFO	chief financial officer
CG Code	Corporate Governance Code contained in Appendix 14 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 Company
ERM	enterprise risk management
ESG	environmental, social and governance
ESG Guide	Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Listing Rules
Executive Board Member(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 10 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#
H.C. Ho *(Chief Financial Officer, retired on March 1, 2022)*
Kenneth K.K. Chiu *(Chief Financial Officer Designate, became Chief Financial Officer on March 1, 2022)*

\# *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 Financial Reporting Council Ordinance

Financial Calendar

2021

July

Announcement of interim results	July 29, 2021

September

Interim dividend paid	September 29, 2021

2022

January

Announcement of annual results	January 27, 2022

April

Latest time for lodging transfers (for attending and voting at annual general meeting)	4:30 p.m. on April 21, 2022
Closure of share register (for attending and voting at annual general meeting)	April 22 to 27, 2022 (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 27, 2022

May

Latest time for lodging transfers (for final dividend)	4:30 p.m. on May 3, 2022
Closure of share register (for final dividend)	May 4, 2022
Proposed final dividend payable	May 19, 2022

Listing Information

At December 31, 2021

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
17M 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 High HK$	Share Price Low HK$	Total Trading Volume Number of Shares ('000)
2021			
First quarter	21.60	18.74	55,836
Second quarter	20.75	18.78	39,690
Third quarter	20.35	17.32	38,614
Fourth quarter	18.78	15.54	39,372
Share Price as at December 31, 2021:			**HK$16.66**
Market Capitalization as at December 31, 2021:			**HK$22.68 billion**

	Share Price High HK$	Share Price Low HK$	Total Trading Volume Number of Shares ('000)
2020			
First quarter	21.45	14.02	104,886
Second quarter	18.38	14.30	91,113
Third quarter	20.30	17.56	61,172
Fourth quarter	20.60	17.08	54,081
Share Price as at December 31, 2020:			**HK$19.28**
Market Capitalization as at December 31, 2020:			**HK$26.25 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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